ECONOMIC AND POLITICAL WEEKLY

eeksha Trust Publication Rs 12.00 Vol XXIX No 14 April 2, 1994

MENSIONS OF INDIA'S EXTERNAL ONOMIC CRISIS

LOCAL SELF-GOVERNMENT AND ITS INSTRUMENTALITIES

OLITICS OF CASTEISM AND COMMUNALISM IN UP

SCIENCE AND ETHICS IN PUBLIC DECISION-MAKING

DECLINE OF URDU EDUCATION IN INDIA

EXCHANGE RATE AND TRADE IMBALANCE

TATE AND DEVELOPMENT: ASE OF SINGAPORE

BEHIND THE PM'S 'MIDDLE PATH'

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar

EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phone 8870482
Director
S L Shetty

Vol XXIX No 14 April 2, 1994

Misdiagnosis

The developmental dimensions of India's recent external debt crisis have been by and large side-tracked by lender agencies and concern with short-term liquidity aspects has led to the recommendation of economic reforms packages which are often antithetical to growth. The two aspects of the debt issue, the developmental and financial dimensions, bring to light a basic incongruity between the diagnosis and the remedial measures implemented. 805

State in Singapore

Over the last three decades Singapore has been able to combine good macro-economic performance and good social and demographic indicators with authoritarian policy and corporatist management. Are there lessons for India? 795

Rejecting Ram

The BJP's espousal of communalism as a political device has partly misfired, at least in Uttar Pradesh. Whereas the upper castes have clearly taken to Ram as a political device, the OBC/SC/Muslims continue to maintain an ecumenical attitude. 777

Sacred Cows

The logic of Narasimha Rao's 'middle path' in economic reforms is simple: while attention must be paid to maintaining the base of the social pyramid, the middle and the top must not be hurt. 773

Ethical Questions

The values which inform the decision to build a huge technological project encompass not only scientific and technical issues but social and political factors which pose conflicting ethical questions. 813

Power to the Panchayat

Self-government of any kind must have not only a clearly demarcated field of activities, but also the instruments with which to govern in this field. For this, panchayats must be endowed with the power to recruit and control their own staff. 789

Appalling Neglect

The lack of state support for Urdu education has not only led to a deterioration of educational standards but has devalued the language. 782

No Loss

The Madhya Pradesh chief minister's proposal to lower the height of the Sardar Sarovar dam will reduce power eventually available to the state, but will also reduce submergence area. 774

Flashback

If the resolutions of the Indian History Congress on Ayodhya had been taken seriously, the political climate in the country may well have been different now. 776

Export Orientation

Child labour in the carpet industry is obviously becoming a concern for the government—because it affects exports of the product. 794

Counterproductive

The policy of keeping exchange rates deliberately undervalued, may turn out to be counterproductive, because it not only fails to correct the external trade imbalance but affects industrial growth by making the cost of necessary imports prohibitive. 819

Kerala Panchayati Raj Bill

THE Kerala Panchayati Raj Bill that is being sent to a Select Committee this week, and is expected to be passed by the state legislature by April 20, proposes in effect to centralise power in the hands of officials at the state level, instead of decentralising it among the people as has been intended all along since panchayati raj institutions were accepted in principle, more than three decades ago, as the foundation for political and economic decentralisation in India. This is an astonishing distortion, indeed travesty, of the ideals that have guided this country since Mahatma Gandhi began to lead the freedom movement. Precisely for that reason, the present effort in Kerala, under the auspices of a government led by the Congress Party, has to be countered and defeated by organising and mobilising public opinion within the state to the extent possible in the next three weeks.

The commissioner, proposed to be appointed under the panchayati raj system should really have no powers beyond scrutinising the technical aspects of the budgets presented by individual panchayats. Instead, under the proposed bill, he has not only powers to add and delete items from these budgets but is also authorised to intervene in the day-to-day functioning of the panchayats. The bureaucracy, represented in the proposed system by the commissioner at the state level and by deputy commissioners at the district level, has in effect crucial veto powers which, if resorted to, can reduce panchayati raj to a tragic comedy.

Long before the Panchayati Raj Bill was framed, the state government had taken action to ensure that the requirements of effective panchayati raj as an instrument of democratic government were adequately examined and studied in depth. This was in fact done in great painstaking detail by no less a person than V Ramachandran, who was for many years the chief secretary to the state government. Ramachandran continues to be associated with the state government as vice-chairman of the State Planning Board. It appears he has not been consulted in the preparation of the bill that is now being presented to the state legislature, as its provisions run counter to many of his earlier findings and recommendations. There are however other more compliant members of the bureaucracy willing to fall in line with those in overall political command.

There is provision in the proposed bill for removal of the president or vice-president of a panchayat and for debarring members of panchayat from contesting in the elections for five years. This is bound to be used for purposes in gross violation of the principles of panchayat raj. Such powers should be vested with a permanent judicial commission, and not with any political or bureaucratic body.

Both political leaders and the bureaucracy at the state level have strong vested interests in retaining power in their own hands and in sharing them as little as possible with representatives of the people at the panchayat level. If their power and influence are not countered from the outset there will be in fact no effective decentralisation and no democracy at the grass roots. This is what the proposed bill tries to ensure.

It is therefore of the utmost importance that a major restructuring of the proposed bill is undertaken at the stage of the Select Committee that is now to consider it, as well as in the state legislature later through the combined efforts of enlightened members of the ruling party as well as members of the opposition. There is no time to be lost in making the general public also aware of what is at stake, to make sure that an environment is created in the state that makes it impossible to make a caricature of democracy at the grass roots. This is the least we owe as a duty to Mahatma Gandhi today.

Abu Abraham, Laurie Baker, A D Damodaran, K M George, P S George, Archbishop Mar Gregarios, I S Gulati, K P Kannan, T N Krishnan, Lakshmi N Menon, R V G Menon, S Jayachandran Nair, P G K Panikar, S Sharma, K N Raj, A P Udayabhanu

PDS Reform

I HAVE some comments on the article on PDS by Jos E Mooij (January 15). With a simple calculation we can see that targeting of PDS towards, say, 6 crore needy families, giving every family a comparatively high (Kerala-level) monthly benefit of Rs 40, cost 12 × 40 × 6 = Rs 2,880 crore, which is about the same as the present outlays on PDS. If, in the light of structural adjustment programmes, PDS is to be made really effective, a monthly benefit of Rs 40 is still very small. However, it is about three times as much as the present benefit, and it would certainly lift a number of low-income families to the poverty line.

Given the tight budgetary situation in India, targeting is extremely necessary and effective. That is why it is strange that the author hails the situation in Kerala, where almost every family has access to PDS, and where the ration card is used as an identity card. That is an injustice (subsidising the rich) and a huge waste of scarce resources, with which quite a few families, inside or outside Kerala, could reach the poverty line.

If India wants to progress economically, there is no alternative to taking unpopular measures. The government (at least the central government) has shown that it is not avoiding these kind of steps. That is why there is no reason to rule out the possibility of PDS reform, as the author does.

PAUL TEUNISSEN

Apeldoorn, The Netherlands

Subscription Rates

Inland

(including Nepal and Bhutan)

(in rupees)

	Six months	One year	Two years	Three years
Institutions	—	475	900	1325
Individuals	200	375	700	1025
Concessional Rates				
Teachers/Researchers	—	250	—	—
Students	—	195	—	—

Concessional rates are available only in India. To avail of concessional rates, certificate from relevant institution is essential.

Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign *(in US $)*

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan, Bangladesh & Sri Lanka	60	30	40	20
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	125	80	70	40
All other countries	80	50	50	30

All remittances to **Economic and Political Weekly**

ECONOMIC AND POLITICAL WEEKLY

Inflation's Return

EVERY aspect virtually of the government's economic management threatens to fuel price increases, particularly prices of commodities of common consumption. Apart from the phenomenally large revenue and gross fiscal deficits, the 1994-95 budget has opted for larger consumption expenditure in preference to productive and capital expenditure. The budget has done nothing to encourage saving; rather it has provided every stimulant to encourage consumption even as the disposable incomes of the relatively well-to-do have been augmented through tax reductions. Domestic saving and investment rates have declined in the three years from 1991-92 to 1993-94. Government policies are stoking liquidity growth at a time when productive investment continues to be sluggish and when the institutional and instrumental channels for directing larger flows of investible funds to agriculture and rural industries are choked. As a result, the growth of liquidity can only lead to build-up of speculative inventories of consumption goods. On the supply side, while there is growing availability of goods of middle and upper class consumption, both domestically produced and imported, the prospects for goods of mass consumption hinge precariously on the country experiencing a seventh successive year of buoyant rainfall in 1994-95. The large food stocks with the public procurement agencies and the impressive level of foreign exchange reserves are not sufficient safeguards against rise in the prices of essential consumer goods. Apart from the fact that the public agencies carry stocks of only rice and wheat, their operations have increasingly begun to be inflation-stimulating rather than inflation-containing. Overall, the hold of rich farmers and traders on rice and wheat marketing has tightened. Ministerial declarations of intent to effect large exports of rice and wheat have tended to push up prices of these major cereals in the open market. Besides, there are indications of acreage and farm investment in the agriculturally-advanced states getting diverted from cereals and pulses. As it is, the budget for 1994-95 has given a clear signal of reduced public investment in agriculture. Finally, in industry, apart from increases in raw material costs, the high real interest burden and, in many cases, the fact that product prices have been sluggish for quite some time reduce the scope for further containment of price increases, signs which are already visible in some basic industries.

The current trend of inflation has thus to be judged against some of these macro-economic developments. The over-the-year rise in the general index of wholesale prices (WPI), which had been running at a little over 7 per cent on the eve of the 1993 kharif season in October, has been creeping up since then and has, after some fluctuations, now touched 9.9 per cent as on March 19. The 1993-94 financial year has so far experienced a 9.8 per cent rise in the WPI against a rise of 7 per cent in the same period of 1992-93. And if final and not the provisional figures of the WPI are taken, the inflation rate should be well above the double-digit level. Further, but for the recession in the basic and capital goods industries, many of which have as a result shown only small increases in prices—machinery and machine tools 1.1 per cent, automobiles 2.1 per cent and cement 0.8 per cent—or even absolute declines, the inflation rate would have touched the double-digit level quite some time back. Thus the rise in prices of many agriculture-based raw materials and basic consumption goods has been very sharp indeed. The WPI for fibres as a group shows a rise of 75.8 per cent over the past year and, within the group, raw cotton prices have risen by 36.7 per cent, raw jute by 117 per cent and raw wool by 57.4 per cent. And, despite the large food stocks, wheat prices have risen by 10.6 per cent and much larger increases have taken place in the case of bajra (35.2 per cent), maize (15.4 per cent) and barley (24.6 per cent); pulses as a group (36.2 per cent) and, among pulses, gram (65.9 per cent), arhar (20.1 per cent), moong (23.7 per cent) and urad (18.4 per cent); vegetables (39.3 per cent) and, among them, potatoes (59.2 per cent), onions (124.2 per cent), green peas (48.1 per cent) and cauliflower (12.3 per cent); coffee (30.3 per cent); the sugar, khandsari and gur group (28.3 per cent) and, within it, non-levy sugar (36.3 per cent), levy sugar (10.9 per cent), khandsari (31.3 per cent) and gur (34.5 per cent); cotton textiles (9.9 per cent); and the electricity group (33.2 per cent). No doubt some commodities like coconuts, condiments and spices, edible oils and tea have experienced either more moderate increases or even some decline in prices, but the widespread nature of large price increases clearly suggests that the official series of consumer price indices grossly underestimate the rise in consumer prices. The CPI for industrial workers (base: 1982 = 100) shows a rise of only 8.2 per cent during April 1993-January 1994 compared to 5.2 per cent in the previous year and that for agricultural labourers (July 1960-June 1961 = 100) shows a rise of 10.7 per cent during April 1993-January 1994 against 1.9 per cent in the same months of the previous year.

While the government's grossly inadequate supply management policies have contributed to the accelerating inflation, the vast increase in liquidity in the system in the face of slow economic growth and rapid growth of consumption expenditures at the government and household levels cannot but fuel inflationary expectations in the new fiscal year and the situation could turn critical if agricultural production turns out to be less than satisfactory. Compared to the initial target of 12 per cent and the revised target of 14 per cent for growth of broad money (M_3) in 1993-94, actual monetary expansion so far (up to March 4) has been 16.9 per cent and the year may well have ended with broad money growth of not less than 18.5 to 19 per cent. Even more damaging has been the 23 per cent rise in reserve money

during the period, against the increase of only 3.7 per cent in the previous year. Constrained by the structural adjustment policies, the Reserve Bank has been rendered acutely short of monetary instruments to mop up or sterilise the liquidity growth arising from the rising foreign exchange accruals. As a result, the flood of liquidity has begun to play havoc in the financial system as well as in the stock and commodity markets. Short-term interest rates on market-related instruments like commercial paper (CP) have fallen to exceptionally low levels. Because the demand for bank credit continues to be sluggish (non-food advances of scheduled commercial banks have expanded by a bare 4.4 per cent during 1993-94 so far compared to an increase of 19.2 per cent in the preceding year) the whole financial intermediation process has been severely distorted. The stage is truly set for inflationary spiral with no hope concurrently of any improvement in employment and real incomes for the comman man.

RESOURCE TRANSFER TO STATES

Playing to the Gallery

IT cannot go unnoticed that as against the total resource transfer to the states of Rs 53,817 crore in 1993-94 (revised estimates) the amount provided in the central budget for 1994-95 is only Rs 53,303 crore. Obviously, resource transfer to the states, even in absolute amount, will be smaller by Rs 514 crore. But that is not the whole story.

As a proportion of gross domestic product at current prices, centre-states resource transfer in 1993-94 would work out to 7.7 per cent. Assuming that growth in GDP in 1994-95 will be around 13 per cent without adjustment for the inflation factor, resource transfer to the states as provided in the budget will work out to 6.7 per cent of GDP. This implies a decline in the states' share by as much as 13 per cent. This decline, it is noteworthy, will take place in spite of the assumed increase of Rs 2,150 crore in the states' statutory share of central tax revenues. Whether this increase will actually materialise is questionable, based as it is on very shaky assumptions in regard to the realisation of revenues from the shareable taxes. These are the same taxes in respect of which the finance minister has been most generous with concessions and rate reductions—some in the name of rationalisation, as in the excise duty regime, and others to meet commitments already made, as for corporate and personal income tax. Partly at least, the purpose of the finance minister's optimism that the estimated loss in revenue entailed by his tax concessions and rate reductions will be made up by improved revenue realisation must have been not to cause too much unease in the states, and that too in a year when a Finance Commission is working on its award. His optimism is also perhaps based very much on hopes of a recovery in industrial growth materialising during 1994-95. Even assuming that the projected tax revenues under the shareable tax heads are realised, the statutory transfers in this form will work out to a smaller proportion of GDP in 1994-95 than in 1993-94.

But the largest part of the decline in total resource transfers will be in central grants and loans to the states. Here it is well to remember the sharp decline in recent years in the amount the states have been getting by way of their share of small savings collections. Small savings and receipts from personal income tax have one thing in common—the small share of the centre in the collections, so that the centre has very little to lose from a decline in them. The cost of the centre's generosity in regard to personal income tax falls very largely on the states and still the states have neither any say in decisions on these revenue sources nor any claim to compensation.

The decline in resource transfer as between 1993-94 and 1994-95 is accounted for more by grants than loans and interestingly the decline is shared evenly between assistance towards central and centrally-sponsored schemes. So when the finance minister claims to have increased the allocation for anti-poverty programmes, he conveniently omits to mention that this is at the expense of other central and centrally-sponsored schemes—an accounting trick which helps him play to the gallery, even as overall resource transfer to the states, which the latter could use for the amelioration of the condition of the poor, is curtailed.

CORPORATE TAXATION

Gaping Holes

THE finance minister has always claimed the recommendations of the Chelliah Committee to be the basis of his attempted 'reform' of the tax system. The significantly selective departures from the committee's recommendations in his actual tax proposals, therefore, deserve notice.

In the case of personal income tax, for instance, the Chelliah Committee had desired that the tax should be based on the comprehensive income concept. Arguing that "structural adjustment should entail some serious adjustment in the lifestyle of the elite too", the committee had recommended that the existing provisions for taxation of perquisites should be tightened and employers should be taxed on benefits extended to employees which remain untaxed in the latter's hands. This was specifically recommended in the context of valuation of perquisites by way of rent-free accommodation, particularly the metropolitan cities.

But while personal income tax rat have been sharply reduced, the princip of comprehensiveness in the computing income has been scrupulously ignore What is more, there has been not a wo of explanation from the finance minist why he has chosen to depart from tl recommendations of the Chelliah Con mittee in this fashion.

The truncated implementation of tl Chelliah Committee's recommendations equally glaring in the case of corpora taxation. The committee had forceful argued that an essential concomitant the simplification of the tax system an reduction of tax rates was the eliminatio of all tax incentives and concessions, wit very few exceptions. The committee ha listed some of the fiscal concessions no available to the corporate sector; fc example, (i) 100 per cent deduction c donations for rural development program mes and programmes of natural resourc conservation or even for any "project o scheme for promoting the social an economic welfare or upliftment of th public"; (ii) deduction of 20 per cent o profits of newly-established industria undertakings for a period of eight year (iii) a similar 20 per cent deduction fo newly-established small-scale industria undertakings; and (iv) deduction of 30 pe cent of corporate profits for a period o 10 years after April 1991 for all newly se up industrial undertakings, hotels an cold storage plants and ships. Added t these, there is the five-year tax holiday fo units in the backward eastern states in troduced in the 1993-94 budget which ha been extended to cover backward district of all states in the 1994-95 budget. Beside these, there is also the liberal tax treatmen of entertainment and other such expense which, it is well known, are used t camouflage personal consumption.

The latest budget has introduced tw new provisions which will yield substantial tax saving for the corporate sector namely, reduction of the long-term capital gains tax rate from 40 per cent to 30 per cent and shortening of the holding period for units of the UTI from 36 months to 12 months to claim capital gains tax relief. Export profits, of course, continue to be completely exempt from corporate taxation, even as export profitability has been boosted by the depreciation of the rupee and a number of the other export incentive schemes, such as special import licences, duty exemption and concessional credit, continue. The Chelliah Committee had, once again, pointed to the need for rethinking on these measures once the indirect tax system on domestically produced goods had been rationalised.

The result has been that the incidence of corporate taxation has come down sharply over the years. According to the

RBI's study of company finances, the effective tax rate (tax provision to profit before tax ratio), came down from 39.2 per cent in 1988-89 to 36 per cent in 1989-90 and 32.4 per cent in 1990-91. For later years, the ICICI's study of the private corporate sector, covering 620 companies, shows that the effective tax rate came down from 30.2 per cent in 1991-92 to 24.8 per cent in 1992-93. As many as 189 companies in the ICICI sample were in the zero-tax category in 1992-93 and their number was expected to shoot up because of the reduction in corporate tax rates combined with the continuance of tax incentives and exemptions. It is no surprise, then, that corporate tax receipts as a percentage of GDP have shown no increase at all; in fact they have come down from around 1.4 per cent in the early 1980s to around 1.3 per cent in recent years.

If the corporate tax system is at all to be made more effective it is clear that, apart from pruning the multiple incentives and concessions and tightening tax treatment of certain types of expenses, it is absolutely necessary to introduce a minimum tax provision. The number of zero-tax paying companies is increasing alarmingly and a rough estimate suggests that if a minimum tax of 25 per cent were imposed on corporate profits, it would net not less than Rs 2,500 crore, which is as much as one- fifth of the total current collection from corporate taxation.

KASHMIR

Wrong Elements

A correspondent writes:

THE performance of their Pakistani patrons at the Geneva UN Human Rights Commission conference has put the Hizbul and other pro-Pak militant outfits in Kashmir in an awkward position. But they may continue to demonstrate their muscle power for some time with the help of a spurt of arms aid from Islamabad which, to compensate for its frustration in Geneva, is likely to increase the flow of arms in the coming months. As a result, we may soon see a few more killings in the valley—like that of the former assembly speaker, Wali Mohammad Ittoo—and threats of assassination directed against people like Farooq Abdullah. Such peevish gestures by the militants are a fall out from Pakistan's humiliation in Geneva.

But the fiasco over Kashmir in Geneva should open the eyes of those Kashmiri militants who had been seriously hoping to 'liberate' their homeland with the help of Pakistan. No liberation war anywhere has ever succeeded through the efforts of mercenaries or senseless terrorism—the two main features that mark the military strategy of many of the secessionist groups in Kashmir. The people of China, Vietnam and the African countries built up their own armies and fought wars to emancipate themselves from the yoke of oppression. If the Kashmiris feel that the Indian government is an alien oppressor that is colonising them, their leaders so far have failed to give shape to that feeling in the form of an all-round movement for independence that could have compelled the world to recognise it as a genuine case of self-determination. Instead, the increasing dependence on and identification with Pakistan has robbed the militants (even the pro-independence outfits like the JKLF) of the chance to convince world opinion of the validity of the Kashmiri cause. Taking advantage of their dependence on Pakistan, the Indian government has been able to convince a large number of states that the movement in Kashmir has no indigenous roots and is totally Pak-inspired. It is this again that has helped the Indian government to persuade them to cold-shoulder the issue of violation of human rights by the Indian security forces in Kashmir—an issue on which New Delhi needed to be ticked off at the Geneva conference. But the failure of the Kashmiri groups to pose their case as an independent issue and their reliance instead on the Pakistani delegates (who were out to grind their old axe and settle old scores with India) at the Geneva conference deprived them of the opportunity to voice their genuine grievances at a world forum and seek sympathy for their cause.

Meanwhile, in the valley, some of the militant groups have been frequently indulging in common crimes like abduction, rape, extortion of money, etc. As happened with the Khalistani secessionist movement in Punjab, once these elements from the anti-social underworld are allowed to take over, it is easier for the police to penetrate the movement through these elements and finish it off. In Kashmir, the militants' exclusive stress on terrorist actions easily allows the underworld as well as mercenaries from Afghan, Pakistani and other terrorist outfits funded by fundamentalist Islamic forces to enter the scene. This is likely to alienate those outside Kashmir who may otherwise be sympathetic to the cause of self-determination of the Kashmiri people.

UNEMPLOYMENT

Bias towards Underestimation

AS is well known, unemployment in the developed countries has been at rather high levels. In all the five most developed countries, also referred to as the G-5, unemployment rates are currently higher than ever in the past three decades. However, taking the formal figures of unemployment as such there are major inter-country differences. At one end is Japan with an unemployment rate of 2.7 per cent with the US following at a considerable distance with a rate of 6.4 per cent. At the other end are France and UK, with 12 per cent and 9.8 per cent respectively.

These formal rates do not, however, represent the correct picture of the level of unemployment in these countries. They do not convey the full extent of the problem of joblessness and the principal reason is, as has been pointed out in a recent issue of the *Amex Bank Review*, the failure to take into account the number of what have come to be called 'discouraged workers'. And this number, worked out on the basis of the procedure employed in two recent studies by the US Bureau of Labour Statistics, differs from country to country: "Many millions in the G-5 countries would like to work but are not actively looking for jobs, believing their chances of finding employment are low. Taking these 'discouraged workers' into account transforms cross-country comparisons, narrowing the dispersion between major industrialised countries but also suggests that the real scale of unemployment is much higher."

The adjustment with respect to 'discouraged workers' raises current unemployment rates for Japan and the US to 9.6 per cent and 9.3 per cent respectively and for France and UK to 13.7 per cent and 12.3 per cent respectively. Only for Germany is there no increase in the level of unemployment of 9.1 per cent. But this is not because the German figures take account of the phenomenon of 'discouraged workers', but because of lack of data on which to base an estimate of their numbers. The inter-country differences are still there, but they are not as large as when 'discouraged workers' had not been taken into account. The adjustment required for Japan, which is the largest, reflects a large drop in the labour force in times of slack employment, particularly in the female component of the labour force.

It is evident from the above that even in the developed countries, estimates of the level of unemployment and changes in it over time can go haywire. No less important is it to note that the bias is invariably towards underestimation of unemployment and that too largely because of failure to take into account those who would like to work, but are not actively looking for work, believing their chances of finding employment to be low. Finance minister Manmohan Singh needs to allow for this possibility before making claims of employment growth simply on the strength of employment exchange registrations, as he did in his budget speech

BURMA

Good Neighbours

Kamaroopi writes:

THE recent clarification by the Central Committee of the Kachin Independence Organisation (KIO) on the talks that the KIO has held with the State Law and Order Restoration Council (SLORC) regime in Burma confirms in its essentials what has been common knowledge for several months now.

The clarification, in the form of a letter to the *Far Eastern Economic Review* (March 10) only points out very minor inaccuracies of detail about the identity and rank of the personnel that took part in the talks without however disputing the material fact that such talks did take place. There have been further reports that the regime is now preparing to hold talks with other insurgent groups in the Karen, Kayah and Mon states as well. Gen Bo Mya, the president of the Karen National Union (KNU), whose armed wing has been leading the oldest of the insurgencies in Burma, is believed to have expressed the readiness of his organisation to hold talks with the regime. There have also been reports that the leaders of the Karenni National Progressive Party (KNPP) and the New Mon State Party (NMSP) have "begun talks with the central government". According to another report in the *Far Eastern Economic Review* (January 27) the Mons were the first to "strike a deal" with the regime in December last; the Karennis met the regime's representatives in early January; and, "about the same time", there was a meeting between "Gen Bo Mya and Lt Col Thein Swe, the Burmese defence attache in Bangkok".

These breakthroughs with oppositionist elements within the country appear to have been accompanied by similar improvement of the regime's image in foreign lands as well, though the regime has not softened its stand towards domestic democratic opinion and its moving symbol, Aung San Suu Kyi, now in the fifth year of her detention. This development, especially the improvement of its relations with its immediate neighbours, is likely to adversely affect the 'accommodation' which two of these neighbours, India and Thailand, have provided, albeit rather grudgingly, to political dissidents, in particular to the almost totally resourceless Burmese student activists.

Though Thailand has a much larger number of these dissidents and is moreover the territory through which the older insurgencies and the post-1988 resistance have access to their headquarters within Burma, the country has also been able to exploit these very factors and maintain on the whole amiable relations both with the regime and with the insurgent and resistance groups. China, the other important big neighbour, has from the beginning adopted a most 'pragmatic' and characteristically unsentimental approach and has fully consolidated itself as an important economic force, a process considerably helped by the continued presence in Burma of a substantial overseas Chinese population dominating business and trade.

Such 'pragmatism' was lacking in India's immediate response to the army crackdown in Burma. However, in the last one year India has taken several initiatives to make up with the regime. The visit of the foreign secretary to Rangoon towards the end of March last year was preceded by a visit of the Indian ambassador in Burma to Tamu and Moreh on the Burma-India border by road—a rather unusual initiative which attracted little notice—to study the problem of cross-border trade and related issues. The numerous official and political exchanges that followed culminated in the recent agreements signed during the Burmese deputy foreign minister's visit to Delhi on border trade and on 'co-operation between respective border civilian authorities' with a view to controlling insurgency and drug traffic, the two contributing to and thriving on each other, with considerable assistance from the very authorities empowered to control them on both sides of the border. The fact that the union home secretary signed the MOU on behalf of India, in the presence of the minister of state for home affairs, is only one indication of the essentially political content of the agreements, going well beyond mere cross-border trade and smuggling.

Quite apart from the urgent need to control the insurgencies in the north-east, the breakthrough China has been able to make in its relations with Burma going far beyond its already established economic dominance appears to have influenced these Indian initiatives. A PTI report from Beijing dated May 31 last year said, quoting Xinhua news agency, that China had opened a 93 kilometre stretch of a highway built in 1929 but for long in disrepair, "from Yunan province to a Myanmarese port on the Irrawady river", thus providing easy access to China to the Indian ocean via Myanmar (*The Hindu*, July 1, 1993).

There have been further reports since then of China helping Burma to upgrade its naval facilities at Sittwe in Arakan and at Bassein in the Irrawady delta, including the building of a new naval base at Hainggyi in the estuary of the Irrawady near Bassein and of a naval radar station on the Coco islands just north of the Andamans. Not to be left behind, India too has offered its help in improving the Tamu-Kalemyo-Kalewa road.

With such competing pragmatisms at work, where does it leave the Burmese democratic opposition?

TWENTY YEARS AGO

***EPW*, April 6, 1974**

The new commandment, which supposedly will usher in socialism, is a purposive narrowing of the area of operation of the public distribution system.

It is a grand design in which—now that the evidence is out—the government in New Delhi has been an active, enthusiastic participant. Since procurement has lagged behind, and since it is nearly impossible to obtain grain from outside, the axe would fall on public distribution. The government might even quote the authority of the Agricultural Prices Commission in support of this solution. Some hints have already been thrown by the union agriculture minister as to the manner of curtailment of the public distribution system. The budget has lit the way to how, in the guise of furthering economic progress and social justice, the most regressive public policies could be made to pass muster.

The re-ordering of public distribution would conform to a familiar pattern. The government would start by shedding its responsibilities to supply foodgrains to people in the countryside and in the semi-rural fringes. Distribution under official auspices would be concentrated in the areas covered by statutory rationing, certain urban pockets, and the industrial belts. When food is short, these are the areas which pose the greatest threat to law and order. The authorities propose to purchase peace by ensuring uninterrupted lines of supplies to such areas. Beyond this, the government's liability would now be disowned. As for the unorganised masses in the rural areas—comprising mostly landless labourers and small farmers—the authorities have given notice that they are washing their hands of them.

The gross immorality implicit in the decision is passing almost unnoticed. This blatantly regressive decision has evoked only a feeble protest in parliament and outside. Even were the government's commitment to ameliorate the condition of the weaker sections not to be taken seriously, there remains the other fact—confirmed dramatically by the results of the recent polls in Uttar Pradesh and Orissa—that the Congress Party's grass roots support largely stems from the poorer people in the countryside and in the backward regions. The pretension till last year, that the urban, upper-class bias in the public distribution system was to be redressed through opening new fair-price outlets in rural areas, is now being abandoned, and the poor are being ditched. They have fulfilled their duty, by and large, by voting for the Congress; the rest is going to be silence.

Shaba Chemicals

SHABA CHEMICALS, incorporated in December 1986, is engaged in the manufacture of trimethoprim and tinidazole (both bulk drugs) since 1988. The company now plans to expand its production capacity for trimethoprim from the existing 36 mt to 236 mt per annum at a total cost of Rs 2.7 crore. To part finance the expansion project the company plans to enter the capital market with a public issue of equity shares at par aggregating Rs 2 crore. In addition to exporting trimethoprim through leading merchant exporters for the last three years the company has also entered into a memorandum of understanding with Chemphar, Hong Kong for the export of 50 per cent of its output for the next three years. The recent announcement of reduction of customs duty from 85 per cent to 65 per cent on the company's major raw material is expected to improve its profitability further.

Neo Intex Mills

Neo Intex Mills, a company incorporated in 1990 and engaged in the manufacture of cotton yarn, initially set up production facility with three OE machines (imported from Germany), one blow room line with 10 cards and one draw frame. The facility was set up at a total cost of Rs 3 crore and was financed by the promoters and with term loans from banks. Commercial production commenced from March 1992. With the government's decision to allow import of second-hand textile machines, the company now plans to undertake phase II of its project which envisages the installing five OE machines, one blow room line, 16 cards, six draw frames, two carding machines and two draw frames. The second phase which is to cost Rs 4 crore has already been partly completed and the last stage of installation of the balance machinery and utilities is expected to be completed by June 1994. To part finance the project the company is entering the capital market with a public issue of 30,00,000 equity shares of Rs 10 each at par. The issue will be lead managed by Integrated Advisory Services.

Nagarjuna Jiyo Marines

Nagarjuna Jiyo Marines was incorporated in May 1992 with the sole objective of setting up a shrimp processing facility comprising processing halls, cold storage and freezers. The project is to be set up at Vizag at a total outlay of Rs 3.7 crore and is to be part financed through a public issue of 27,00,000 equity shares of Rs 10 each at par. The issue, which will open for subscription shortly, will be lead managed by Integrated Advisory Services, Madras. The company proposes to procure, grade, clean, process, pack, freeze and export high quality shrimps under the Individually Quick Frozen (IQF) process. In addition to the natural advantage which India enjoys in the form of a long sea-coast with a tropical climate which is ideal for breeding shrimp, the government has already come out with an integrated aquaculture policy to ensure sufficient and regular supply of high quality shrimps.

Pratappur Sugar

Pratappur Sugar and Industries (PSIL), an existing sugar mill, is approaching the investors for the first time with 12 lakh ordinary shares of Rs 10 each at a premium of Rs 15 per share. Out of this 9.6 lakh shares are offered to the Indian public and the rest reserved for mutual funds and financial institutions. Unlike the several sick sugar mills in Uttar Pradesh, this is a profit-making mill planning to take over two sick mills in the state. The average capacity utilisation of the mill is over 100 per cent and the sale recorded for the year ended August 31, 1993 was Rs 21.32 crore on which it earned a net profit of Rs 77 lakh. It is planning to diversify into manufacture of chemicals (using molasses) and co-generation of power from bagasse. It is also planning to sell surplus power to the UP grid during the off season. The project is being financed by equity capital, share premium and internal accruals. The issue will open on April 5.

Nepc-Micon

Nepc-Micon, a Madras-based company incorporated in 1989 and belonging to the Nepc group, is engaged in the manufacture of wind turbine generators and wind driven pumps. It reported a turnover of Rs 70 crore and a net profit of Rs 7.72 crore in 1992-93. The company, a pioneer in the field of wind energy, is diversifying into private air-taxi business. It has plans to purchase five Fokker F-27-500 aircraft and one King aircraft. The company will also procure two Boeing 737-200 and five other Fokkers on lease. The air-taxi project with a long-term working capital requirement is estimated to cost Rs 105 crore and is to be entirely financed by a right-cum-public issue of 35 lakh FCD of Rs 300 each. The company is entering the capital market on April 6. Of the 35 lakh zero interest FCDs, 16.20 lakh FCDs are being offered on rights basis (10 bonds for 100 equity shares) and 12.11 lakh FCDs are being offered to the Indian public. The FCDs will be converted into 10 equity shares of Rs 10 each at a premium of Rs 20 per share six months from the date of allotment. The issue is lead managed by Indian Overseas Bank and BOI Finance.

Sharat Sea Foods

Sharat Sea Foods, incorporated in 1991 at Nellore in Andhra Pradesh, began as a pilot project for brackish water prawn culture in 10 hectares of water-spread using indigenous technology. The company has today expanded with an additional 40 hectares and also acquired about 200 hectares of land to take advantage of economies of scale. The company has entered into a technical collaboration agreement with High Won Fisheries Development Corporation of Taiwan, a global leader in aquaculture, under which the collaborator will not only provide technical know-how but will also buy back 100 per cent of the company's production. The company plans to tap the capital market on April 4 with a public issue aggregating Rs 10 crore. The issue is to part finance the company's ongoing expansion programme which entails the establishment of a hatchery with an annual capacity of 200 million seeds, a feed mill with a capacity of 9,600 tpa and a processing plant capable of handling 3,000 tpa.

Dynachem Pharma

Dynachem Pharmaceuticals is setting up a project to manufacture micro crystalline cellulose, an import substitute product which is to be manufactured from dry bagasse obtained from sugar mills. The project which is to have an installed capacity of 600 tpa is being set up at Ahmedabad in Gujarat at a total cost of Rs 11.8 crore. At present micro crystalline cellulose is being imported by all the well known domestic pharmaceutical companies. The project is in an advanced stage of completion and the company expects to commence trial production from July this year and commercial production soon thereafter. To part finance the project the company plans to enter the capital market on April 21 with a public issue of 81,90,000 equity shares of Rs 10 each at par.

CURRENT STATISTICS

EPW Research Foundation

While exports in dollar terms have risen by 21.4 per cent in 1993-94 (up to January), imports have remained almost stagnant. Structurally there are signs of exports moving in favour of agriculture and raw material-based products and against manufactures and capital goods. In imports there is a relative shift towards capital goods. Inflation has begun to accelerate with prices of agricultural raw materials and commodities of common consumption galloping. Broad money, in particular reserve money, growth has also accelerated. Foreign exchange reserves have touched $ 14.4 billion

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1980-81=100)	Weights	Mar 12, 1994	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	255.0	1.1	9.4	7.1	9.4	7.0	7.0	13.6	12.1	9.1
Primary Articles	32.3	257.4	1.4	10.2	2.7	10.9	3.6	3.0	15.3	17.1	6.4
Food Articles	17.4	281.8	-0.1	3.8	6.0	5.0	6.5	7.5	20.9	18.9	2.1
Non-Food Articles	10.1	272.7	4.4	22.0	-3.5	21.5	-1.8	-1.4	8.1	19.3	13.4
Fuel, Power, Light and Lubricants	10.7	276.4	0.4	12.4	15.1	12.4	15.1	15.2	13.2	14.4	6.3
Manufactured Products	57.0	249.7	1.1	8.3	8.2	8.0	7.6	7.9	12.6	8.9	11.1
Food Products	10.1	249.3	0.8	11.7	5.5	11.1	6.1	6.8	10.2	13.2	12.9
Food Index (computed)	27.5	269.9	0.2	6.4	5.8	7.0	6.4	5.8	17.2	16.8	5.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
Industrial Workers (1982=100)	263[1]	-0.4	9.1	5.7	8.2	5.2	6.1	13.9	13.6	6.6
Urban Non-Man Emp (1984-85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1166[1]	nil	9.4	5.0	10.7	1.9	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Mar 4, 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91
Money Supply (M3)	428828	6808 (1.6)	62003 (16.9)	46535 (14.7)	45184 (14.2)	51653 (19.4)	35517 (15.4)
Currency with the Public	82402	2083 (2.6)	14129 (20.7)	7856 (12.9)	7414 (12.4)	8050 (15.2)	6419 (13.8)
Deposits with Banks	343159	3116 (0.9)	45920 (15.4)	38380 (15.0)	37152 (14.5)	43392 (20.5)	29252 (16.0)
Net Bank Credit to Govt	204632	-1497 (-0.7)	28394 (16.1)	15947 (10.1)	17826 (11.3)	18070 (12.9)	23569 (20.0)
Bank Credit to Comml Sector	234171	1046 (0.4)	14036 (6.4)	29736 (15.8)	28380 (15.1)	16225 (9.4)	21205 (14.1)
Net foreign exchange assets of the banking sector	49690	9224 (22.8)	24738 (99.1)	-1804 (-8.5)	25014 (18.0)	21205 (100.4)	10581 (59.1)
Reserve Money (Mar 4, 94)	136216	5267 (4.0)	25437 (23.0)	3637 (3.7)	11438 (11.5)	11726 (12.4)	14577 (1.2)
Net RBI Credit to Centre (Mar 4, 94)	99524	-5416 (-5.2)	3001 (3.1)	3755 (4.0)	2175 (2.3)	5904 (6.7)	15864 (21.8)
Scheduled Commercial Banks (Mar 4, 94)							
Deposits	310515	2709 (0.1)	41943 (15.6)	36231 (15.7)	37814 (16.4)	38216 (19.8)	25583 (15.3)
Advances	162842	752 (0.5)	10860 (7.1)	25007 (19.9)	26390 (21.0)	9291 (8.0)	14848 (14.6)
Non-food advances	151596	401 (0.3)	6357 (4.4)	23166 (19.2)	145239 (20.1)	120922 (8.2)	111795 (12.4)
Investments	131139	2768 (2.2)	25483 (24.2)	14215 (15.8)	15460 (17.1)	15131 (20.2)	10696 (16.6)

Index Numbers of Industrial Production (1980-81=100)	Weights	Nov 1993	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent): Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	219.9	211.1 (1.9)	207.2 (4.0)	1.6	-0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	227.5	208.3 (-0.2)	208.7 (2.4)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	209.1	201.1 (1.1)	198.9 (4.2)	0.9	-1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	285.6	281.8 (7.4)	262.3 (4.5)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	Mar 31, 1994	Month Ago	Year Ago	Trough of 1993	Peak of, 1993	End of Fiscal Year: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
BSE Sensitive Index	3779	3802	2281	2037	3455.0	2281	4285	1168	781	714	398
(1978-79=100)	(65.7)		(-46.8)			(-46.8)	(266.9)	(49.6)	(9.4)	(79.4)	
National Index	1830	1848	1021	934	1659.0	1021	1968	589	421	372	211
(1983-84=100)	(79.2)		(-48.1)			(-48.1)	(234.1)	(39.9)	(13.2)	(76.3)	

External Sector	Jan 1994	Cumulative for Fiscal Year So Far: 1993-94	Cumulative for Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
Exports: Rs crore	6643	55825 (33.2)	41922 (20.8)	53351 (21.1)	44042 (35.3)	32553 (17.6)	27681 (36.8)
US $ mn	2109	17790 (21.4)	14650 (2.1)	18421 (3.1)	17866 (-1.5)	18143 (9.1)	16626 (19.0)
Imports: Rs crore	6172	57649 (10.4)	52206 (35.5)	62923 (31.5)	47851 (10.8)	43193 (22.0)	35416 (25.4)
US $ mn	1967	18380 (0.7)	18250 (14.6)	21726 (11.9)	19411 (-19.4)	24073 (13.2)	21272 (9.1)
Balance of Trade: Rs crore	471	-1824	-10284	-9,572	-3,809	-10,640	-7,735
US $ mn	142	-590	-3600	-3,305	-1,545	-5,930	-4,646

Foreign Exchange Reserves	Mar 18, 1994	Variation Over: Month	Year	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90	1988-89
Rs crore	45178	6886	26613	24982	3754	5385	10223	-1383	-795	-647
US $ mn	14392	2153	8500	7940	171	731	3383	-1137	-854	-1386

Foreign Trade

Commodity Composition of Imports and Exports	April-November 1993-94 Rs Cr	April-November 1993-94 US $mn	April-November 1992-93 Rs Cr	April-November 1992-93 US $mn	1992-93 Rs Cr	1992-93 US $mn	1991-92 Rs Cr	1991-92 US $mn	1990-91 Rs Cr	1990-91 US $mn
Imports										
Food and live animals chiefly	899	287	1014	356	1843	636	804	326	917	511
for food	(2.0)	(2.0)	(2.4)	(2.4)	(2.9)	(2.9)	(1.7)	(1.7)	(2.1)	(2.1)
Cashewnuts, raw	206	66	246	86	360	124	267	108	134	75
	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.3)	(0.3)
Crude materials, inedible oil	2543	811	3651	1281	4420	1526	3268	1326	3363	1874
except fuels	(5.6)	(5.6)	(8.7)	(8.7)	(7.0)	(7.0)	(6.8)	(6.8)	(7.8)	(7.8)
Fertiliser, crude	240	77	352	123	458	158	455	185	347	193
	(0.5)	(0.5)	(0.8)	(0.8)	(0.7)	(0.7)	(1.0)	(1.0)	(0.8)	(0.8)
Mineral fuels, lubricants and	13161	4196	11890	4171	18532	6399	14160	5744	11606	6468
related materials	(29.2)	(29.2)	(28.4)	(28.4)	(29.5)	(29.5)	(29.6)	(29.6)	(26.9)	(26.9)
Petroleum crude	12239	3902	10906	3826	17153	5922	13123	5323	10816	6028
	(27.2)	(27.2)	(26.1)	(26.1)	(27.3)	(27.3)	(27.4)	(27.4)	(25.0)	(25.0)
Animal and vegetable oils,	109	35	144	51	174	60	249	101	326	182
waxes and fats	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)	(0.8)	(0.8)
Chemicals and related products	5741	1831	6571	2305	8862	3060	7526	3053	5447	3036
	(12.7)	(12.7)	(15.7)	(15.7)	(14 1)	(14.1)	(15.7)	(15.7)	(12.6)	(12.6)
Fertiliser, manufactured	1371	420	1636	574	2020	697	1591	645	1141	636
	(2.9)	(2.9)	(3.9)	(3.9)	(3.2)	(3 2)	(3.3)	(3.3)	(2.6)	(2.6)
Manufactured goods classified	9182	2928	7998	2805	12349	4264	9193	3729	8638	4814
chiefly by material	(20.4)	(20.4)	(19.1)	(19.1)	(19.6)	(19.6)	(19.2)	(19.2)	(20.0)	(20.0)
Pearls, precious and	5402	1722	4316	1514	7011	2421	4825	1957	3738	2083
semi-precious stones	(12 0)	(12.0)	(10.3)	(10 3)	(11.1)	(11 1)	(10.1)	(10.1)	(8.7)	(8.7)
Iron and steel	1365	435	1456	511	2092	722	1741	706	1892	1054
	(3.0)	(3.0)	(3.5)	(3.5)	(3.3)	(3.3)	(3.6)	(3.6)	(4.4)	(4.4)
Capital goods	10676	3404	8410	2950	12926	4463	10432	4232	10465	5832
	(23 7)	(23.7)	(20.1)	(20 1)	(20.5)	(20.5)	(21.8)	(21.8)	(24 2)	(24.2)
Others	2764	881	2137	750	3814	1351	2220	901	2431	1355
	(6.1)	(6.1)	(5.1)	(5.1)	(6.1)	(6.1)	(4 6)	(4.6)	(5.6)	(5.6)
Total	45075	14372	41814	14667	62923	21726	47851	19411	43193	24073
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Exports										
Food and live animals chiefly	6515	2077	4739	1662	7792	2690	6861	2783	4665	2666
for food	(15.0)	(15.0)	(14.4)	(14 4)	(14.6)	(14.6)	(15.6)	(15.6)	(14.3)	(14.3)
Tea	723	231	623	219	973	336	1212	492	1070	612
	(1.7)	(1.7)	(1.9)	(1.9)	(1.8)	(1 8)	(2 8)	(2.8)	(3.3)	(3.3)
Cashew kernels	676	216	506	177	745	257	672	272	441	252
	(1.6)	(1.6)	(1.5)	(1 5)	(1.4)	(1 4)	(1.5)	(1.5)	(1.4)	(1.4)
Beverages and tobacco	96	31	84	29	158	54	102	42	70	40
	(0.2)	(0 2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0 2)	(0.2)
Crude materials, inedible oil except	2589	826	1556	546	2831	978	3022	1226	2926	1672
fuel	(6.0)	(6.0)	(4.7)	(4.7)	(5.3)	(5.3)	(6.9)	(6.9)	(9.0)	(9.0)
Mineral fuels, lubricants and	904	288	898	315	1379	476	1022	415	938	5359
related materials	(2.1)	(2.1)	(2.7)	(2 7)	(2.6)	(2.6)	(2.3)	(2.3)	(2.9)	(2.9)
Animal and vegetable oils,	204	65	87	31	143	49	169	69	89	51
waxes and fats	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)	(0.3)
Chemicals and related products	3585	1143	2655	931	4253	1469	4146	1682	2722	1555
	(8.3)	(8.3)	(8.0)	(8.0)	(8.0)	(8.0)	(9.4)	(9.4)	(8.4)	(8.4)
Manufactured goods classified	24395	7779	19026	6674	30516	10536	23540	9549	17085	9764
chiefly by material	(56.2)	(56.2)	(57.7)	(57.7)	(57.2)	(57.2)	(53.4)	(53.4)	(52.5)	(52.5)
Leather and leather	1758	561	1683	590	3693	1275	3127	1269	2566	1467
manufactures	(4.1)	(4.1)	(5.1)	(5.1)	(6.9)	(6.9)	(7.1)	(7.1)	(7.9)	(7.9)
Gems and jewellery	7978	2544	5289	1855	8839	3052	6750	2738	5247	2999
	(18.4)	(18.4)	(16.0)	(16.0)	(16.6)	(16.6)	(15.3)	(15.3)	(16.1)	(16.1)
Cotton yarn, fabrics,	3070	979	2529	887	3929	1356	3203	1299	2100	1200
made-ups, etc	(7.1)	(7.1)	(7.7)	(7.7)	(7.4)	(7.4)	(7.3)	(7.3)	(6.5)	(6.5)
Capital goods	3918	1249	3212	1127	4985	1721	4054	1645	3087	1764
	(9.0)	(9.0)	(9.7)	(9.7)	(9.3)	(9.3)	(9.2)	(9.2)	(9.5)	(9.5)
Others	1199	382	741	260	1294	447	1125	457	971	555
	(2.8)	(2.8)	(2.2)	(2.2)	(2.4)	(2.4)	(2.6)	(2.6)	(3.0)	(3.0)
Total	43405	13840	32997	11574	53351	18421	44042	17865	32553	18604
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

(Figures in brackets are percentages to total.)

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Unless otherwise specified, figures in brackets are percentage variations over the comparable previous period/Year.

MORARJEE GOCULDAS

Poor Showing in Textiles

INCORPORATED in 1871, Morarjee Goculdas Spinning and Weaving Company (MGSWC), the flagship company of the Piramal group, has interests in textiles, tools and auto ancillaries and has several units in Bombay, Davangere and Gadag, Ankleshwar and Satara.

For 1992-93, though net sales increased by 14 per cent over the previous year, low production coupled with higher operating expenses led to pressure on margins with operating profit showing a mere 1.7 per cent rise. High interest charges despite lower recourse to term loans by the company and a sharp increase in depreciation charge further aggravated the company's woes and despite a zero tax provision (for the third year in succession) the company suffered a 47.5 per cent dip in net profits over 1991-92. The fall in term loans and the rights issue made to part finance the modernisation of the company's textile division led to a lower debt-equity ratio. Despite the drastic fall in net profit, the company maintained dividend at 20 per cent entailing a higher dividend outgo

A weakening demand for textile products coupled with rising cotton prices led to a poor performance by the company's textile division at Bombay. The turning around of the newly merged Davangere Cotton Mills provided little consolation and production of cloth (sale of which constituted up to 70 per cent of the company's turnover) was stagnant at 762.4 lakh mtrs (761 lakh mtrs). Production of yarn (which contributed up to 13 per cent of turnover) however was higher at 41.5 lakh kgs (33.6 lakh kgs). Sale of cloth rose to 774 lakh mtrs (725 lakh mtrs) while that of yarn was higher at 43 lakh kgs (33.4 lakh kgs) in 1992-93. The recessionary trends in the engineering and domestic automobile industries also affected the performance of these two divisions in 1992-93.

For the current year 1993-94, the company expects the completion of modernisation of the Bombay operations and installation of state-of-the-art machinery and the turning around of the Davangere and Gadag unit to contribute significantly to higher production and sales. The reduction in import duties is also expected to improve the margins of the tools and auto ancillary units of the company. The company entered into a technical collaboration agreement with Fico Transpar S A, Spain—the well known Spanish industrial group which specialises in automotive ancillaries—for the manufacture of wind-shield washer pump assembly. Production of this import substitute product was expected to commence in January 1994. To promote its products in the international market, provide on-the-spot services to the overseas customers and identify new business opportunities, the company has set up a liaison office at Stuttgart, Germany and plans to upgrade the office into a trading branch.

For the six months ended December 1993 MGSWC earned a net profit of Rs 8.6 crore on net sales of Rs 158 crore giving annualised earnings per share of Rs 11 for 1993-94 on equity of Rs 15.6 crore.

J B CHEMICALS

Diversification

A 15-year old company belonging to the Unique group, J B Chemicals has transformed its slack performance of 1991-92 to one of buoyancy in 1992-93. While net sales rose by 12.3 per cent, comparatively lower increases in manufacturing expenses and remuneration to employees as also interest caused operating profit and gross profit to spurt by 9.2 per cent and 22.9 per cent, respectively. And in spite of making higher provision for depreciation and taxation, profit after tax has gone up by 22.2 per cent. The burgeoning reserves have enabled the company to issue bonus shares in the ratio of 1:2.

During the year, except for capsules and ampoules, production of tablets, liquids and cartridges increased while that of bulk drugs remained more or less steady. Recently, the company widened its product range by adding the Nicardia range of drugs for treatment of angina, hypertension, etc. Besides bulk drugs and tablets, J B Chemicals also manufactures certain raw materials like glyokal which is a basic raw material for metronidazole, and other raw materials for captive consumption like metronidazolebenzoate and dielofenac diethylamine salt which are used for various pharmaceutical formulations.

With a view to increasing its presence in the market, the company is setting up two formulations plants—one to manufacture liquids and ointments at Panoli at an estimated cost of Rs 3 crore and the other to manufacture tablets and capsules at Daman at a cost of Rs 1.5 crore. It is also expanding its metronidazole plant and diclofenac sodium plant at Ankleshwar to increase capacity.

However, since most of the company's products fall under the government's controlled-price list, with a view to offsetting any possible adverse implications arising from the government's policies it has diversified into other pharmaceutical preparations. While an in-house R and D facility has been set up for manufacturing ayurvedic medicines, J B Chemicals has installed a plant for making soft gelatin capsules at Panoli in Gujarat. The company has also acquired an agro-based manufacturing unit, MCDA Agro, as its subsidiary. MCDA produces environment-friendly and non-toxic products like crop boosters and neem-based crop protectors which are reportedly in use in only 5 per cent of the cultivated area. As such, there is a good untapped market for the company's products.

The company claims that its research and development work has not only enabled it to bring its operations on par with international standards, but has also brought about increase in productivity and better utilisation of energy.

For the first half of the current financial year, J B Chemicals has reported 19 per cent growth in sales at Rs 45.2 crore with profit after tax going up by 46 per cent to Rs 4.9 crore.

DEEPAK NITRITE

Upgrading Technology

Despite a 51 per cent increase in net sales and zero tax provision, Deepak Nitrite failed to prop up its profitability during 1992-93 owing to steep rises in manufacturing expenses and interest burden. Profit after-tax declined by as much as 59 per cent and earning per share slipped to the single-digit figure of Rs 4.20 against Rs 10.30 posted last year. Exports posted a growth of 81 per cent, which was high, though lower than that in 1991-92. The exports-to-sales ratio was higher at 7.9 per cent compared with 6.6 per cent in the previous year. The increase in exports has been attributed primarily to increase in sales of its nitrite division.

With the performance of all the three divisions—nitrite, nitroaromatics and Sahayadri Dyestuffs and Chemicals—improving and particularly that of sodium nitrite/nitrate increasing by 12 per cent, the company is pursuing its strategy of improving competitiveness by adopting the latest technology, revamping and debottle-necking old plants, excelling quality norms of products and keeping costs under control. It is trying to increase both domestic sales and exports of its nitroaromatics division by concentrating on value added products.

At the same time, the company's research and development centres located at Pune and Baroda are developing downstream prod-

(Rs lakh)

Financial Indicators	Morarjee Goculdas		JB Chemicals		Deepak Nitrite		Shree Cement		Maharashtra Scooters	
	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	26593	23335	6741	6004	7753	5146	11874	11649	11938	10312
2 Value of production	26236	25599	6793	6098	8031	5374	11762	12079	11972	10196
3 *Total income*	26626	25876	6994	6270	8290	5674	12112	12320	13321	11553
4 Raw materials/stores and spares consumed	12894	13646	2170	1996	3415	2409	2954	2737	10269	8708
5 Other manufacturing expenses	2944	2457	2124	1920	1283	854	3652	2876	98	259
6 Remuneration to employees	4796	4165	416	364	611	398	386	290	438	377
7 Other expenses	2297	1974	1081	990	1429	900	3182	3078	575	447
8 *Operating profit*	3695	3634	1203	1000	1552	1113	1938	3339	1941	1762
9 Interest	1772	1549	153	144	915	329	551	478	282	7
10 *Gross profit*	2009	2080	1073	873	780	784	1461	2786	1912	1935
11 Depreciation	956	73	161	136	556	235	904	881	54	62
12 *Profit before tax*	1053	2007	912	737	223	549	555	1905	1858	1873
13 Tax provision	0	0	295	232	0	0	112	318	825	869
14 *Profit after tax*	1053	2007	617	505	223	549	443	1587	1033	1004
15 Dividends	281	235	121	121	107	104	266	253	143	143
16 Retained profit	772	1772	496	384	116	445	177	1334	890	861
Liabilities/assets										
17 Paid-up capital	1562	1188	403	403	534	532	2462	2078	571	571
18 Reserves and surplus	9690	4422	2213	1718	3600	3475	3866	2546	5957	5067
19 Long term loans	3946	4561	559	310	4892	4525	2127	2573	105	104
20 Short term loans	4458	7744	620	506	1005	390	886	428	0	324
21 Of which bank borrowings	3469	6762	551	362	0	0	843	428	0	324
22 Gross fixed assets	14812	13256	2169	1789	7112	6932	8713	8044	977	929
23 Accumulated depreciation	6752	5821	841	681	2213	1829	6108	4879	526	474
24 Inventories	6570	7406	825	761	1637	1246	2294	2280	342	315
25 Total assets/liabilities	22030	20664	4411	3790	12185	10533	11215	9490	14552	13606
Miscellaneous items										
26 Excise duty	1820	1713	298	238	0	0	2678	1848	3110	2652
27 Gross value added	8395	7627	1649	1377	2296	1476	2154	3265	1604	1187
28 Total foreign exchange income	4963	4355	1149	1576	613	338	0	0	0	0
29 Total foreign exchange outgo	1052	1046	228	266	581	130	171	95	6	219
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	120.7	112.9	152.8	158.4	63.6	48.9	105.9	122.8	82.0	75.8
31 Sales to total net assets (%)	135.3	130.3	177.6	204.4	77.3	57.7	127.1	152.8	180.0	170.0
32 Gross value added to gross fixed assets (%)	56.7	57.5	76.0	77.0	32.3	21.3	24.7	40.6	164 2	127.8
33 Return on investment (gross profit to total assets) (%)	9.1	10.1	24.3	23.0	6.4	7.4	13 0	29.4	13.1	14.2
34 Gross profit to sales (gross margin) (%)	7.6	8.9	15.9	14.5	10.1	15.2	12.3	23.9	16.0	18.8
35 Operating profit to sales (%)	13.9	15.6	17.8	16.7	20 0	21 6	16.3	28.7	16.3	17.1
36 Profit before tax to sales (%)	4.0	9.6	13.5	12.3	2.9	10.7	4 7	18.4	15 6	18.2
37 Tax provision to profit before tax (%)	0.0	0.0	32.3	31.5	0.0	0.0	20.2	16.7	44.4	46.4
38 Profit after tax to net worth (return on equity) (%)	9.4	35.8	23.6	23.8	5.4	13.7	7.0	34.3	15.8	17.8
39 Dividend (%)	20.0	20.0	30.0	30.0	20 0	30.0	12 5	12.5	25.0	25.0
40 Earning per share (Rs)	6.74	17.13	15.31	12.53	4.18	10.32	1.80	7 64	18.09	17.58
41 Book value per share (Rs)	72.04	47.76	64 91	52.63	77.42	75.32	25 70	22 25	114.33	98.74
42 P/E ratio (based on latest and corresponding last year's price)	36.0	9.6	18.3	18.8	10.8	6.2	27 2	4 9	21 6	9.7
43 Debt-equity ratio (adjusted for revaluation) (%)	35.1	81.3	21.4	14.6	118.3	112.9	33.6	55.6	1.6	1.8
44 Short term bank borrowings to inventories (%)	52.8	91.3	66.8	47.6	0.0	0.0	36.7	18 8	0.0	102.9
45 Sundry creditors to sundry debtors (%)	37.9	55.4	22.9	48.6	55.4	73.1	46.4	61.4	157.5	623 6
46 Total remuneration to employees to gross value added (%)	57.1	54.6	25.2	26.4	26.6	27 0	17.9	8 9	27.3	31.8
47 Total remuneration to employees to value of production (%)	18.3	16.3	6.1	6.0	7.6	7.4	3.3	2.4	3.7	3.7
48 Gross fixed assets formation (%)	11.7	60.7	21.2	18.0	2.6	38.5	8 3	–0.3	5.2	3.5
49 Growth in inventories (%)	–11.3	121.5	8.4	15.3	31.4	80 6	0 6	62.5	5.4	–39.5

ucts from nitroaromatics. Research on biotechnological solutions for improvement in effluent quality have been successfully achieved for use in the dyestuffs division.

During the first half of 1993-94, Deepak Nitrite has posted sales of Rs 44.4 crore with net profit of Rs 0.8 crore

SHREE CEMENT

Lower Profit

The reduced offtake by government departments which normally constitute 40 to 45 per cent of total demand and the rising cost of critical inputs like coal, power, railway freight, etc, have adversely affected the performance of the cement manufacturing units in the country, Shree Cement (SCL) being no exception. The general recessionary trends in the economy and the downward trend in cement prices put pressure on the company's margins. After a satisfactory performance in 1991 92 when total income increased by 7 per cent and net profit rose by 18.4 per cent, the company's profitability fell drastically in 1992-93 with total income declining by 1.7 per cent and net profit hy a phenomenal 72 per cent over the previous year. This was despite a 4.4 per cent rise in cement produced from 7,64,416 mt in 1991-92 to 7,98,064 mt in 1992-93 and a 7.3 per cent increase in sale from 7,52,764 mt to 8,07,450 mt. In addition to a sharp rise in operating expenses, the interest charge was higher by 15.3 per cent and net profit margin fell from 13.6 per cent in 1991-92 to 3.7 per cent in 1992-93. Despite the fall in profitability and the rise in paid-up equity capital (following the issue of 36,00,000 equity shares of Rs 10 each at a premium of Rs 25 per share to FLT, UK, a subsidiary of F L Smidth and Co, Copenhagen, Denmark) the company maintained the dividend rate at 12.5 per cent.

SCL'S R and D efforts have reportedly resulted in saving in fuel consumption, further improvement of quality of cement, improvement in kiln operations and better use of marginal grade limestone. The company has received approval from financial institutions for the merger of Shree Leasing and Industrial Finance Company. The merger is expected to strengthen the business activities of the company. With the foreign and Indian technical experts submitting their findings on the potentiality of increasing the cement plant capacity, the implementation of the proposal for upgrading plant capacity is expected to commence in the current year.

For the first half of the current year (1993-94) SCL's profitability seems to have fallen further. While net sales were marginally higher at Rs 71.9 core as against Rs 68.6 crore in the corresponding period last year, net profit has fallen from Rs 4.7 crore to Rs 3.4 crore.

MAHARASHTRA SCOOTERS

Steady Growth

Maharashtra Scooters has been promoted jointly by Western Maharashtra Development Corporation (WMDC), a wholly-owned company of the government of Maharashtra, and Bajaj Auto. The company has technical collaboration agreements with Bajaj Auto for the manufacture of 'Priya' and 'Bajaj-Super' range of scooters and also commenced manufacture of 'Bajaj-Chetak' scooters at its works in Satara in 1992-93. The company's total income and operating profit have grown by a compounded rate of 14.8 per cent and 10.5 per cent annually, respectively, over the last four years. It has declared three bonus issues in the last 11 years at regular intervals and 82.5 per cent of the paid-up equity constitutes bonus equity. The company's current book value stands at a hefty Rs 114.

For the year 1992-93 while the company produced 1,01,048 scooters (96,265 scooters), a rise of 5 per cent over the previous year, net sales rose by 15.8 per cent and operating profit increased by 10.2 per cent over that in 1992-93. A sharp rise in interest charges from Rs 7 lakh in 1991-92 to Rs 2.8 crore in 1992-93 led to a 1.2 per cent fall in gross profit. A 1.2 per cent fall in depreciation charge coupled with a 5.1 per cent lower tax provision enabled the company to post a 2.9 per cent higher net profit for the year. It has maintained dividend at 25 per cent and consistent with its policy in the past has retained up to 86 per cent of profit after tax. Despite the rise in net profit, profitability has fallen over the previous year. During the year under review the company, which enjoys a very low debt-equity ratio, repaid its short-term loans completely. Further with the company depreciating up to 53.8 per cent of its gross fixed assets by 1992-93, turnover ratio improved from 75.8 per cent to 82 per cent.

In tandem with its efforts to bring down the consumption of power, fuel, oil and other energy sources, the company plans to introduce low temperature paint baking systems. The effluent treatment plant which was upgraded by installing a tertiary treatment plant for the treatment of water from secondary clarifier has reportedly resulted in savings in fresh water consumption as the treated water is recycled for processing operations.

For the first half of the current year the two and three-wheeler segment of the automobile industry has shown some improvement. The company's net profit improved only marginally from Rs 6.1 crore in the corresponding period last year to Rs 6.2 crore though net sales rose by over 20 per cent from Rs 63.8 crore to Rs 76.7 crore.

NEW DELHI

Behind the PM's 'Middle Path'

BM

Narasimha Rao's talk of pursuing a 'middle path' in economic policies amounts really to assuring entrenched vested interests that the status quo will not be disturbed.

A LARGER than life image of the prime minister has been sought to be built up by the media in recent months, especially after the assembly elections in the four northern states. The results of the elections were projected as the rehabilitation of the prime minister as a secular force and the confirmation of his commanding position in the Congress Party. The latest in this PR campaign is the attempt to invest Narasimha Rao with extraordinary philosophical wisdom. This discovery has been made especially during his frequent foreign excursions. His talk of a 'middle path' for India's socio-economic development at Davos was supposed to have impressed the hard-boiled executives of transnational corporations. His Guildhall speech in London has been hailed as 'brilliant' for his description of India's economic reform programme as something akin to the building of a pyramid, "going up, little by little".

If Narasimha Rao started the talk of a middle path for India supposedly to assert the indigenous character of the economic reforms being implemented and to deny that the programme had been framed by foreign agencies and accepted by his government the notion of the economic pyramid going up in India was applauded in London, especially by NRIs. "We don't want to distinguish between the top, middle and bottom" of the social pyramid in India, the prime minister is reported to have declared to the delight of his listeners. Elaborating further, he said that the government of India would take care of the bottom as no multinational corporation was going to do that; for the rest, the building of the pyramid was to be left to private initiative, Indian big industry together with the multinational corporations. This was the pattern the government had accepted. Narasimha Rao was "sure" that things would work "because no one is going to be hurt" by this approach which was in tune with "our heritage".

What all this really added up to was an assertion on behalf of the entrenched vested interests in India and abroad of the merits of status quo. It is certainly not the first time that India's social pyramid has been applauded even as efforts have been made to sustain it, especially when the demands and strivings of the deprived and exploited at the bottom for fair play and justice have tended to gain strength and rock the economic, social and political stability of the system. The anxiety of the political representatives of vested interests in such situations is to try to paper over the cracks in the pyramid. While making appeals for 'common sense' acceptance of the established economic and social order, they have to give some attention to the maintenance of the base but without in any way hurting the middle and the top. The economic policy of the government headed by Narasimha Rao is designed precisely for this purpose. But, in spite of much effort and skill and the foreign help that has been made available, the old cracks in the pyramid have become more and more visible and new ones have continuously appeared.

The political-administrative set-up, therefore, increasingly has to resort to subterfuges, obfuscation and to penal measures to enforce law and order and stability. The rhetoric of the prime minister in support of the 'pyramid' reflects this position. It also reflects the growing desperation of the ruling elite since appeals to interested quarters abroad for a wider and stronger 'safety net' for the preservation of the pyramid have not evoked the kind of response hoped for. On the contrary, the terms and conditionalities attached by foreign interests to their assistance, in the form of financial flows, capital investment and technological inputs, especially by the multinational corporations, have become stiffer in the last two-and-half years. The latest in this direction is the demand for special treaties on a bilateral basis to guarantee the security of and high returns on foreign investment, in addition to the guarantees given and obligations accepted under multilateral arrangements as well as the deals agreed to with particular foreign business firms and other investment agencies.

The pyramid theory and the policy commitment not to distinguish between the top, middle and bottom and to preserve the pyramid without hurting any one even as the conflict of interests in the economic and social structure grow and sharpen are, therefore, important and significant. This goes way beyond even the discredited trickle-down theory of yore. The effort to keep intact the bottom for the growing top and the middle to rest on it without its cracking is bound to be difficult. Since the domestic base of those who have taken on this job is becoming narrow and fragile, they have to make efforts to find understanding and support from foreign quarters. The upshot is that in the course of implementation of the economic reforms programme the government has been pushed steadily into the neo-colonial mould.

The visit of Robin Raphel has dramatised this position very well. The red carpet laid out, specifically on the directions of the prime minister, for her and the 'frank' talks she has had in New Delhi are significant. Noteworthy too is the way in which the media, by and large, could be managed to fall in line. Before Raphel's visit the impression was, sought to be given that since the US administration had stepped up its pressure on India to fall in line on such sensitive issue as Kashmir and the NPT, the Indian response too had stiffened. But the anti-climax came as soon as Raphel landed in Delhi.

Developments in India's economic policies during the 80s, the full implications of which are unfolding in the 90s, are of great relevance in this context. The notion the ruling elite in India had begun to entertain in the 80s was that, having achieved what began to be described as the mid-stage in its economic development, mass poverty notwithstanding, India should distance itself from the G7 and forge closer relations with the developed countries, the US above all. Third world solidarity and south-south co-operation ceased to be priority considerations in the government's foreign policy. This was the starting point of what Narasimha Rao has characterised during his foreign trips as "reorientation" of India's socio-economic development strategy.

The flaunting of the banner of a medium-level developing country and the hankering after a regional power status have, however, not helped the search of the ruling elite for crumbs in the world order and to assert a position of eminence in south Asia, in particular with respect to Pakistan. The notion that once India goes

through an economic reform programme as laid down for it by G7, it will enjoy the benevolent political-strategic support of the US and the G7 as a regional power has proved to be fanciful.

The euphoria over the assembly election results will soon disappear, especially in the face of mounting popular unrest and the efforts of the opposition parties to capitalise on it. The realignment of political forces now taking place in the country has been of a far-reaching nature and may well upset the designs of G7, in particular the US. India's independent socio-economic development and its foreign policy stances as originally conceived were closely interrelated. Its political integrity and sovereignty cannot be safeguarded if the path of self-reliant socio-economic development is not vigorously pursued. There is, of course, a thin upper crust of comprador business interests who are keen to partake gains of opening up the economy for exploitation by multinational corporations. There are also hangers of these vested interests and cosmopolitan intellectuals who believe that since India has a large market for multinationals to sell to it will ultimately win some benevolence from the other side. These avid sellers of the Indian market have now gone gaga over 'friends in high places' in US—the 22 American multinational corporations which have formed a so-called Indian Interest Group. Narasimha Rao is a hero to such disoriented individuals and groups. It has, for instance, been suggested widely, that Rao directed the reception of Raphel to be warm because he had at last received or was likely soon to receive president Clinton's personal invitation to visit Washington. Evidently he considers a visit to Washington to be received by Clinton as something so important that he would not do anything to jeopardise it.

Sardar Sarovar: Case for Lowering Dam Height

Vinod Raina

If lowering the height of the Sardar Sarovar dam will drastically bring down the area to be submerged and the number of people to be displaced, there is every reason to give the proposal serious and urgent consideration.

A NARROW chink seems to have been opened for a more rational resolution to the Sardar Sarovar controversy than was hitherto possible. The initiative of the Madhya Pradesh chief minister, Digvijay Singh, by asking for the lowering of the Sardar Sarovar Dam (SSD) height from 455 ft by 19 ft to 436 ft opens up many possibilities. It is important to note that by making such a demand, Madhya Pradesh has in fact opted for reduced power from the project, along with reduced submergence of its area, because the extra 19 ft have more to do with power generation rather than with water distribution. However, as will be argued here, the better solution would be to opt for a dam height of under 400 ft, which will reduce the displacement by about 80 per cent while ensuring that there is no decrease in the stipulated water supply to Gujarat.

As is well known, a Narmada Water Disputes Tribunal had to be set up to resolve the inter-state dispute regarding water sharing from Narmada. In its award of 1979, the Tribunal allocated 9 million acre feet (MAF) of water to Gujarat, 0.5 MAF to Rajasthan, 0.25 MAF to Maharashtra and making an allowance of a loss of 0.5 MAF due to evaporation, it recommended a dam height of 455 ft to make a total of 10.25 MAF of water available from Sardar Sarovar. This meant that as far as Sardar Sarovar is concerned, Madhya Pradesh does not get a single drop of water from the project, even though the submergence of its area is maximum; 193 villages compared to 19 villages in Gujarat and 33 in Maharashtra.

How was the height of the dam fixed? First of all, on geographical and other considerations it was decided that the full supply level, or the height of the main canal in Gujarat would be 300 ft. Which implies that to feed this canal by gravity, the dam height must be above 300 ft. A minimum draw down level (MDDL) of 307 ft implies that the dead storage of the reservoir must be 1.68 MAF. It was also assumed, that for a 100-year life span of the reservoir, a provision of 0.3 MAF should be kept for siltation, on the basis of a siltation rate that has now been seriously questioned. To deliver 9 MAF of water to Gujarat through the main canal, 1.39 MAF of live storage, over and above the dead and siltation storage was deemed necessary. It is the practice to keep provision for a carryover capacity in such reservoirs so that if there is a bad monsoon, there is a carried over volume of water from the previous year to compensate for the decrease. Surprisingly, a fantastic carry-over capacity of 2.81 MAF was envisaged for the reservoir, over and above the previous provisions. All this adds up to a reservoir capacity of 6.18 MAF, with 4.2 MAF of live storage capacity, for which a height of 436 ft was found to be necessary.

The extra 19 ft were added purely for the purposes of generation of electricity. The MDDL for the purpose of generating electricity was fixed at 363 ft, thereby increasing the dead storage to 2.94 MAF. The live storage capacity was fixed at 4.73 MAF, requiring a height of 453 ft. Unbelievably, merely in order to look better, this figure was rounded up to 455 ft, without any thought that these extra 2 ft would mean a further submergence of 3,000 acres of land in MP, of which 1,000 acres is prime cultivated land. This therefore is the basis for the stipulated dam height of 455 ft.

The only benefit offered to Madhya Pradesh from the project was power. The project includes a river bed power house (RBPH) with an installed capacity of 1,200 MW, with declining generation, and a 250 MW installed capacity canal head power house (CHPH). Madhya Pradesh is to get 56 per cent of the power generated from the project. It is significant that in his letter to the prime minister, the Madhya Pradesh chief minister, Digvijay Singh, while recommending a height reduction to 436 ft, has accepted to forego the share of power, that will consequently be reduced. In any case, as the energy scientist Amulya Reddy has pointed out, there is very little sense in the power generation component of the SSP, the

power benefits are, to say the least, very dubious. The firm power generated by the river bed power house would reduce from 401 MW in 2000 AD to nil by 2024 AD as the upper river projects are completed. All that will be left by 2024 AD is 110 MW of firm power from the canal head power house with an option to run the river bed power house by using power from other sources to pump water to it from the Gurudeshwar Weir. Digvijay Singh's option for a height of 436 ft would, therefore, seem to be justified as the power component is very unattractive, as also because this height finds mention in the Tribunal Award for purposes of water sharing.

The critical factor in determining the height of 436 ft is the lavish carry-over capacity of 2.81 MAF, and for the 455 ft height, the MDDL of 363 ft. If the height reduction to 436 be accepted as justified, the MDDL of 363 ft no longer has any merit. The crucial and determining factor for working out a proper height, within the ambit of the Tribunal Award, would be to ensure 9 MAF water to Gujarat. As should be clear from the foregoing arguments, such a flow will be ensured by a reservoir with a live storage of 1.39 MAF, with a component of carry-over capacity, and a MDDL above 300 ft to ensure gravity flow in the main canal. These requirements are more than adequately met by a dam height of 400 ft with a MDDL of 317 ft. The live storage capacity of the reservoir created by such a dam would be 2.33 MAF ensuring an adequate carry-over capacity of nearly 1 MAF. The submergence would be reduced by more than half and if desired, it could still generate power as the comparative table reveals.

The critical point to note from this comparison is that without affecting the Tribunal Award's stipulation regarding Gujarat's share of water and with the willingness of the MP government to accept a lower share of generated power, the submergence is less than half. In terms of displacement, the factor would be many times less, for it must be noted that the above submergence includes the normal river bed submergence up to full river capacity. Though that data is not available to the author, one can easily see its influence on net displacement. Let us assume that the river bed submergence without the dam is 10,000 acres. This would give net submergence at 455 ft as 81,500 acres and at 400 ft as 31,532 acres, which is nearly three times less. In terms of population displacement, it may be up to 80 per cent less than what it would be at 455 ft. Since the population to be displaced by the 455 ft dam is over 1,50,000 persons, this figure would reduce to around 30,000 persons, perhaps making the rehabilitation a possibility from the present impossible situation. One must however note with a great deal of anguish that even though the displacement would greatly reduce, the affected population would still be the tribals since their habitations are closest to the dam site.

Table

Factor	455 Feet	400 Feet
Submergence (acres)	91,500	41,523
MDDL (ft)	363	317
Live storage (MAF)	4.73	2.33
RBPH firm power (2,000 AD) (MW)	401	340
RBPH firm power (2010 AD) (MW)	167	141
RBPH firm power (2024 AD)	–	–
CHPH firm power (2010 AD) (MW)	98	49
CHPH firm power (2024 AD) (MW)	110	55

Other Factors

The foregoing arguments are compelling enough to warrant a reduced height of 400 ft. There are however other contributory factors which demand such a height reduction. At the time of giving its Award in 1979, the Tribunal assumed that the Narmada river carried 28 MAF of water, 23 MAF up to the proposed Narmada Sagar dam at Punasa in MP and 5 MAF between Narmada Sagar and Sardar Sarovar. The situation has considerably changed by now and much better data analysis now reveals that the water availability till Punasa is 21.8 MAF and between Punasa and Sardar Sarovar a mere 1.2 MAF. This raises serious questions about the viability of a reservoir with a live storage of 4.73 MAF at a dam height of 455 ft at the Sardar Sarovar site. It might lead to a dam which only sometimes reaches its full capacity, thus ensuring full displacement, but can deliver much less water, and particularly power, on a sustained basis. On the other hand the live storage of 2.33 MAF with a dam height of 400 ft would be adequately sustained at the reduced capacity of the river downstream from Punasa.

The other important factor pertains to the quantum of displacement. It is an open secret that a proper survey of the population to be displaced is yet not available, in spite of many deadlines. However, it has generally been assumed that submergence will occur in an area up to the height of 455 ft or near about. However, a resurvey available with the Narmada Valley Development Agency reveals that the backing-up effect of water will result in a much higher level during monsoons, particularly in the tributaries, as you go further upstream. Which means that the submergence level is not a horizontal line at 455 ft but has a continuously higher elevation as you go upstream from the dam. For example, the submergence level thus worked out at Maheshwar upstream in MP is 494 ft! Which implies that one other proposed benefit for MP of the SSP, the Maheshwar power generation plant, would actually be under monsoon submergence. But this also implies that the total displaced population would be much higher than expected presently since the back-up effect would affect the entire submergence zone. Though the submergence map available with the NVDA seems to have considered this fact, it cannot be believed to be final. For example, this map assumes that only the outskirts of Dharampuri town will be affected, but there is a strong possibility that the entire town of 40,000 population will need to be evacuated because of monsoon submergence. The implications of such an eventuality are stupendous.

It is to be assumed that such an effect would operate for the 400 ft dam too, but these are the kind of details that would need careful analysis before arriving at the best possible height. To that extent 400 ft is an indicative height. A detailed review might, for example, find a height of 388 ft to be adequate in terms of ensuring 9 MAF of water to Gujarat with minimum social, economic, environmental and human costs.

There seems to be an adequate case to suggest that a national consensus must ensure a comprehensive review and reformulation of the project now that a critical factor has entered the picture, namely, the rather bold initiative of the MP government to accept reduced power than was originally envisaged. Since most of the parameters are interconnected, only a comprehensive review can work out the entire set of reformulated design values and plans.

Since the issue involves the possible reduction of submergence by a staggering amount, without decreasing the stipulated water to Gujarat, illogical and bureaucratic excuses of the type raised by the former chairman of the NVDA, Sharad Jain, recently, to stick to the original height need to be severely criticised. The objection is not merely to his expertise—contrary to press reports he is a statistician rather than a water expert—it is more with such technically absurd assertions that if the water content in Narmada has gone down, then the dam height needs to be increased rather than decreased. With less water in the river, a higher dam would simply not fill up on a sustained basis. Gandhisagar dam on the Chambal is a classic example of such a miscalculation. Because of less water in Chambal than what the dam was designed for, the Gandhisagar reservoir has reportedly reached its full reservoir level just once in its 24-year history! Similarly to assert that the reversible turbines have already been ordered from Japan is a classic bureaucratic outcry. If the river bed power station will deliver reduced power only up to 2024 AD but cause a tremendous amount of displacement, and when the main power beneficiary, Madhya Pradesh, is prepared to settle for reduced power, the order for such turbines should simply be cancelled, even if it means a certain amount of payment. New design parameters can and must be worked out and new machinery ordered. The gain in social, human and economic costs by reduced submergence must counter any status quo arguments. There is an urgent need to bring in some reason and rationality in discussions about a project that is essentially in the sphere of science and technology, and its social impacts. And there are compelling technical reasons to suggest that the review process must begin for the reformulation of the project, using the height of 400 ft as, what we scientists say, the first approximation.

Use and Abuse of History

Geetha Gangadharan

An attempt to get the views of some historians, recently gathered in Mysore for the annual session of the Indian History Congress, on, inter alia, *the abuse of history and historians in the Ayodhya dispute.*

THE 54th session of the Indian History Congress held at Mysore recently afforded an opportunity to ascertain the views of India's leading historians on the Ayodhya issue. Senior historians from different parts of the country assembled here to discuss various issues. The conference went on under a few broad themes such as Ancient India, Medieval India, Modern India, Countries Other than India and Historical Archaeology, Epigraphy Numismatics and Archives.

The occasion was utilised by this writer to get the reactions of historians to some other issues of compelling importance. Among these are the relevance of the discipline of history, abuse of history and historians in the Ayodhya issue, textbook writing and the contribution of the Indian History Congress in these areas.

All the historians with one voice declared that the contribution of the Indian History Congress, since its inception, had been 'phenomenal'. Their contention was that if only the government had taken note of their pleas, resolutions and predictions, the recent history of India would not have taken this hopeless turn.

History, according to most participants, is a socially highly relevant discipline. It has the potential to act as a guide to the future. It will never be detrimental to the growth and development of the nation. They felt that knowledge of history is essential because we have to learn from our past mistakes and work for a better future.

R S Sharma clarified it further, "Our problems cannot be solved by history but it can throw light on the various dimensions of the problem." M G S Narayanan asserted, "As long as you don't believe in astrology for predicting the future of a society, the only way you can understand a society is by looking into its past history. But, history should not cloud our vision of the future."

The participants emphatically stated that the Indian History Congress tries to promote 'objective' or 'scientific' history based on the use of sources, solid evidence, etc.

Coming to the Ayodhya issue, the participants were unanimous in their view that had the government heeded their resolutions on the issue, the history of India today would have been different. Way back in 1986 this premier organisation of professional historians had resolved that Ayodhya should be declared a national monument. It is one of the last examples of Sherkey architecture, and a fine one at that. The IHC had resolved that no worship of any kind should be allowed there and the Archaeological Survey of India should maintain it. Asked about the protection of historical monuments in general in the country, the secretary of the Congress, Sreemali, said

> It is unfortunate that a country like ours which has such a long history and magnificent heritage, does not have any National Trust as such to protect our monuments and a large number of them are decaying and are left to all sorts of vandalism. The civic authorities have shown total callousness... The so-called Babri Masjid, I would say, has been lost forever. No promise of the prime minister is going to bring it back again. It is gone forever. History would record it as such

Shireen Moosvi of Aligarh Muslim University endorsed this viewpoint.

The historians asserted that we should really be concerned about our roots, but should not get obsessed with that. We should try to understand it and the process of understanding the past is a continuous process. It is a never-ending quest for the discovery of oneself, the people, the society, the land, etc. It was emphatically stated that in the process of 'understanding' the past, we should never 'invent' the past. They reiterated that politicians in this country have tried to misuse history, distort and in fact mythify it for their short-term gains. These politicians artificially create the 'masses' who then proceed to fight for their 'causes'.

Asked about the distortions in history with reference to Ayodhya, Jha of Delhi University had an interesting answer. He categorises these distortions into two groups. First is the distortion practised by British historians who would tirelessly say that Indian society had remained unchanged over a long period of time and Indians are barbarians, etc. This was motivated by a desire to perpetuate imperialism. He interpreted the available evidence purporting to show that Indians have remained backward. It was misinterpretation of the available information and facts to suit the British historians' convenience. But now we have a more dangerous kind of distortion. The VHP has not only misinterpreted the available evidence, but also 'manufactured' some. While we can fight the former distortion, the latter is impossible to fight because we do not have karsevaks at our command. About historians playing into the hands of politicians on the Ayodhya issue, the participants asserted that no historian worth his name had done so.

Misuse of electronic media was another important issue that came up. Jha felt that the 'Ramayan' serial had communalised the Indian mind to a very large extent and that was why the BJP emerged strong in the Hindi belt: "I myself personally and the IHC both had protested against it right in 1987 and we have been proved correct."

Coming to the textbook issue, this writer was told that the IHC has set up a committee for reviewing school textbooks. NCERT is also involved in that exercise. And the IHC has asked its executive committee members to monitor their own respective state textbooks. The Indian History Congress is also engaged at present in writing a comprehensive 'History of India' and a few volumes have already come out. M G S Narayanan asserted:

> India is not a nation, it is an assemblage of nationalities; each state has its own national identity. These regional polities should be allowed to grow into regional nationalities. There must be a genuinely federal constitution for common purposes, as they have in Europe. In fact, this is a lesson of history. India has never been under a single administration except in the British period and it is an imperial tradition. When the British empire was disintegrating, we all expected that individual national groups will have their autonomy. On the other hand, we took a retrograde step. In the name of federalism, we have established a unitary constitution detrimental to the well-being of the nation. It is responsible for all the conflicts and tension within the country today.

Hence he is re-writing Indian history as a history of different nationalities. With marginal exceptions, he felt, that all Indian histories have been imperial histories.

Asked about the rampant communalism in the country today, M G S Narayanan had a very thought-provoking answer:

> We have to recognise communalism as a fact of life in India today. We live as different communities. Marriage, diet and religionwise people have their different communal outlook. When they are living in communities, communalism is a natural expression of their lives. You cannot deny that. How to modify that should be our concern. But the first step is to recognise communalism.

Asked about the future of history, the historians were all optimistic. No doubt, difficult times are ahead for history as a discipline but it is only an interlude, the historians believe. The present turbulence has been created by a few disgruntled elements. "We can go wrong only for a moment; never too long." Shireen Moosvi felt that the latest election results have proved this. As a part of the heritage of a composite culture, the Indian ethos is congenial for the growth of tolerance of ideas. Unanimously they asserted that ours is a very old civilisation, not 100 or 200 years old, but many thousands of years old. "It has its own resilience", they say. Thus, on the whole, the historians seemed to be hopeful about the future of the nation, despite the present turmoil.

No doubt these historians and the Indian History Congress are both doing yeoman service for our understanding of history in the right perspective. Yet somewhere as a nation we seem to be going wrong, more often than not, in putting history to right use. We now have several kinds of histories and hitherto unknown heroes have come into existence through textbooks in various states.

Like any other creative force, history has enormous potential if used properly. But if misused, it can create havoc for the social fabric of the nation. We already know the result of the misuse of history.

On Casteism and Communalism in Uttar Pradesh

G K Lieten

Recent political developments in Uttar Pradesh have been characterised by two denunciatory concepts: casteism and communalism. Preliminary results of an attitudinal survey in Jaunpur district show that class-conscious voting in itself may politically result in caste polarisation. The simple characterisation of this polarisation as casteist may function as a shorthand for the condemnation and denunciation of a social stirring by the exploitative classes.

POLITICS in Uttar Pradesh has always been tagged on to simplistic explanatory models. Two concepts have been used to explain the developments which have taken place since the late 1980s and which culminated in the 1993 state assembly elections: casteism and communalism.

These issues have been taken care of as subsidiary points of interest in the course of a study of the panchayats and local democracy in three districts in the state. Some preliminary findings of an attitudinal study are presented here. They relate to the political manipulation of jati and religious denominations in the realm of politics.

The study relates to the northern area of Jaunpur district, 150 km south of Ayodhya. The 'opinion poll' was taken in the months preceding the November 1993 assembly elections. Apart from some factual information, opinions were solicited on two ranges: the priorities of development and the caste/religion imbroglio. For the opinion survey, a random selection was made of one-third of the panchayat members in one nyaya panchayat area in the Garwara assembly constituency, supplemented with a random selection of around 160 men and women in the villages of that area. Previously, in the monsoon and post-monsoon period of 1990, a comprehensive study of all panchayat members was conducted.

The 1989 assembly elections in the area had been won by Janata Dal (32.6 per cent), very closely followed by Congress (32.3 per cent), and then at a distance by the CPI (13.9 per cent) and by the BJP and BSP with around 6 per cent each. The figures are mirrored in the political allegiance of the panchayat members in 1990, which indicates that the massive desertion of the Congress had not yet begun, and that the political attraction and attractiveness of the BJP and the BSP had not yet started. The communists were still a force to reckon with, but collapsing leadership left its mainly kurmi and yadav supporters adrift. The next elections (in 1991) started the churning process which led to an ignominious collapse of the Congress, and the upward thrust of the BJP and the BSP.

In the middle of 1993, when the study was conducted, party re-alignment was still in a flux. The rupture of the different incarnations of the Janata Dal (led by Mulayam Singh, V P Singh and Chandrasekhar) had not been healed. Although the BSP had not yet made its mark in the area, it was clear that the new outfit, if in alliance with any of the Janata incarnations, was going to improve its clout considerably. More than half the sample at that stage had a distinct preference for the Janata Dal pariwar. In the elections a couple of months later (November 1993), the BSP attracted 36.9 per cent and V P Singh's Janata Dal 17.3 per cent of the electorate. The fortunes of the Congress, as the graph indicates, had been plummeting, and would plummet further until the party could secure not more than 5.5 per cent of the votes in the assembly elections. The ex-Congress electorate had clearly shifted its allegiance: the poor people towards the Janata Dal and the BSP, the rich people towards the BJP. The data in Table 1 illustrate this class/caste divide. There appears to be a perfect shift of upper caste and upper-class votes from Congress to BJP in the run-up to the elections.

Coming in the wake of the hindutva resurgence, widely publicised by Hindu organisations and media reports, and just preceding the assembly elections, which was predicted to bring into the open the anti-upper caste self-esteem of the lower castes, the purpose of the opinion survey was to gauge the undercurrent of secular versus religious and casteist sentiments. For this purpose, the respondents were invited to rate 10 statements in terms ranging from strong disapproval to strong approval. Similar statements were presented in different renderings, e g, in the positive clause later to be followed by the negative clause, so that the internal consistency could be checked.

Of the 220 respondents, only three forms had to be rejected for internal inconsistencies, and six persons were unwilling or unable to rate the statements. This may lead us to the first important conclusion, namely, the presence of a very high awareness and ideational commitment.

Caste and Class

There is no dearth of scholars, commentators and journalists who prefer to see Indian society, and UP society and politics in particular, in terms of caste. The 1993 election results has only reinforced that idea. To many secular observers, and to many progressive political organisations, the results came as a shock in the sense that they indicated a 'casteist' reflex. The gratifying disenthronement of the BJP was marred by the emergence of a new sphynx, namely, casteism as represented by the BSP and its helmsman, Kanshi Ram.

The indictment of UP politics as casteist politics would have had some validity if there was not a strong correlation between caste and class. If the correlation is strong, i e, if most SCs belong to the poorest households of agricultural labourers, sharecroppers and poor peasants, and if the brahmins and thakurs belong to the dominant households of rich peasants, traders, teachers, etc, then the inference of the voting pattern along caste lines may very well be that at stake is a class assertion rather than a caste assertion.

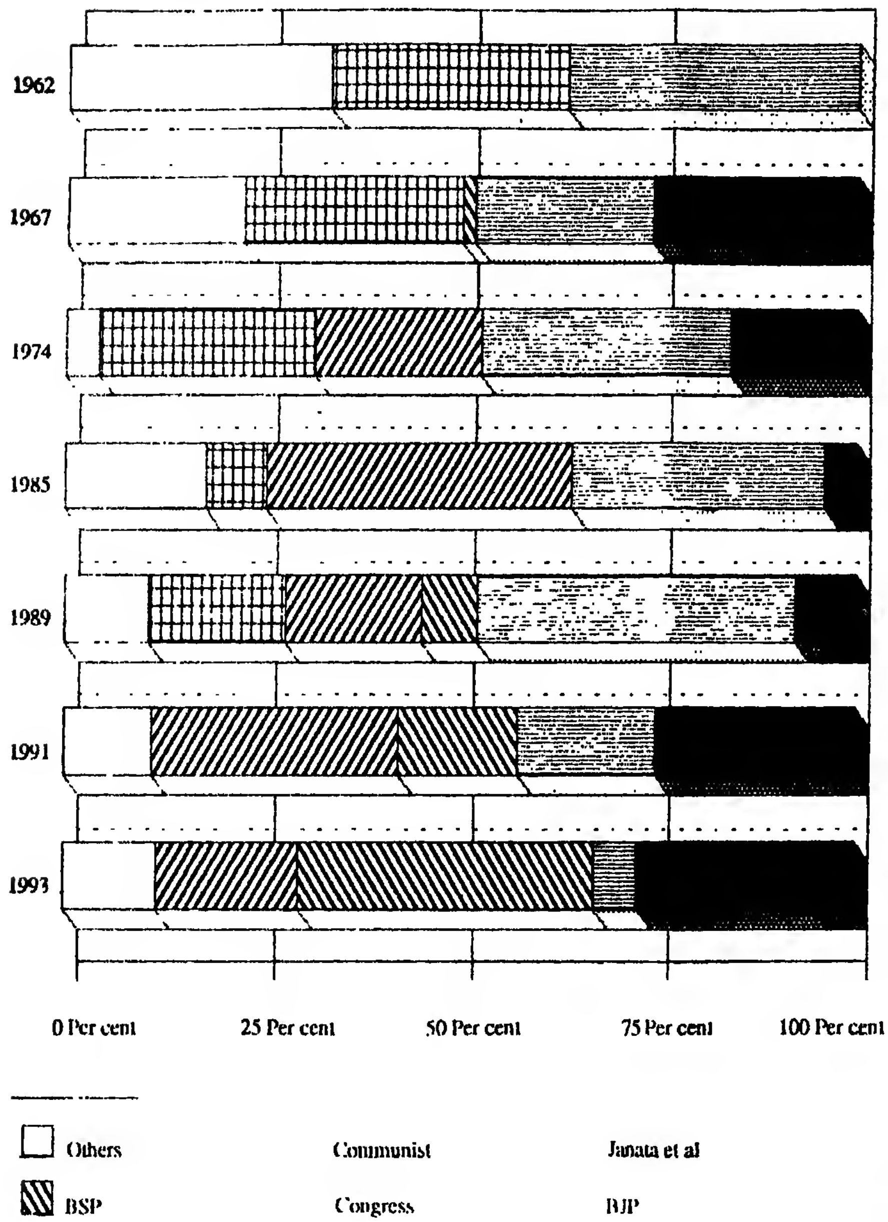
The conglomerate class position, as represented in Table 2 drives home the argument forcefully: at both extremes in the caste hierarchy, the correlation with class is almost perfect. Whereas only one brahmin belongs to poor households, practically all very rich families are of upper caste vintage. On the other hand, with two exceptions, the SC households can be classified as either poor or very poor. A wider sample would slightly blur the quasi-perfect correlation, but would not substantially alter the correlation.

Before proceeding further, we can therefore at this stage formulate the hypothesis that class-conscious voting (class in its mainstream sociological meaning) will politically result in caste polarisation. The simple characterisation of this polarisation as casteist may function as a shorthand for the condemnation and denunciation of a social stirring which exploitative classes may wish to denigrate and to crush. Hence the necessity to investigate whether the accusation of casteism holds.

Casteism in politics requires people to stand for elections on the basis of articulated appeals to caste as a way of garnering votes. In this definitional sense, elections in UP may have gone the casteist way. The public utterances of Kanshi Ram do suggest that he is bent on organising particular castes in order to wrench power from parties which in his public view are dominated by other castes.

Caste is ostensibly brought in as a bludgeon against political adversaries. In the

Figure: Assembly Elections, Garwara Constituency, 1962-1993



reading of Kanshi Ram and his sister-in-command, Mayawati, caste suppression is the work of all other political parties. Janata Dal and the Communist Parties also are 'Manuvadi' parties, i e, parties and leaders responsible for continuing to impose the caste system as invented by Manu, the brahmin (see *Frontline*, March 11, 1994: 11). The refusal to go in for an alliance with the Janata Dal had to be defended because of its Manuvadi lineage and because of the thakur character of its main leader, forgetting all the OBC-Harijan-Muslim leaders, and not because of its real motive: power. Kanshi Ram made this power enigma explicit in an interview (*Sunday*, December 5, 1993: 39): "I hate the JD and regard V P Singh as the greatest enemy of the dalits. In fact, even if it came to a choice between the JD and the BJP, I would prefer the latter. If I had agreed to such a political pact, V P Singh would have been unnecessarily occupying the centrestage at this point."

The message of Kanshi Ram, in his ostensible quest for power, is clearly casteist and continues a trend which has emerged during the colonial period, and has had some temporary successes in a few number of states.

Political casteism in addition, however, also requires the voters to collect behind parties and symbols on the basis of caste identification, and in the belief that they have to ally themselves as members of (an alliance of) castes against other castes. It requires the electorate to symbolise and to comprehend the divisions in society in terms of the caste order. This apparently is not yet the case.

Our findings indeed belie the widespread opinion that the casteist thinking of the lower castes in Uttar Pradesh has ultimately come into the open. They do react negatively to the suggestion that politics should be 'kaum' politics or 'varna' politics (see Statement 1).

The score of all SC respondents, on the scale from 1 (strongly disagree) to 5 (strongly agree), shows an average of 1.7, which indicate that they generally strongly disagree with the position that political parties should be based on caste.

The score frequencies indeed do suggest that only a handful of SC and OBC respondents want politics to be based on caste: out of 51 SC respondents and 77 OBC respondents, only six persons of each group agree or strongly agree with the position that parties should become caste based. The logic of this occasional respondent is simple: since all other political parties were dominated by the upper castes and, solely or mainly, have been looking after the interests of the very same upper castes, the lower castes have to start relying on their own organisations. Instances to shore the argument do not derive from national politics, but from the local inhibitive control by the upper castes. Even in the gram sabha where the brahmins and thakurs have only a scant minority, they manage to obstruct initiatives taken by the panchayat.

Empowerment of the hitherto poor and helpless requires the emergence of a new political formation. The new Messiah happens to be Kanshi Ram, but an electoral shift towards his party need not entail a casteist approach: of the 128 SC/OBC respondents, as many as 116 rejected casteist organisations in politics, most of them categorically. It is interesting to note that by and large similar scores are obtained if the socio-economic position is used as the denominator: the score is 1.8 for the very poor respondents and 1.3 for the poor respondents. On the other hand, the scores of the rich and very rich respondents add up to 1.1.

Empowerment

Empowerment expectations have been simmering for many decades. Political parties have failed to accompany this process and give it a non-casteist leadership. The CPI had done so at one time, but its organisation disintegrated. Indira Gandhi's

message of land reforms and justice then tied the lower caste/class people to the Congress. V P Singh was the next Messiah, not on account of the Mandal Report (most SC/OBC respondents do not set great store by the reservation policy) but on account of his direct empowerment appeal to the downtrodden. He received the deathblow from the bickerings and phony alliances within his party. Since the BJP from the very onset was perceived as a party of 'babhanlok' and 'Lalaji's' (brahmins and traders), it failed to reach the downtrodden villagers.

The simmering has now burst into the open. The general conclusion is that the changes in the UP political landscape reflect a class assertion. The leaders left in the field to ride on this class assertion are Mulayam and Kanshi Ram, and their local strongmen and organisers who have taken up the cudgels against alleged oppression and exploitation. These leaders themselves usually are not the direct victims of oppression and exploitation. On the contrary, they often occupy a privileged position. The short cut to leadership accordingly has to draw on caste solidarity rather than class solidarity. The purpose is to increase the share of state benefits rather than to fight for changes in the economic basis underwriting the state structure.

Earlier, we have indicated that one SC family in the sample could be classified as a rich household. This family is a typical representative of the upper-class leaders riding on the class assertion of their caste brethren and sisters. The respondent happened to be the wife of Kotwal Saheb. The husband is a retired police inspector, and till 1991 was solidly with the Congress. His and her families bear the imprint of that relationship: teachers, police officers, public sector managers, etc. The six sons and three daughters have landed in good positions or contracted good marriages. One of the sons-in-law at that time was a Congress MLA. Kotwal Saheb now has shifted to Kanshi Ram's party which he expects to help the educated SCs and OBCs. He candidly projects that Kanshi Ram is fighting only for a share in the government and in the administration, and that poverty and exploitation will not come to an end. Because of the BSP approach, however, and "through Mandal and the increasing power in the administration, it may help in reducing the atrocities".

This is the minimalist message of liberation and empowerment which goes down well with the weaker segments of the kurmi, yadav, kahar, and other OBCs and with the SC population in general. They want to get rid of the obnoxious, authoritarian, corrupt, repressive, arrogant and casteist 'punjipatti' (capitalist, synonymously used for upper castes).

That at least is the message which we got from scores of lower caste men and women, after rendering them a patient ear. The following account may illustrate the case. It is the tale of Munshi Harijan, a 35 year-old chamar who has already lost five of his seven children and scrapes through with agricultural labour work for which he usually gets a daily wage of three kg of wheat. Eastern Uttar Pradesh in a nutshell:

> You have come here and you are listening to us, but the people around here who should listen to what we have to say, they only order us around, and if we protest they will even beat us or call the police, and when we go to the police or to the block administration, their own people are sitting there and they won't even listen to what we have to say. Only our money they are prepared to accept, but then their own punjipatti lok give them more money, and that settles the issue. They are constantly fighting amongst themselves, but when it comes to dealing with us, or when the benefits have to be distributed, we are left with nothing but our mouth. That is the only thing we have, like monkeys, but even then we should not speak up. Our people do not have voices. The babhan (brahmins) have taken our land, and have captured village land, and all the parties are controlled by them. Nothing has helped. So, now we are planning to vote for the ashudh (untouchable) party, because even the educated and soft babhan who secretly may take water with us and who do less injustice, in the end line up with the other punjipatti of their ilk. If we had people in the administration, they would listen to us and we could do something about it. It is good that we now have some educated people amongst ourselves, and they can give us some information, because the babhan will never do that.

Some harijans gracefully remember the role played by some brahmin members of the CPI who indeed had helped them, and who had stood up against the punjipatti of their own caste, but that party has disintegrated, and the option for the BSP and Mulayam Singh may very well be an option by default with the intent of breaking the casteist hold of the punjipatti over their lives and their villages.

Communalism

The BJP had taken UP by storm. From a lilliputian position in the 1984 and 1989 elections, the party was catapulted into the top position in 1991. On what was perceived as the Ayodhya hindutva wave, the party secured 31.6 per cent of the votes (11.8 per cent in 1989), and formed the government. Since the BJP had fought the elections on the single issue of hindutva sentiments, the victory was explained as a vindication of Hindu unity against the so-called pseudo-secularists.

The most extreme communalist position involves the separation of Hindus and Muslims as separate ethnic identities, as separate nationalities, and then to argue that Hindustan belongs to the Hindus. Unlike the pseudo-secularist position, the communalists argue that India, or Hindustan, is the country of Hindus.

We have confronted the sample with three statements suggesting that there are no differences between Hindus and Muslims, that Hindustan is a country which basically belongs to Hindus with less rights for Muslims, and that Hindus and Muslims should have equal rights as citizens of Bharat. The reactions by the respondents belonging to the respective varna groups reveal a significant difference (Statement 2). The aggregate score of OBC, SC and Muslim respondents was 4.7, 1.2 and 5.0 which indicates a very strong agreement with the secular position. Among thakurs also, the secular position is dominant.

Brahmins, on the other hand, on the three statements relating to the rights of Muslims versus Hindus, had a score which hovers

Table 1: Classwise and Castewise Political Preferences, 1993

Socio-Economic Status	Janata Group	Congress	Communist	BJP	None
Poor	72	8	6	6	8
Middle	32	10	4	13	1
Rich	13	11	2	23	1
Brahmin	0	11	4	31	2
Thakur	9	4	0	1	
Bania	2	1	0	9	
OBC	68	3	3	1	2
SC	33	7	5	0	6
Muslim	6				
Total (per cent)	55.9	13.7	6.6	19.9	4.7
Elections 1993 (per cent)	64.5	5.5	–	28.0	

Table 2: Correlation Caste and Class

Economic Status	Upper Caste	Middle Caste	OBC	SC	Muslim
Very poor	0	1	10	35	1
Poor	0	5	30	14	4
Middle	27	3	28	1	1
Rich	26	2	7	1	0
Very Rich	11	1	2	0	0

around 3.0. The aggregate score is the statistical average of almost as many brahmins who take a secular position as compared to brahmins who want to treat the Muslims as second-class citizens. Among the vaishya bania castes, the communalists have a clearer edge over the secularists. Guptas and Jaiswals often take the most extreme position, and have no scruples in declaring: "Muslims should be asked to leave India and to go to Pakistan or to the Arabian countries".

The rich landowning class and the trading class, more or less congruent with brahmin and vaishya, have a pronounced communalist slant. Even if brahmins can vaguely be associated with a priestly caste and with a soft corner for the religious men, the bania definitely will not relinquish his power and earthly wealth to religious leaders. Nonetheless, that is the solution which presently fits into his scheme of power politics.

The Hindu slant of the traders, rich peasants, and administrators is not induced by religious piety and undefiled sodality, but by a basal political instinct: religion as a means of evoking loyalties against the dangers of a civic emancipatory process.

We have formulated three statements around the idea of having more interference by religious leaders, and the dharma imperative, in the running of the administration, or, in more abstract terms, the Ramraj. In Statement 3, we present the scores on two such opinions, namely, the contention that politics should be based on, and be inspired by religion, and that more religious leaders should get involved.

The bania caste, it appears, feigns a high degree of religiosity and a tendency towards a theocratic state. Most of them declare that politics should be based on dharma and religion and that religious leaders should be involved in the running of society and the administration. Brahmins tend to agree with the first position, but not with the second.

OBCs and SCs live in a world apart. Their religious worldview and practice is a world apart from the brahmanical beliefs, and they have understood, or have come to understand, that religious leaders operate hand in hand with the interests of the punjipatti. Their support for a theocratisation of politics, based on the 'imam', the 'sadhu', the 'pandit' and the 'yogi', is generally ruled out, with some exceptions though.

The exceptions within the 'jati' are not related to economic position or gender, but to age. The ten lower caste people who would like politics to be based more on religion are in their 50s and 60s. Only four of these 10 people also approved of the demolition of the Ayodhya mosque.

Here we come to the central argument in the BJP argumentation in the months preceding the destruction: the imperative of the Hindu faith over the constitutional and legalistic arguments. Since the Hindu did believe that Ram was born on that very same spot, and that the infidel Babur had destroyed the temple erected on Ram Janmabhoomi, the Hindus were entitled to undo the historic wrongdoing.

Although the argument is utterly ludicrous (the BJP itself would not like to concede the 'Kashmiri Belief'), the question which concerns us here is whether it indeed reflected 'The Hindu Belief', or whether it possibly was only a small minority asserting its 'Might Is Right'. For answering the question, we can rely on two sets of data referring to the same area. The first set relates to 162 members of the panchayats, and the second set is the same sample as described in the earlier section.

The fieldwork among the panchayat members was conducted from August 1990 through October of the same year, a watershed period in the political history of India. It was weeks before the first assault on the Babri masjid in Ayodhya.

On the basis of the class position of the five BJP panchayat members at that time, it was apparent which class its future support would draw on: with the exception on one middle-peasant, the others are rich peasants, and three of them have at least a BA degree. And above all, they are brahmins.

The other brahmins in 1990 were still siding with Congress, but the political collapse of their traditional party impelled them to look for an alternative. Such an alternative was urgently required because the signs of the time were ominous. The lower castes had become more vocal in their demands, and, through V P Singh and Mulayam Singh Yadav, had got a fat finger in the pie in the Lok Sabha and in the state assembly. The extension of job reservation to the OBCs in the summer of 1991 was commonly condemned by the brahmins, thakurs and banias as an unjust solution, reinforcing casteism and hurting the poor people across the caste spectrum.

While the immolation politics of brahmin students made many regions in northern and north-western India sink into chaos, the BJP hits on a novel idea to re-unite the Hindu masses: Ayodhya.

When it launched its offensive against the wrongs of history, the BJP claimed to speak on behalf of the Hindu masses. On the basis of our findings in late 1990, it is plain that the party did speak mainly on behalf of the brahmins. In addition to 23 brahmins (slightly more than half of the brahmin membership), we found only one thakur and one chamar who supported the idea of demolishing Babri masjid in order to construct the Ram mandir. Their arguments in favour of such a neither transcendental nor peaceful operation were still couched in a defensive complaint rather than in a belligerent language, but belligerence was on the increase.

Many Dubeys, Chaubeys, Mishras and Upadhyayas felt the blight of the new developments, and the major underlying discursive element was that of a fate at stake. For too long, the sentiments of the Hindus had been disrespected in the name of pseudo-secularism. Harishankar Upadhyay, the

Statement 2: Hindus and Muslims

	India Should Be Hindu	No Hindu Muslim Difference
Brahmin	2.9	2.7
Thakur	1.9	3.9
Bania	3.0	2.7
OBC	1.3	4.7
SC	1.2	4.8

Note: The value close to 1 signifies strong disagreement; a value close to 5 signifies a strong agreement.

Statement 3: Politics Must Be Based on Dharma and Religion

	Religion in Politics	Religious Leaders in Politics
Brahmin	3.5	3.1
Thakur	2.1	1.9
Bania	4.1	3.5
OBC	1.3	1.2
SC	1.1	1.1
Muslims	1.5	1.5

Statement 4: Temple Politics

	Religion Misused for Political Power Game	Temple Should Be Built
Brahmin	2.8	3.5
Thakur	4.4	1.9
Bania	3.6	3.2
OBC	5.0	1.1
SC	5.0	1.1
Muslims	4.8	1.0

Note: As in the previous statements, 1 denotes strong disapproval and 5 denotes strong approval.

Statement 1: Political Parties Should Be Based on Caste

Caste	Score	Frequency	Score	Frequency	Economic Position
Brahmin	1.0	51	1.1	14	Very Rich
Thakurs	1.2	14	1.1	36	Rich
Middle Caste	1.3	12	1.1	61	Middle
OBC	1.4	77	1.3	53	Poor
SC	1.7	51	1.8	46	Very Poor

Note: The individual scores range from 1 (strong disagreement) to 5 (strong agreement). The scores obtained from the reverse formulation of the statement produce more or less the same aggregate results.

young graduate in a landed family, successively fulminated against the government for not doing anything for the brahmins and the thakurs, and against the Muslims for suppressing the Hindus: "It is the highest time that we start reacting. Government is not doing anything for us. Nowadays, we have become the slaves of the lower castes and of the Muslims. Do you expect us to go and build a temple in Pakistan? No, but they have built their mosques here, destroying our temples. The sacred Ram Janmabhoomi has been left in their hands for too long, because the Hindus were timid and submissive. This historic wrongdoing towards the Hindus has to be remedied. It is a matter of national pride. Why should the Hindus continue to live as second class citizens in their own country?"

The brahmins contributed '*chandan*' to the construction of the temple. A few non-brahmins have followed their example, but even when they have done so, it has been a qualified chandan. On the lower scale of religiosity, the OBCs are more religious than the SCs, and around one half of them agree that a temple for Ram should be built. Or rather, they do not mind its construction, but only side by side with the masjid. Their axiom is explicit: "Holy places cannot be demolished".

The idea that holy places, belonging to whatever religious denomination, should be respected, stems from a widespread acceptance that there is only one god, and, as one female member asked rhetorically: "If God is the same, how can there be bloodshed in his name?". The female panchayat member happened to be a Muslim, but her ecumenical attitude towards religions was found commonly among the Hindu lower castes as well.

The approach of many yadavs and kurmis and of a few brahmins springs from a germane understanding of the importance of religion: "It is alright if a temple will be built there, but if this is going to lead to a revolution, if people are going to slash each other's throats, then it should not be done. After all, Ram does not live there, but we live in this country and this country should not be ruined for the sake of a building. That is utter nonsense".

Among the SC members, hardly anybody, in the monsoon of 1990, relished the idea of a temple construction. Above all, they wanted peace. They wanted to live peacefully with the Muslims and, above all, with the brahmins, which is experienced as more of a problem. The admonition to what they call 'the Hindus' is that they should start treating them in a humane manner, and not as untouchables. Whereas such a change in the behaviour of brahmins will benefit them immensely, the construction of a temple does not benefit anybody. Moreover, they argued, there already are so many temples in the country. Most temples in their villages are only good for dogs. They roam around there. Nobody else goes there, not even the brahmins. From such a perspective, born out of lived-in experience, there was hardly any support for the construction of yet a new temple.

The sample of 220 respondents which was taken three years later, i e, after the demolition of the Babri masjid, only confirms the positions which the different categories of Hindus had taken towards the end of 1990, with a further polarisation though (Statement 4). The brahmins and the banias have moved further in the direction of the Hindu Belief that the temple should be built.

A dramatic reconsideration has taken hold of the OBCs: whereas in 1990, around half of them had agreed that a temple could be built, the new position is clearly that a temple should not be built. This actually follows from the position taken earlier that a temple could be constructed side by side with the mosque, but not at the expense of the mosque. The OBC segment virtually collectively has shifted against the iconoclasts.

The BJP leadership claims that its line on hindutva and Ayodhya has been rewarded by the Hindu electorate. It has not done as well as desired, but even then 1993 elections ended with a small increase in popular support. The explanation relies on statistical fudging rather than on substantives. It is clear that the destruction of the mosque has cost the BJP dearly.

The OBC and SC electorate has disapproved of the political skirmishes at Ayodhya as a religious disaster and has clearly pointed its finger at the guilty players: the brahmin punjipatti of the BJP. As it happens, Ayodhya has been very much in the village news (*Bahut kuch sunte hai*), and people are very much conscious of who has done the demolition of the house of god. The blame is put on the BJP (49 per cent), the brahmins (19 per cent), the Bajrang Dal, sadhus and Ram bhaktas (17 per cent) and Congress and BJP (7 per cent).

The fact that the BJP has not been wiped out is to be explained in terms of its reincarnation as the strategic party of the ruling class. The Congress had performed that function till the late 1980s when it rapidly desintegrated and the swing towards the BJP followed. In the Jaunpur area, as the graph illustrates, the BJP ascendance since 1989 has been at the expense of the Congress.

Conclusions

We have presented some preliminary findings of an ongoing research project. The findings in many respects are similar to the findings which we obtained from two other districts, namely, Muzaffarnagar in western UP and Rae Bareli in the Avadh region of the state. The findings may thus apply more widely than to Jaunpur alone.

In respect of casteism, while agreeing that the BSP formation thrives on a casteist ideology, the lower castes (SC as well as OBC) clearly continue to maintain a politically anti-casteist attitude. It is rather the upper castes who maintain caste segregation and exploitation. Paradoxically, now, when the emancipatory stirring from below manifests itself, they want to imprint on this stirring the defamatory seal of casteism.

In respect of communalism, the internal divide shows up again. Whereas the OBC/SC/Muslim population maintains an ecumenical attitude, the upper castes have clearly taken on the 'trishul' as their new symbol. The lower castes identify the trishul and the Ram Janmabhoomi not as symbols of salvation, but rather as devious ways of class suppression. The upper castes, identical with the dominant economic classes, have made use of the masjid-mandir controversy in order to beat back the emancipatory movement of their reserve army of workers. The OBC\SC\Muslim combine has not allowed this to happen. They are opposed to the mixing up of politics with religion, and are keenly convinced that the BJP had tried to take them for a ride.

The overall conclusion validates the journalistic metaphor used by Praful Bidwai (*The Times of India*, December 4, 93) to explain for the 'bursting of the BJP hindutva bubble' in the UP elections: "The BJP is not only on the wrong wavelength but in the wrong waveband altogether".

[The research on which these findings are based forms part of a wider project in collaboration with Ravi Srivastava (Uttar Pradesh) and Ratan Khasnabis (West Bengal). The project is financially supported by Indo-Dutch Programme on Alternatives in Development. IDPAD cannot be held responsible for the findings and interpretations contained in the article.
For the collection of the data, I am greatly indebted to the assistance of Harish Pande. Dick Kooiman offered some useful suggestions and pointed out some inaccuracies. Remaining inaccuracies are mine.]

Urdu Education in India

Four Representative States

Ather Farouqui

Urdu has become a language of the Muslims and Urdu education is sought only by poor Muslims in most states of India. The most important contributory factor for this state of affairs is the lack of support offered to Urdu by state governments.

URDU has been so neglected in India that it has become the language of only the Muslims. In other words, Urdu education has become synonymous with Muslim education. It is also worth mentioning that an impartial and unprejudiced account of social and political conduct of the Muslims as well as the causes of their backwardness in education cannot be examined unless the dimensions of the politics, around, Urdu after independence are understood and examined. The cause of Muslims' backwardness in India is mainly associated with their religious and social complexities. But this analysis will remain incomplete and one-sided until it is admitted in principle that the Muslim backward sections are not very different from the other backward Indian communities. Though at some levels it is easy to recognise the difference between Indian Muslims and the other backward communities in India, an analysis of the social and educational condition of the Indian Muslims is essential at various levels, especially comparing them with other communities because the circumstances and educational condition differ at every level.

An extensive survey through Bihar, West Bengal, Andhra Pradesh and Maharashtra disclosed, surprising, that there was not even a single non-Muslim student enrolled for studying Urdu even as an optional subject at the primary or secondary level, or opting for Urdu as the medium of education. It is disheartening to note that to date no authentic information is available about Urdu language or education. Neither the government nor any private educational body has ever tried to conduct any research in this field On the contrary, after independence, attempts were made by every government to erase Urdu.

The first survey on Urdu was conducted in Uttar Pradesh. An analysis of the state of Urdu education in some states above is available and an assessment is made here on the basis of the drop-out rates in five schools from each of the four states, namely, Andhra Pradesh, Maharashtra, Bihar and West Bengal besides UP.

Urdu is taught in some schools as an optional subject either from sixth class onwards, or, in certain schools from first to 10th class. There is a provision for teaching Urdu as an optional subject from sixth to eighth class at a few places in UP. There are some schools where Urdu, besides being taught as optional subject from first to 10th class, is also the medium of instruction. In some schools the regional language is also taught as an optional subject from third or fourth class onwards

Interestingly, even in Urdu medium schools subjects like science and maths are generally taught in English or the regional language (including Hindi medium). The main reason for this is lack of adequate scientific vocabulary in Urdu. Urdu is the medium of instruction only for social science subjects, like history and geography, etc. In some states private publishers have started publishing Urdu books in science and technology by using technical vocabulary picked up from Pakistani publications. Some publishers in Maharashtra have gone to the extent of republishing the Pakistani books illegally. But this development is still in its initial stage. In Hyderabad province, before independence an experiment to introduce higher education through Urdu medium, initiated by the then Nizam of Hyderabad, had proved a great success. In this connections 'Darul tarjuma', an institution set up for translating technical books into Urdu, did a commendable job. After partition the political role of Hyderabad became uncertain. Urdu had already come to be accused as a means of precipitating the partition of India. As a consequence Urdu was abolished as a medium of education and the stock of books produced by Darul-tarjuma was burnt to ashes in extraordinary circumstances. There are a few Urdu medium degree colleges in Andhra Pradesh but practically, Urdu remains merely a medium of examinations and not of instruction since most of the course books are available only in English or the regional language. Students whose mother tongue is Urdu prefer Urdu as medium of exams, rather than the regional language.

In almost all the states in India, except Maharashtra, Urdu education has reached the verge of death. Middle, low income or lower-middle class people who make their wards receive education in Urdu medium have to face a number of difficulties. Urdu as a medium of instruction is available only up to the secondary stage. Consequently, Urdu medium students lag behind regional language or English medium students. Urdu medium students opting for regional language as the medium of instruction have to drop Urdu education which remains the only source of study of Islamic literature in India. Of late, the Jamat-e-Islami has started the publication of the Quran and other Islamic literature in other languages but this work is still in its infancy. Muslims have not yet taken a clear decision either to adopt Urdu or allow it to be confined to regions where the feelings of regionalism are strong.

The condition of the Urdu language and Urdu education is most pitiable in Uttar Pradesh, a state which has been the traditional centre of Urdu learning for centuries. There is not even a single primary or junior high school of Urdu medium. The only two Urdu medium high schools are those run by and affiliated to Aligarh Muslim University. Consequently, the generation born and brought up in this state after independence is quite unfamiliar with Urdu. They are neither aware of the problems faced by Urdu, nor do they have any emotional attachment to it. The occasional references to Urdu literature and Urdu culture are limited to Urdu newspapers and, of course, the history-books. During the last decade there has been a mushroom growth of private schools everywhere in the state. This phenomenon has given rise to several technical complexities in the field of education. Fifty to 60 per cent of such schools are unrecognised. Still, the middle and lower-middle class people opt to send their children to these schools for education, even though it is very well known that these institutions are merely business centres. These unrecognised schools which are nothing more than teaching shops give admission to children up to fifth standard after which the students have no other option than seeking admission in the civic schools, which is possible only by greasing the palms of the concerned officials. Later the certificates from government schools entitle them to get admission into high schools or intermediate colleges.

Interestingly, though there is no facility for teaching Urdu in Uttar Pradesh, students can opt for an Urdu paper at the junior high school examinations. At some

places the high school and intermediate students of science and commerce group are allowed to take Urdu as an optional subject but in place of English. It is worth noting that such an option is not available to the students of the agricultural group. This arrangement leaves no option for a student other than dropping Urdu-first, because English, by and large, still enjoys a great popularity and, second, because the technical terms used in science and commerce have no equivalent in Urdu. It is quite clear that the curriculum has been fixed in such a manner that even if students want to they cannot take Urdu. There are very few schools offering Urdu as an optional.

A majority of the privately run junior high schools are unrecognised in UP, some have recognition only up to fifth standard. It has become a common practice now that the unrecognised schools arrange for their students to appear in junior high school examinations in other recognised schools as private candidates. People who are familiar with system of primary and junior high school education in the state know well that the students appearing in these examination have their results bought for the money they can pay. As a result the number of junior high schools in UP is increasing by leaps and bounds because all their students pass in the first division. But even in these schools the number of students offering Urdu medium does not exceed 500, and, again a majority of these students appearing in such examination are private candidates sponsored by the so-called teaching shops.

The case of UP has been referred to as an example. But the fact remains that there is literally no provision of Urdu education in this state. This observation is, however, essential for a study of the conduct of Muslims towards Urdu language and education especially keeping in view the pathetic economic condition of the Muslim masses.

Three-Language Formula and Urdu

The aim of introducing the three-language formula in India was to enable the child at the primary level to gain knowledge of the other important and necessary languages, along with the national language. The above interpretation of the scheme of three-language formula, which was widely publicised by the politicians, and, especially the chief ministers of northern Indian states, has played a major role in bringing an end to the provisions for the study of Urdu. Seen in this light Urdu appears neither important nor necessary, especially after the deliberate thrust given to Hindi. As a result, Urdu's end is imminent.

The central government's step-motherly treatment to Urdu, and, for that matter to all the regional Indian languages in comparison to Hindi, as also the tendency to neutralise the significance of mother tongue as a medium of primary education of a child has made for a number of problems. In the case of Urdu all sorts of political manoeuvres have been used against Urdu-speaking masses to neutralise their right of getting primary education in their mother tongue, i e, Urdu. The census staff in northern India took it for granted that the mother tongue of every one in the area is Hindi. They noted Hindi as the mother tongue of the Urdu speaking people even without consulting them. It is shocking that in the 1991 census the mother tongue of even well known Urdu writers has been given as Hindi in spite of their protest. Some of these people even knocked at the doors of courts and the concerned higher authorities. If the government itself can go to the extent of openly declaring a region with mixed languages as a purely Hindi region, who is the authority to hear complaints against the erring census officials?

The three-language formula enunciated in the Resolution on National Policy on Education was introduced with the sole purpose of giving emphasis and a proper place to mother tongue in primary education of a child. Later, in 1975, the Gujral Committee amended this policy and produced it in Table 1.

The south Indian states as also West Bengal refused to introduce this formula. This move somehow had an adverse effect on Urdu. Tamil Nadu excluded Hindi openly and bluntly and adopted a two-language formula based on English and Tamil. The fact is that Urdu had to bear the brunt of the agitations against Hindi in the southern states. In the light of these incidents the chief ministers of northern Indian states took the liberty of interpreting the three-language formula according to their whims. As a consequence no room was left for Urdu. The following plan was devised:

(1) Regional language, i e, Hindi was accepted as mother tongue. The status of regional language had been granted to it earlier.
(2) Under the three-language formula one of the modern languages of Eighth Schedule was decided to be given a place. Ironically, the chief ministers of northern Indian states decided to place Sanskrit, a prominent ancient language, in this column, instead of Urdu, which undeniably is a modern language. Hence, Urdu was very cleverly eliminated. Interestingly, for the sake of preserving Sanskrit the government of India decided to set up a new commission on the pattern of the University Grants Commission, with an annual grant of Rs 50 crore. It is most unfortunate that Urdu, one of the important and rich modern languages could not attract any favour from the government of India.
(3) Under the provision of the study of one foreign language only English was granted the status of foreign language to be studied. But whatever may have

Table 1: Three-Language Formula

In Hindi-Speaking States

Present Formula	Proposed Formula
(i) Hindi	(i) Hindi (with Sanskrit as part of a composite course)
(ii) English	(ii) Urdu or any other Modern Indian Language excluding (i)
(iii) Modern Indian Language (preferably one of the southern languages)	(iii) English or any other Modern European Language.

In Non-Hindi Speaking States

(i) Hindi	(i) Regional Language
(ii) English	(ii) Hindi
(iii) Regional language	(iii) Urdu or any other Modern Indian Language excluding (i) and (ii)
	(iv) English or any other Modern European Language

The non-Hindi speaking states may also adopt, as an alternative, the following formula being implemented in Andhra Pradesh for the Urdu-speaking population: (i) Urdu and Hindi (a composite course); (ii) Regional language; and (iii) English or any other Modern European Language.

Students whose mother tongue is Urdu should learn Hindi and those whose mother tongue is Hindi should get an opportunity to learn Urdu.

Candidates whose mother tongue is Urdu should be assured of admission to teachers' training institutions so that enough teachers become available who can teach different subjects through the medium of Urdu.

been the reasons, there is no denying the fact that Urdu has been deliberately thrown out of the Indian education system after independence. It may have some importance on paper but practically our political and social setup has left no room for Urdu in the present social system.

IN THE STATES

Uttar Pradesh: About two crore Urdu-speaking people live in UP. There is a provision for appearing for the junior high school level examination in the Urdu medium in the state, but the number of such students is very small. This number was below 500 in 1982, as compared to nearly 40,000 in Bihar in the corresponding year. Even in the Muslim-dominated regions in UP most students opt for the Hindi medium There is only one Urdu medium junior high school in district Badayun. Only three girls from this school appeared for the junior high school examination in 1987. This number reduced to two in 1988. In Moradabad district only two girls' schools provide education through the Urdu medium. People running the Muslim junior high schools confess that Muslim students prefer Hindi medium to Urdu and a sizeable number of Muslim parents take their children out of Urdu medium schools and admit them in Hindi medium schools.

Urdu is, however, not the medium of education in UP. Schools which prepare their students for junior high school level examination in Urdu, in fact, have Hindi as a medium for all the subjects. Urdu, in these schools, is taught only as a subject. Teachers capable of teaching through Urdu medium are generally not available in the state. At a few places Urdu medium primary schools are run by local bodies where teachers were appointed under the Bahuguna scheme. But in most of these schools Urdu is taught as an optional subject. Most of the people appointed under the Bahuguna scheme, the so-called Urdu teachers, generally do not even understand what is meant by the term Urdu medium

Therefore, in UP, Urdu education means teaching Urdu as a subject. It is unfortunate that few of the so-called Urdu teachers in UP can even read the books in Urdu script meant for primary classes. It has also been observed that the Urdu teachers in UP are engaged in their family occupations like agriculture and milk dairies and go to the school once or twice a month. It appears that the recruitment of teachers in the name of Urdu under Bahuguna scheme was only meant to appease the Muslims. It is very well known that the late H N Bahuguna was called the messiah of the Muslims. That was the time when even if a matriculate Muslim was recruited as an Urdu teacher. Later these people were imparted nominal training in teaching. They were also granted opportunities to appear in Oriental Urdu Examinations. Ironically, it was difficult to find Urdu-knowing youth matriculates from among the large Muslim population. Even today there are countless Urdu teachers recruited under that scheme who do not even recognise the alphabets of Urdu language It may be noted that the weekly holiday in these Urdu medium schools is observed on Friday which coincides with the weekly 'namaz' the Muslims offer on this day and which for Muslims has a special importance. This clearly shows that even the government accepts that Urdu schools are Muslim schools and that Urdu is the language of Muslims only. All the teachers recruited under this scheme also happen to be Muslims.

Andhra Pradesh: Hyderabad, the capital of Andhra Pradesh has been the historical centre of Urdu The Osmania University of Hyderabad has the credit of making Urdu the medium of higher education and it was here that Urdu was the medium of education up to engineering and medical science levels before partition. After independence and the subsequent reorganisation of states in 1956 Hyderabad became a part of Andhra Pradesh state, and things started changing from this point. The historic police action in Hyderabad was in fact the beginning of the downfall of Urdu there. Now, Urdu is moving fast towards its imminent death in Hyderabad. The old generation of Hyderabad, for which Urdu was the symbol of their characteristic etiquettes and culture, too, is in the last stages of its life. But the significant example of the total extinction of Urdu is that in UP and some other states where the use of Urdu had been put to an end at every level after independence. In other states the process has been slow but well-organised. In places like Hyderabad the position of Urdu has not changed only among the lower sections who get indoor Urdu education and up to the limit of religious 'madarsas'. The upper and middle classes too have bid goodbye to Urdu language and literature, not to speak of Urdu as a medium of instruction.

In Andhra Pradesh there still remains some provision though not satisfactory, of Urdu medium education and teaching of Urdu as an optional subject. A good number of students go to the private Urdu medium educational institutions run by Muslims. Some of these institutes are from primary up to the degree college standard. In Hyderabad there are a few

convent schools also where Urdu is taught as an optional subject. However, the students learning Urdu as optional subject up to primary standard in these schools have only a rudimentary knowledge of Urdu.

As in the other states, in Andhra Pradesh also, more than 90 per cent of the Urdu medium students come from lower middle class. Most of these students have studied Quran at home. There are some children who attend Urdu medium schools in morning and acquire religious knowledge at evening in dini madarsas (religious institutions). In Andhra Pradesh, apparently there are not many obstacles in the way of Urdu education. Yet, the circumstances as a whole cannot be said to be encouraging either. The drop-out rate of Urdu medium students in Hyderabad vary at both the primary and secondary level. While from class one to class ninth it is 40 per cent, from class six to class 10th it stands between 1 per cent to 43 per cent Normally the NCERT books are used, because the books published by Urdu Academy or by other government institutions though they are cheaper, are generally not available in the market. Often by the time these books reach the market, half of the academic session is over. The economic condition of the Muslims of Hyderabad is poor and may account for a high drop-out rates.

The state has provision that the students can read the books in other languages (regional or English) but can answer question papers in Urdu in the examinations. This is the position of Urdu at college level. English vocabulary is abundantly used, specially in the study of science, commerce and technical subjects. No doubt that the half-a-century old vocabulary of *Darul-Tarjuma* is still in use.

Maharashtra: Maharashtra is perhaps the only state in India where there is no apparent obstacle in the way of getting education in Urdu medium. This is due to the relentless efforts of various trusts and voluntary Muslim organisations. As most of the Urdu teaching schools and colleges are run by private bodies and the leading Muslim businessmen, the chances of mismanagement are remote. What gives satisfaction is the regular presence of Urdu teachers and regular holding of classes in the schools and even colleges. All the subjects in these schools are taught through the Urdu medium.

The Maharashtra government's attitude towards registration of Urdu schools has been sympathetic and co-operative. In Bombay city alone there are 124 registered Urdu medium high schools. The number of registered Urdu medium schools in the whole of Maharashtra, including Bombay is 230. The condition of Urdu teaching at primary level is also satisfactory and encouraging in comparison to schools of other languages run by the state government Table 2 shows the number of Urdu schools, teachers and students as compared to Marathi and Hindi in the state.

TABLE 2

	Marathi	Urdu	Hindi
Primary schools	569	230	185
Students	3,72,375	1,22,475	1,26,911
Teachers	9,316	2,727	2,592

Note: In the case of Urdu the centres for training the primary teachers is merely 2. Thirty teachers are engaged in these centres imparting training to 312 trainees.

It is interesting to note that in Maharashtra even middle class Muslim prefer Urdu education unlike other states where people prefer sending their children to convents; and in these states, too, only lower-middle class Muslims send their children to Urdu schools. One reason for this is that the Muslims of Maharashtra in general, and of Bombay in particular, hail from business communities. Some of the convent schools of Maharashtra also offer Urdu as an optional subject. But neither the students nor the teachers show much interest in Urdu in these schools. There is one more facility in Maharashtra which is not available in the other states. From primary to college level Urdu can be offered as an optional subject even in such schools and colleges where there is no provision for teaching Urdu owing to lack of required number of students and teachers. The desirous students are allowed to offer Urdu as an optional subject and appear in the examinations. However, they have to study and prepare themselves for exams on their own.

The course books are prepared by the Text Book Bureau. These books are initially prepared in Marathi, and later translated and published in Urdu. This means that the course material, both in Urdu and Marathi is the same. Besides, there are some other private publishers who also publish Urdu books.

Bihar: Bihar is another state where the condition of Urdu is satisfactory even without government favour and aid. The main reason for the popularity of Urdu in Bihar is the deep attachment of poorer section of Muslim society to Islam. Therefore, the people prefer sending their children to dini madarsas for religious education. Besides, most of the religious literature is available in Urdu only.

In Bihar, every year, at least 50,000 students take junior high school and high school examinations in Urdu medium. The state has 23 colleges teaching Urdu and 80 high schools. Urdu-knowing people have little liking for convent education because a major part of Muslim population belongs to backward and lower-middle class. Dini madarsas have played a significant role in the development of Urdu in the state. The state government also recognises the degrees of 'Madarsa Education Board' as equivalent to the degrees of other recognised boards and universities. These madarsas have also started technical education but it is in its initial stage now. Unfortunately, the 'Bihar Madarsa Education Board' is the most deformed of all educational bodies in India and is the biggest centre of all the possible irregularities and corruption from top to bottom. If the state government decided to take some steps to systemise its functioning, a revolutionary change in Bihar education system is possible.

The courses in Bihar are devised by the Rajya Bhasha Vibhag (State Language Department). But the course-books here are hard to get. Urdu books arrive very late in the markets. NCERT books are almost impossible to get. That is why mostly the RBV books are in use in the state. Though the overall condition of Urdu education is not disappointing in Bihar, it certainly is the worst managed and, therefore, the lowest in standard. Perhaps it is overlooked because only the backward and lower-middle class of Muslims have adopted Urdu medium education.

West Bengal: West Bengal provides the largest possibility for education in mother tongue. Primary education only in mother tongue is the clear policy of the state government here. With this purpose in view, mother tongue is the medium of education in all the government institutions. The minority schools, too, are recognised on this basis. West Bengal is faced with the problem of want of schools to cope with the large number of Urdu students. There are several areas where there is only one Urdu medium school for a population of 20,000. A great flaw in government policy is that it does not make the population the basis for recognition of schools and facilities of primary schools are granted on the basis of all minority communities taken together. This policy gives more benefit to Christians and other smaller linguistic minorities, and proves disadvantageous to Urdu-speaking minority in the sense that it widens the progress gap between them and other minorities. The state provides aid in the shape of books up to fifth class but, unfortunately, the Urdu books sometimes reach the student only by the end of the session. As a result of this delay in getting the books in time, the students are compelled to purchase the same from the market. The dearth of adequate resources for Urdu educational institutions is one of the biggest problems of Urdu minority. Most of them are in shocking condition.

New Economic Policy, Voluntary Organisation and Rural Poor

G S Aurora
Shashikala
S K Gayathri
Smriti Srinivas

While globalisation, liberalisation, deregulation and privatisation are the focus of the New Economic Policy at the macro level, it is important to get a clear understanding of both the threats and the opportunities emerging out of these processes at the micro level for individuals, families and local communities.

A SEMINAR and workshop were held at the Institute for Social and Economic Change (ISEC), Bangalore, on December 15, 1993 on the 'New Economic Policy, Voluntary Organisations and the Rural Poor' as a part of the project work, 'Policy Research and Voluntary Action'. Welcoming the participants, P V Shenoi stated that the ISEC had been interested in the structural adjustment policy (SAP) and rural development, since in its 20-odd years of existence, its research had been committed largely towards evaluating and directing public policy and had been related to the cultural parameters of development. Inaugurating the seminar, L C Jain noted that the research effort undertaken at ISEC was a unique experiment since it involved a joint effort by academicians and voluntary agencies. He stated that the structural adjustment policy has been understood in terms of its macro-policy implications with an emphasis on globalisation of the economy though, to come face to face with the rural poor, we must emphasise micro-level developments based ultimately on the principle that localisation of the economy is the need of the hour.

The seminar included papers on the historical background of IMF policies, the social and economic perspectives of SAP, and gender sensitivity in social science research, to mention a few. A number of points were raised by the participants during the discussions—the need for collective action to protect the autonomy of local-level communities and the importance of traditional inter-village linkages in the face of inroads made by commercialisation. The need for focusing on intra-community inequities, such as those suffered by dalits and other oppressed groups, was highlighted.

In a presentation on 'The Social Dimensions of the SAP', G S Aurora dealt with the crisis faced by rural communities in semi-arid tropics which cover the major portion of the agricultural landscape. He stated that there has been a degradation of the ecological base of these communities: village tanks, for example, have been neglected since independence and mechanised pump sets and tube-wells have been proliferating. Both these lower subsoil water-table levels and farmers with the capability to invest in irrigation facilities shift to wet lands instead of providing irrigation facilities for the survival of dry land crops. Therefore the food base of the poorer segments of the village population which is dependent on the production of coarse grains is reduced, and market-led growth in the form of SAP creates a further danger to their survival since it is not based on the principles of collective action of a village community, but individualistic enterprise. This paper led to a debate on the feasibility of regenerating village-level unity based on collective action. Some grass roots workers felt that in their experience, collective action for entire village communities was feasible, for example, in the creation of food banks locally, the provision of drinking water, watershed management, and so on, which were controlled by village representatives themselves; these minimised the exploitative tendencies of the market. There were criticisms of this approach from others: it was felt that the power structure within villages denied poorer classes access to common resources and, therefore, the idealistic idea of 'village' development was tantamount to strengthening the power and economy of dominant segments of the village.

This view found an echo in a paper by Corinne Kumar titled 'Research as Re-vision: Towards a New Feminist Scholarship'; there was a parallel between these holistic analyses of village communities and a thrust towards their so-called integration, and gender studies which intended to make women more 'visible' only to fit them into existing notions of work, skill, and development. For example, while there are many studies of the status of women workers, the displacement of women by men due to technological change, etc, none of these touch the basic premises of the industrial mode of production paradigm. Not only is women's work not wage work, but of a kind that does not fit into frames used to measure "male wage labour". Thus it was felt that groups such as the poorer classes, dalits and women may have world views and needs that should not be assumed to be equivalent to those of the dominant classes in order that researchers do not participate in the hegemonic processes of dominant groups in society.

The last four days were spent on a methodology and training workshop for the voluntary agencies. The methodology workshop focused on equipping the participants with the various tools that would be used in the project, with specific emphasis on the PRA method conducted by MYRADA.

The Project

The interest in the SAP at ISEC started with the introduction of the programme launched by the government of India in July 1991. ISEC became an arena of dialogue and networking between the institute and voluntary organisations who sought to understand and assess the nature of the relationship between the state and civil society under liberalisation. A number of meetings were held over a period of time, an important one was held on July 2, 1992 in ISEC. These efforts culminated in the research project 'Policy Research and Voluntary Action'.

It is envisaged that the project will integrate the two levels of discourse on the SAP, i e, the study of its general impact, performance of the economy in specific fields, and specific SAP policies; and the critiques of development, science, and technological reason implemented by the Indian state in SAP-type policies both by academics and people's movements. The political nature and cultural imbedding of development and state policy is recognised by the project, as well as the fact that poverty and economic change cannot be visualised as a mere managerial problem of the Indian state. If the rural poor, women and dalits, are to be placed at the centre of the humanistic concerns of this research then the historicity of their cultural being, their needs within a democratic policy, their resistance to what

Table

Threats	Opportunities	Strategies
(1) Disruption of traditional craft markets	Discovery of new craft designs and markets	Training and market organisation of the craftsmen
(2) Reduced support to the PDS system	Design of a PDS based on local resources mobilisation	Mobilisation of production and distribution locally
(3) Reduced support to the PHC	Design of local health system based on preventive health care	Revival of ethno-medicine and bare foot doctor programme
(4) Reduced support to the state educational system	Strengthening of primary and functional literacy programmes	Development of teachers to help in skill development
(5) Decreased employment on public works	Increased employment in land development	Watershed development, based on community effort

may be perceived as domination by the state or by elites, or the many ways of voicing their demands will have to be justly reflected.

As is well known, the SAP mainly involves four areas—globalisation, liberalisation, deregulation and privatisation, preceded by the stabilisation of the economy. While these processes are the focus of policy reforms proposed at the macro level, the concern of the present research endeavour is to translate the macro policies into the micro-level effects for individuals, families and local communities. A clear recognition of both the threats and the opportunities emerging out of the new economic climate can be briefly illustrated in the accompanying table.

With some of these considerations in mind, the methodology and the strategy of the project involves a triangulation between the academia, the voluntary sector and administrators—thus filling the chasm between the 'activists' in the field, researchers and implementers—to be better informed about the complexity of grass roots level situations. This is done in the belief that a confluence such as this would be far more realistic, flexible and 'people friendly'.

Altogether 30 villages have been selected from the four states of Tamil Nadu, Karnataka, Andhra Pradesh and Kerala to study the impact of the New Economic Policies. In order to make a meaningful comparison of the role played by the NGOs in the development process, 15 of the sample villages would represent NGO-operated villages and the rest would represent non-NGO areas. The NGOs selected are basically working on issues like tribal development, women and child welfare, environmental protection, and people's empowerment.

The project emphasises both qualitative and quantitative analyses: the primary data collection will involve the use of village, organisational and household level schedules covering crucial areas of the SAP impact such as the public distribution system, asset distribution, indebtedness, health, employment status, etc, to mention a few. Case studies and participatory rural appraisal methods will also be used as tools to analyse the data with special emphasis placed on participant research methods. The two sets of data would be supplemented by secondary data of various kinds and their analysis, thus contributing not only to theory, but also to policy formation.

Special area studies also form an important part of the project wherein problems like the changing relations of gender to poverty, the study of health systems, employment, and so on, would be studied by scholars across various disciplines at the ISEC.

Networking, which forms the central thrust of the study, is visualised as an instrument to facilitate the communication of grass roots level experience and efforts at various levels—the grass roots level itself, the district and the state level—by conducting workshops at each of the levels. Seminars for a wider audience of academicians and policy-makers will also be organised.

Self-Government and Its Instrumentalities

Nirmal Mukarji

Self-government of any kind must have not only a clearly demarcated field of activities, but also the instruments with which to govern in this field. Consequently, an essential power the states must endow the panchayats with is that to recruit and control their own staff. At the same time, unless traditional notions like permanent employment, security, service cadres and reserved posts are reconsidered, panchayats will be unable to innovate instrumentalities suited to their purpose.

I

A THIRD stratum of government is now a constitutional requirement. To what extent the requirement is fulfilled will depend on how far state legislatures are prepared to go in endowing powers and authority to their panchayats. It is likely that they may not go far enough. Their past performance has not been encouraging, and there is no evidence to suggest that state level elites are any more willing now to part with power than before. Therefore, it becomes necessary to try to be as clear as possible about the meaning of self-government for the panchayats.

A too miserly endowment of power and authority would amount to not complying with a constitutional directive. Such an eventuality would certainly be challengeable politically. In addition, though the 73rd Amendment says nothing about how to enforce its provisions, the issue could arguably be agitated in the courts as well, under the general law as it stands. Failure on the part of a state to legislate satisfactory enough self-government for its panchayats would not, therefore, be without consequences. It is conceivable that even the Supreme Court may, some day, be called upon to interpret the doctrine of basic features with reference to self-government at the third stratum.

II

Self-government literally means autonomy and the two expressions are used interchangeably. Contemporary history and current affairs are replete with instances where one or the other term has been employed to depict situations in which self-rule in some form has been at issue.

In our own country, prior to independence, these expressions were used at different points of time for different levels with different meanings. In 1870, the term 'local self-government' came into vogue to describe the limited reforms introduced in local bodies such as municipalities. In 1906, the Congress, under Dadabhoy Naoroji, adopted the political goal for the country as 'self-government on colonial lines', whatever, that meant. In 1919, a 'policy for the gradual development of local *self-governing* institutions' produced the curious system of diarchy in the provinces, under which effective power remained with the governors. In 1935, the above policy led to provincial *autonomy*, which did away with diarchy but kept safeguards and special responsibilities in the hands of the governors.

After independence, the confusion continued. The State List repeated, word for word, a 1935 provision for "local government, that is to say, ... municipal corporations, ... district boards, ... and other local authorities for the purpose of self-government", but in fact local government hardly advanced beyond its 1870 level. A directive principle required village panchayats to be units of self-government but this has remained on paper till now. The Sixth Schedule provided for autonomous districts and regions in the north-east, but these were cramped for governing space. The states have autonomy (though the word is not used), but not much more than the earlier provinces. There was the transitory experiment of an autonomous state, Meghalaya, within Assam. Currently, autonomous councils are on the anvil for several areas within existing states.

Looking abroad, most of the independent states that were republics of the splintered Soviet Union earlier have been trying to regroup as a commonwealth. The inevitable implication is that the states will lose some of their independence and become autonomous units within the commonwealth rather than completely sovereign countries. How much sovereignty has been, or will be, surrendered is as yet unclear. What is clear is that the giant state of Russia (RSFR) will dominate. But within Russia there are almost 90 republics and autonomous regions. Some of these, such as Tataristan, aspire to become sovereign, but must settle for only such autonomy as they can individually negotiate with the Russians.

In western Europe, when Maastricht takes effect, national sovereignties will surely be eroded, reducing the 12 member countries to autonomous entities in the overarching European Community. The process of erosion may not stop there. In west Asia, the festering sore of Arab-Israeli conflict has been lanced through an accord which gives limited autonomy to the Palestinians in Gaza and Jericho. An elected Palestinian council will have authority in five spheres: education and culture, health, social welfare, direct taxation and tourism. A Palestinian police force will look after internal security. An Israeli-Palestinian economic co-operation committee will work on subjects like energy, finance, transport (including the Gaza seaport), industry and the media.

The above summary, admittedly selective, shows that autonomy is highly stretchable. At a given time, it occupies such governing space at a particular level as can be negotiated between the concerned parties. But its stretch is not unlimited. At the upper level, it has to remain within boundaries set by federal centres as varied as Brussels (EC), Minsk (CIS), Tel Aviv (Israel) and New Delhi (the Indian Union). At the lower end, it must obviously stay above a threshold of minimum functions. This critical level is not easy to define, but is not indefinable. If its essentials could be identified now, the states would know how much is the very least that they must endow to the panchayats by way of powers and authority to make them recognisable institutions of self-government.

III

Sixty years ago, when the British parliament was debating the bill which led to the Government of India Act, 1935, the then secretary of state for India expressed his views on provincial autonomy in words which are worth recalling. Provincial autonomy, it may be mentioned, was one of the four vital principles of the bill, the others being all-India federation, central responsibility and safeguards.

> If it were only an administrative problem, the time was overdue to take a further step upon the road of decentralisation. The old government of India was adequate so long as the problems of government were comparatively simple. As, however, they became more complex, as political opinion grew up in the great provinces, so more and more it became inevitable that this step forward should be taken on the road of decentralisation. On the political side... it has been admitted by almost everyone who has studied the problem impartially that the reforms made under the Montague-Chelmsford scheme had outlived their usefulness.
>
> For both these reasons, it was necessary to take a step forward on the road to provincial autonomy. Provincial autonomy may mean one of two things. It may mean a kind of glorified county council government, under which the centre maintains a considerable

measure of control over the provinces, under which the centre makes grants-in-aid to the provinces, and under which the centre is ready to intervene when things are going wrong with the provinces... I believe myself that such a type of provincial autonomy in a country as great as India, with all its multiplicity of conditions, is totally impracticable. Any system of grants-in-aid and inspection from the centre will not work. Lord Curzon tried it a generation ago. Even Lord Curzon, with his great driving force and his great administrative ability, failed to make it work.

The only wise form of provincial autonomy is real provincial autonomy; a form of provincial autonomy in which the field of provincial activities is clearly marked out, and in which field the provinces are free from interference from the centre; a form of provincial autonomy that is broadly based on a wide franchise, in which the agricultural classes, the women and the depressed classes can make their voices heard; a system of provincial autonomy that is not dependent upon grants-in-aid from the centre, but subsists upon definitely allocated taxes... In any system of real provincial autonomy... it is essential and inevitable that law and order should not be reserved but should be transferred.

It is questionable whether the Act of 1935 provided the wise form of provincial autonomy spelt out above. For every provincial governor, exercising his individual judgment, carried special responsibility for the prevention of any grave menace to the peace and tranquillity of his province, as also for safeguarding the legitimate interests of the minorities as well as of members of the public services. And since the federal part of the act was never enforced, the governors continued to take their orders from the governor-general under the pre-existing command structure. From my personal experience in the political department of the then Punjab government at Lahore, I can testify that even simple letters from the centre were treated as firmans not to be trifled with.

The pity is that wisdom in regard to autonomy for the units of the Indian Union eluded us even after independence. The damage was done in the crucial period between the first Independence Day in 1947 and the first Republic Day in 1950, when the ruling elites at the centre were acculturated into the inherited system. Over-reacting to partition and its consequences, they went on further to constitutionalise a strong centre and introduce centralised planning. As a result, the states today resemble the glorified county council governments the secretary of state had warned against. The centre maintains a considerable measure of control over them; it makes discretionary grants to them, plan and non-plan; and it is only too ready to intervene when it likes. The first imperative, therefore, is to correct this founding distortion and accord the statewise autonomy.

The second imperative is to apply similar wisdom to the question of autonomy for the panchayats. This will require the field of panchayat activities to be clearly marked out. In this field the panchayats must be left free from interference from both the centre and the states. The panchayats must give the deprived sections, especially the poor and women, effective governing voice. They must not depend on discretionary grants from above, but function on the strength of statutorily devolved funds coupled with self-raised finances. Real panchayat autonomy cannot wholly exclude law and order, for local communities need good policing and that can come about only if there is a measure of accountability to such communities.

IV

It is elementry that self-government of any kind should have not only a clearly demarcated field of activities, free from outside interference, but also the instruments with which to govern in this field. In other words, devolved functions should be accompanied by the power to recruit and control the personnel required for the performance of such functions. Even the limited local self-government of the 1870 variety gave municipalities and district boards this power. The provincial autonomy provided by the Act of 1935 gave the provinces similar power, though restricted by safeguards exercisable by the governors. The Constitution rightly eliminated the safeguards and unambiguously gave the states power to regulate the recruitment and conditions of service of state public servants.

Consequently, when addressing ourselves to the question of self-government for the third stratum, an essential power the states must endow the panchayats with is the power to recruit and control their own staff for the performance of whatever functions that are devolved to them. The package of devolved functions should, of course, be such that autonomy at each panchayat level is real. For this, the subjects listed in the Eleventh Schedule must be treated as only indicative in nature and not exhaustive. Other aspects of administration should also be devolved to make panchayats truly self-governing. The functions that are devolved may differ from state to state, but power to recruit and control the connected staff must be there in each case.

India is the only major federal democracy in the world that gives constitutional recognition to its bureaucracy. That classic instance of federalism, the US, does not. Nor do Canada and Australia. Nor does the Federal Republic of Germany. The Indian exception is clearly a legacy of colonial rule. Sooner or later, serious thought will have to be given to deleting all references to the public services in the Constitution. So long as these continue, bureaucratic structures will remain rigid, defying reform. And public servants, noble exceptions apart, will continue to take advantage of their security to become more inefficient, corrupt and uncaring for the public they are supposed to serve.

However, for now, it is enough to note a major constitutional inconsistency. As a result of the 73rd Amendment, there will hereafter be three strata of government: the centre, the states and the panchayats. But, under the provisions of Part XIV, there will continue to be just two levels of public services, under the union and in the states. If the panchayats are to have their own staff, as argued earlier, either Part XIV will have to be amplified to introduce a third level, or else the state legislatures will have to be deemed sufficiently competent to endow the panchayats with the power to recruit and control their own employees. Constitutional niceties apart, the state legislatures are best fitted to deal with the staff question since it is they who will be identifying the functions to be devolved.

The extension of autonomy to areas like Bodoland, Jharkand and Leh is going to open a new and parallel channel of devolution to sub-state units. This could well set a principle on the basis of which distinct ethnic and geographical units across the country seek autonomous status. Already there is talk of autonomy for Chattisgarh and the hill areas of Uttar Pradesh. How the autonomy of these units will compare with the self-government of panchayats remains to be seen. The Darjeeling Gorkha Hill Council has, it seems, become the basic model for the new crop of autonomous councils. Therefore, it is worth noting that the DGHC has more autonomy than the panchayats and, in particular, controls the personnel deputed to it. Functions and staff thus go together. Perhaps this will be the case in the councils also.

It bears repetition that both panchayats and autonomous councils must have the power to recruit and control their own staff. Until they are in a position to exercise this power, all existing state employees handling devolved functions will need to be placed at their disposal on deputation. But this would be just an inescapable transitional expedient, to be gradually phased out as and when the panchayats and councils are able to recruit on their own. Logically, all government posts hitherto occupied by personnel to be deputed should be extinguished and fresh recruitment against these cease. The deputed personnel could be given the option to resign as state government employees on honourable terms, say, after two years, and seek absorption under the panchayats or councils, if they are wanted there.

Such an arrangement, of which the bureaucratic implications may require detailed consideration, would eliminate the vertical intrusion the state services would constitute

in an otherwise horizontal stratification of governments at state, autonomous council and panchayat levels.

Independence gave us an opportunity to restructure the country's bureaucracy. We missed it. For, we not only retained colonial structures, complete with constitutional recognition and safeguards, but vastly enlarged them. We retained them because the political leaders of the early years had too many other problems to attend to and, in any case, knew too little about administration to touch an institution led by the fabled Indian Civil Service. We enlarged them because the minimal governance of colonial times had to give way to the maximal requirements of free India's welfare and developmental objectives. Colonial structures were not suitable for the new situation, more so as they grew to outlandish proportions. But, unfortunately, what had been retained kept expanding.

The main features of the pre-independence bureaucracy were that every government employee was (or aspired to be) permanent and had statutory security, he was a member of some service, every service had a cadre, every cadre had posts reserved for its members and presiding over each service was a cadre management authority before which every member's knee bowed for career prospects. Sad to say, things are much the same now, except that there is more of every ingredient: government employees, security, services, cadres, reserved posts, cadre management authorities and, especially, bended knees. Over the years, the bureaucracy has established a mutually beneficial nexus with the political class. The two seem to govern mainly for each other. Not surprisingly, an exasperated public holds both in low esteem.

A new stratum of government with freedom to devise its own instrumentalities offers a fresh opportunity for change. If we miss this also, we shall have only ourselves to blame for the consequent infliction on the panchayats and the people of an obsolete bureaucratic system. If, on the other hand, we wish to take advantage of the opportunity, two simultaneous operations will be called for: throwing out the old and bringing in the new. Neither will be easy, the first because everyone (not excluding elected representatives) is too conditioned by the past and the second because no one is inclined to think of possible alternatives for the future. But unless traditional notions like permanent employment, security, service cadres and reserved posts are cast out, the panchayats will be unable to innovate instrumentalities suited to their purposes.

To break out, the panchayats must ask basic questions. Such as: do panchayat governments have to rely only on employees as their instrumentalities? The answer must surely be 'no'. A number of functions can be better performed through co-operative societies, whether for supply of credit or for agricultural marketing or for dozens of other things. Dairy co-operatives of the NDDB model are a prime example. Still other functions can be entrusted to registered societies based on self-help, of which a shining instance is the Gramin Mahila Shramik Unnayan Samiti (GMSUS) at Jhilimili in Bankura district of West Bengal. Yet again, informal associations of beneficiaries could be left to operate and maintain, for example, tubewells, eliminating departmental officials.

Another basic question: must panchayat employees be permanent and secure, exactly as central and state government servants? Constitutionally, 'no', if power to recruit staff is endowed by state enactments with no, or minimum, conditionalities. Administratively, the principle of accountability to the public should take precedence over the security of employees, though both are important. Any new system will need to strike a proper balance between the two considerations One way of doing so would be through contract appointments, extendable if performance is satisfactory but terminable, on suitable notice, if it is not. Safeguards against arbitrary or vindictive action could be built into contracts in the form of democratic processes to be observed by the concerned panchayats or gram sabhas.

Again: having regard to the problem of absenteeism in the rural areas, especially of school teachers and health functionaries, should panchayats give preference to local candidates? Before constitutional experts throw up their hands in horror, it may be mentioned that concepts like local areas, local cadres and preference or reservation for local candidates are already there as special provisions for Andhra Pradesh (Article 371-D). The question is whether state legislatures are competent to incorporate similar concepts in the recruiting powers they endow to their panchayats. In case the panchayats of a particular state favour preference for locals, the legislature of that state could at least consider the issue. And, in case a number of states feel the same way, any possible constitutional impasse could eventually be overcome.

Further: should there be reservations for women? The National Commission for Women is reported to have gone into the question and taken the view that reservations for women, across the board, should be examined in the light of Article 15(3) which permits making special provisions for women and children. More particularly, it considers that job reservations for women in panchayat appointments would be in consonance with the 73rd Amendment which provides for one-third reservation of panchayat seats for women. Also, sub-reservations for women within the reserved quotas of scheduled castes, scheduled tribes and other backward classes would not violate the basic structure of the Constitution. Until these points are finally resolved, state enactments should at least leave the door open for possible reservations for women in future.

If the states endow the power to recruit and control staff, as they must, should it reside wholly or primarily at the district level or be spread over district, intermediate and village panchayats? In the latter event, how should the spread take place? These and innumerable other questions need to be discussed and answers found, preferably for statewide application. Karnataka introduced a state development council (defunct at present) composed of the chief minister and chairpersons of zilla parishads. West Bengal has before it a proposal to set up an inter-zilla council, hopefully more effective than the inter-state council at the national level. State councils such as these would be the right forums for basic questions pertaining to instrumentalities to be discussed and settled.

Postscript

State level politicians and state bureaucracies are generally regarded as the main obstacles in the way of decentralised governance. It makes little sense for state bureaucracies, at least, to want to stay in the line of fire any longer.

At a deeper level, the real villains are feudalism and patriarchy. So long as these remain the organising principles of rural society, little good can be expected from self-governing panchayats. For, they will only give more power to those who are already powerful in social and economic terms. Control over the instrumentalities of self-government will further strengthen their hands. 'Out' groups of one kind or another, especially the poor and women, may well come to feel the weight of oppression more than before. For them, decentralised governance could turn out to be a curse rather than a blessing.

Consequently, it is of the utmost importance that concerted measures be taken by the states to break the hold of feudal and patriarchal forces, Unless this is done side by side with decentralisation, power will stay with the few and not pass to the people. Not for nothing did West Bengal's programme of rural resurgence have the two prongs of land reform and panchayats.

This postscript is offered as a warning to those who believe that administrative reform by itself holds the master-key to the success of self-government at the third stratum. It is certainly necessary, but by no means sufficient.

[Paper presented by the author at the National Conference on 'Interface between Officials and Elected Representatives in Panchayats' at Institute of Social Sciences, New Delhi, on November 8, 1993.]

NGOs and Women's Empowerment

Dolly Arora

Women and Wasteland Development in India edited by Andrea M Singh and Neera Burra; Sage Publications, New Delhi, 1993; pp 336, Rs 295.

DEVELOPMENT discourse underwent three major shifts in accent in the decade of 80s, reflecting in, one, an increased concern for the protection of environment; two, an emphasis on people's participation, especially in the protection, management and regeneration of natural resources; and, three, the incorporation of gender concerns as an important element of development concerns. The growing interest of international agencies, non-governmental organisations and donor agencies as well as the Indian state in programmes of wasteland development on the one hand and increasing involvement of women in these programmes on the other both manifests this discursive transformation and creates further discursive space for subsequent policy actions and expectations. It is essentially in this context that one can understand the various projects on women and wasteland development being undertaken by several non-governmental organisations in specific local settings.

The book under review, a collection of papers prepared for the 'National Technical Workshop on Women and Wasteland Development' organised by the International Labour Organisation in 1991, is primarily an analysis of the experiences of some 20 NGOs engaged in involving women in wasteland development in nearly eight states of India. Besides, two detailed case studies of NGOs—People's Education and Development Organisation (PEDO) in Rajasthan and Social Action with Rural and Tribal Inhabitants of India (SARTHI) in Gujarat—by Madhu Sarin and Chandrika Sharma, and by Madhu Sarin and Renu Khanna, respectively, there is a comparative study of 10 Forest Protecton Committees in West Bengal by Philip Viegas and Geeta Menon. Vasudha Dhagamwar and Enakshi Ganguli Thukral examine the legal issues involved in respect of women's participation in wasteland development in the light of experiences of Self-Employed Women's Association (SEWA), and to some extent Vikram Sarabhai Centre for Science and Technology (VIKSAT) in Gujarat, while Neera Burra's comparative analysis of the experiences of about 20 NGOs looks into the relevance of caste, class, tribe and gender in shaping the limits and possibilities of involving women in wasteland development programmes. The first paper in the volume, by Martha Alter Chen, attempts to provide a framework for gender-based wasteland development planning which, she feels, can be used as a tool for designing, implementing and evaluating the projects which seek to involve women in wasteland development. The last one by N C Saxena, however, differs from others in terms of its emphasis on the need to adopt a macro-perspective towards the problems of poor, including women, and to introduce policy changes (such as changing the nature of species planted by social forestry projects from timber-oriented to usufruct-based). Except for him, all other contributors to this volume not only focus on the activities of NGOs, they also consider NGOs extremely important for the participation of women in wasteland development. The conclusions of the workshop, listed at the end of the book, seek to create space for NGOs both as a link between state and women and as a source of support to them.

All contributors to this book admit the need for involving women in wasteland development. Not because women are instinctively closer to nature, but because they suffer ecological degradation most and afforestation projects which are not planned around women's schedules and needs often deny them rights which they enjoyed before the project started—women's rights to grazing or foraging can be denied through conversion of common lands into woodlots to which access is restricted or closed, and women may lose access to private farms for fodder and lops or tops as a result of monoculture plantations on private lands (Chen: 42). It is not right to mythologise women's relations with nature, argues Burra. The case for gender specificity of wasteland development programmes rests, in her view, on the reality of development programmes and women as a sub-group deserve special attention to improve their position in the family and in the economy (Burra: 273).

Women's participation in wasteland development varies not only in terms of the presence or absence of NGOs in the area (as in the study of Viegas and Menon) but also in terms of the approach of NGOs (as in the study of Burra) and in terms of the socio-cultural context (as evident in the case studies of PEDO and SARTHI). In some cases, women's participation did not involve more than being paid wages for their labour in plantation; they were not consulted in the design, conception or implementation of the project, and all decisions were taken by personnel technically qualified in agriculture. In some other cases, interest was shown towards mobilisation and organisation processes, and women were encouraged to form groups and take part in the decision-making activity itself, as in the case of PEDO and SARTHI. Some groups have local leaders who operate closely with the people, others are urban and operate through some local staff. Some try to help women meet their subsistence needs, others are keen to strengthen their linkages with the market. Some operate with clear guidelines from donors, others enjoy relatively more discretion and are open to demands from the women concerned. After reading through such detailed accounts of differences in the approach as well as performance of NGOs, one feels convinced that the existence of NGOs by itself does not mean much to the reality of women and wasteland development. Yet, most contributors to this book end up suggesting just the opposite, pleading for recognising the significance of NGOs in promoting women's participation in wasteland development!

The case for NGOs is made on various grounds: 'ordinary, poor, illiterate women' would not have the resources or experiences to deal directly with panchayats, bureaucracies, governments and law courts (p 18); despite their roles as primary collectors, women have limited legal or traditional property rights even in CPRs and cannot fight the legal battles on their own (p 241); and 'the culture of silence' inhibits women in taking part in decision-making (p 204). NGOs, it is suggested, can motivate women to organise and take part in wasteland development or forest protection and in the process strengthen themselves; NGOs can liaise with governmental authorities and pick up the legal gauntlet on behalf of the village women; and NGOs can educate, motivate and orient people towards forest protection. For various reasons, thus, NGOs are assigned an important role in respect of women's participation in wasteland development by most contributors in this volume. The argument appears very logical and valid, especially when it is accompanied with

empirical evidence from diverse contexts. The trouble, however, starts when one looks at the manner in which the evidence generated by the contributors has been overstretched at some ends and undermined at others—the conclusions of the workshop not only indicate this biased interpretation of experiences from the field but also how some significant questions have not been raised at all.

The detailed accounts of participatory processes and empowerment activities promoted by groups like PEDO and SARTHI, for instance, may give one the impression of women actually being empowered. Yet, one also knows from the accounts themselves that when faced with resistance from men, these NGOs took a compromising stand and tried to go only as far as men would permit. One does not really feel convinced if such empowerment can take women very far in terms of their claims to an egalitarian social and economic order, especially when the exploitative structures of patriarchy are accepted not as targets but confines of such empowerment. Further, despite all talk of empowerment, and of women's in-depth knowledge and know-how about the properties and uses of various biomass species, their capacity to differentiate species, identify varieties of trees, bushes, shrubs, grasses and medicinal herbs, most NGOs place far greater faith in modern technologies and make efforts to transfer it to women in project areas through training programmes—if this does not reflect any contempt for women's own knowledge and technologies controlled by them, this also does not suggest any commitment towards its remaining so. Such bias underlies the various programmes of technical training and assistance provided by most NGOs. Often, the apparent autonomy of decisions is already conditioned in the process of training, thereby effectively reducing participation to its instrumental relevance as serving the ends of project promoters. The real implications of training programmes need to be studied more closely and their implications for empowerment or disempowerment examined with care before these are attributed an increased role by either NGOs or state. Further, the contributors talk of empowerment without relating it to the issue of autonomy or reduced dependence on outside support. In fact, in most cases outside economic and technical support increases manifold as a consequence of the entry of outside NGOs. Can such increased dependence be interpreted as empowerment? These and several other questions are not paid the attention they deserve while discussing the relationship of NGOs to women's participation and empowerment.

The book undoubtedly provides interesting insights into the dynamics of participation and non-participation in several micro-contexts. The major limitation of the book, however, emanates from this very context. Meant as it was to take stock of various projects on women and wasteland development being undertaken by NGOs in various parts of the country, the analysis is primarily a comparative study of the approaches and performance of several NGOs in respect of women and wasteland development. It emanates from a belief in the project approach to development. Read from the viewpoint of those engaged in executing development projects in specific locations it may appear to offer a wealth of useful suggestions for improving project performance. But when evaluated from the perspective of social scientists and policy researchers, it needs to be put in a broader context. For one thing, one needs to be careful in defining and evaluating the meaning of such processes as participation. Can we, for instance, capture the essence and extent of participation without referring to the extent of autonomy or capacity for effectively utilising the local knowledge system or rejecting outside technical support which is implied in it? For another, one has to qualify the possibilities of development—of women or wastelands—by placing it in the overall context of problems and possibilities. The limits of making any significant difference to the overall situation through a limited number of development projects undertaken by NGOs, however sincere they may be, have to be realised. For, as long as the negative fall-outs of other general policies continue pouring into the lives of women, and as long as the dominant structures of their exploitation, as women and as poor women, go unchallenged, the possibility of development projects changing the conditions of their life will remain very weak. Some relatively more successful projects may provide a basis for hope, and may be seen as models to be replicated. But the limits of replicability emerge not only from the peculiarities of each local context; the limits of resources which can be committed themselves are also daunting. It is this which provides reasons to look for alternatives, not only to project approach to development, but also to development which is dependent on outside support, and on the honesty, commitment or even sensitivity of such support. Even if one admits the success of some NGOs in specific contexts, it is not possible to overlook the negative implications this may have for other areas because of their ability to divert resources to their own area of operation. The meaning of successful projects of NGOs therefore needs to be read without overlooking the implications and limitations which remain unstated, though seldom unfelt by those not covered.

Carpets of Ugly Design

Karin Kapadia

Child Labour in the Carpet Industry: A Status Report by S Vijayagopalan; **NCAER**, New Delhi, 1993; pp 64, Rs 120.

THIS short book is based on a survey of 500 children working in the carpet industry in the Bhadohi-Mirzapur belt of Uttar Pradesh. It has a curious provenance, having been sponsored by the Development Commissioner (Handicrafts), Government of India. Rather tellingly, the front flap states, "Unless and until the problems of child labour are tackled on a war footing, not only the Indian carpet export trade will be in jeopardy, but every other export-oriented handicraft item will be suspect in the mind of the importers". However, though concern for "the mind of the importer" may have inspired this study, any study of child labour is welcome at any time, given the great importance of the issue—and the equally great neglect it has suffered.

The most interesting findings of the survey (conducted by the National Council of Applied Economic Research, who have published the book) are as follows: (1) Child labour is of two, significantly differernt, kinds: family labour and paid labour. (2) While family labour may be countenanced (for various reasons), there is serious exploitation of children who are paid labourers. (3) This is particularly because these children come as migrant labour (brought by agents) from impoverished rural areas in Bihar, eastern Uttar Pradesh and Madhya Pradesh and are in the care—or, rather lack of care—of their employers. (4) Far from their parents, and at the mercy of their employers, these children have poor health, are badly paid and "appear to be famished" (p 56); they suffer frequent cuts and injuries in their work and 15.4 per cent have tuberculosis. In this connection the author states, "The utter lack of concern by the employer about the seriousness of the health problems faced by the carpet children can be gauged by the fact that 87.7 per cent of the children resorted to self-medication or home remedies" (p 56).

Further, these children are bonded labourers: their parents have been given 'lump sum payments' of Rs 2,300 to Rs 2,800 per child. Here the author's comments are very significant: "Such [bonded] children are required to work for a specified number of years, mutually agreed upon by the parents and the agents and in the event of breaking the arrangement the parents *have to repay the funds with interest*. Parents living below the poverty line who cannot even feed their children, *can never repay the advance amount along with the usurious rates of interest*. As a consequence, children are forced to work for the employers for long periods" (pp 41, 43; italics added). The wicked ingenuity evidenced here is remarkable—parents are trapped as much as their children are; they *cannot* withdraw their children even if they want to. Given that these parents are extremely poor and, as the author himself repeatedly states, are "forced" to send their children for bonded work, it is consequently surprising to find him observe (after describing the "lack of concern of employers"), "The parents of the carpet children appear to be equally unconcerned about their wards. As many as 67 per cent of the working children complained that their parents never visited or corresponded with them" (pp 56, 59). Is it not likely that very poor parents would not have the means to visit their children—and are illiterate?

The author implies that parents and children do not *like* the kind of education that is on offer in rural schools and that this is why children work instead of going to school: he says, "the present curriculum [is perceived] as being difficult, expensive and futile" (p 61) and suggests that "it is up to the government to evolve a suitable educational system to suit the needs and aspirations of children who are normally from the weaker sections of society" (p 61), recommending "a vocational training-cum-general education in schools free of cost" (p 61)

With due respect, two points can perhaps be made here. Firstly, is it not possible that it is not the *cost* of education that dissuades parents from sending their children to school, but, rather, dire poverty which makes it essential to *increase* family income through paid child labour? The author states that in Tamil Nadu, for instance, "free mid-day meals, uniforms and books have been successful in attracting children to schools" (p 63). While this may be partially true it must be pointed out that R Vidyasagar has noted that the estimate that there are 10 lakh working children below the age of 15 in Tamil Nadu is "only the tip of the iceberg"—the real number is likely to be around four million [Vidyasagar 1992: 29]. In short, there are huge numbers of child labourers even in Tamil Nadu—because of rural poverty.

Secondly, is it not possible that both parents and children show considerable wisdom in staying far away from rural schools, given that the standard of education on offer is often appalling? Field studies have found that the education provided is often worse than useless—I found that many children who had completed fifth standard (in rural Tamil Nadu) were entirely illiterate [Kapadia forthcoming] while Jean Dreze and Mrinalini Saran too have noted (in rural Uttar Pradesh) that "the quality of [school] services is deplorably low" [Dreze and Saran 1993: 74]. In such a situation, what is the point of sending your children to school? Further, to suggest that 'vocational schools' can solve the problem, is to not recognise that many parents are too poor to send their children to *any* school: the family cannot survive without the children's labour. This is not to say that we should not be attempting to 'eradicate' child labour—but, rather, that to really do so, one has to recognise that it is the direct fruit of rural poverty. Until rural poverty is seriously tackled, child labour is certainly not going to go away.

References

Dreze, J and M Saran (1993): *Primary Education and Economic Development in China and India: Overview and Two Case Studies*, Development Economics Research Programme Discussion Paper Series No 47, London School of Economics, London.

Kapadia, K (forthcoming): *Big Burdens on Little Backs: Child Labour in Rural Tamil Nadu*.

Vidyasagar, R (1992): 'Child Labour in Tamil Nadu' in H R Sekar and G J Pinto (eds), *The Situation of Working Children in Tamil Nadu: Workshop Report*, National Labour Institute, Noida

Some Aspects of Role of State in Singapore

Mukul G Asher

This paper analyses selected aspects of the role of the state in Singapore. Over the last three decades, Singapore has been able to combine good macro-economic performance and good social and demographic indicators with authoritarian policy and corporatist management. Singapore has used market as an instrument rather than as a mechanism.

The paper discusses the issue of economic boundaries of the state in Section II; budgetary policy in Section III; role of public enterprises which has been extensive in Singapore in Section IV; and the Central Provident Fund (CPF), which has become an important socio-economic institution, in Section V.

The paper cautions that unless certain pre-conditions are met, pursual of policies and style of management similar to that of Singapore by others could lead to very different results. Therefore, great care must be taken in drawing lessons concerning the role of the state from Singapore's experience. The paper suggests that rapid aging of the population combined with affluence would pose a formidable challenge to the policy-makers, and meeting it may require significant modifications to the present role of the state in Singapore.

I
Introduction

AFTER nearly two and a half decades of almost uninterrupted rapid economic growth, Singapore is now an affluent society, with per capita GNP of US $ 14,210 in 1991.[1] In this remarkable economic performance, the Singapore state[2] has played a crucial role. Two major economic functions performed by Singapore are as a production base for selected goods and services, such as oil refining, disk drives, financial services, and transportation services; and as a middleman for the region and beyond. Its economy is dominated by the multinational companies (MNCs),[3] and by the state-owned enterprises (SOEs), which in Singapore's case may be divided into statutory boards and government-linked companies (GLCs).[4] The state ownership of land increased from 44 per cent of total land in 1960 to 76.2 per cent in 1985 [Lim et al 1988: 101]. The land in Singapore is usually leased for a long period, but its ownership is retained with the state. Since the early 1990s, Singapore has been making a concerted drive to regionalise its economy by developing investment and other economic relations in the region.[5] Singapore also has high saving and investment rates;[6] and high and persistent structural surpluses in the budget.[7] In Singapore, economic, social and related information is regarded as a strategic resource at the state's disposal rather than a public good. In the remarkable economic performance and in bringing about the present structure and features of the economy, state's role has been vital. The state has acted as strategist, planner, regulator or enforcer, manager and administrator, entrepreneur, social engineer, and a direct participant in economic activities. In the process it has either set up or has undertaken overseeing responsibilities relating to cultural, social, political and economic organisations and institutions.

As Singapore has till now provided a viable combination of high growth, good social and demographic indicators such as educational attainment,[8] home ownership,[9] and life expectancy,[10] and authoritarian polity, with corporatist management,[11] its experience is of particular interest to those countries which give improving economic performance priority over other concerns such as political reform.

Singapore has used foreign models, at times explicitly to support particular socio-economic strategy adopted. Margolin divides the ideological and intellectual transformation of Singapore into three periods since the 1950s These are: "the 'revolutionary', Third Worldist one of the opposition years; the social-democratic one of the 1960s; and the 'Nippo-Swiss' one of the last two decades" (1993: 85). Each successive model is more and more economy-centred, and so has been the case with the Singapore society as a whole [Margolin 1993. 85].

A necessary but clearly not sufficient condition for an economy-centred society is near-monopoly of politics and political processes by the governing elite, and depoliticisation of the rest of the population and of issues. It also requires population which is willing to accept such a focus An important determinant of this willingness is the ability to provide rapidly rising living standards, even to the elderly who are no longer participating in the labour force. Thus, authority, both political and moral, of the elites and legitimacy of the government in an economy-centred society are inextricably linked with the ability to provide rapidly rising living standards.

This paper examines the role of the state in Singapore in selected areas, and suggests possible implications for other countries. It is organised as follows. Section II discusses the issue of economic boundaries of the state.[12] In the Singapore context, it concerns the manner in which market has been used; and steps taken by the Singapore government to ensure effectiveness of its style of economic management. Budgetary or fiscal policy represents for any government an important instrument to influence aggregate economic activity, to assign priorities in government expenditure, and to raise resources through tax, non-tax and borrowing sources to finance government expenditure. The discussion in Section III of budgetary policy also briefly touches on the role of fiscal incentives in Singapore. A brief discussion of the role of public enterprises including privatisation is provided in Section IV. One of the important socio-economic institutions in Singapore is its national provident fund, called the Central Provident Fund (CPF). Brief comments are offered about the CPF in Section V. The final section provides the concluding observations.

II
Economic Boundaries of the State

In the conventional economic literature, market and government represent two alternatives to economic organisation. The balance between the two has undergone significant changes over time. Before the great depression of the 1930s, faith in market mechanism and in Adam Smith's 'invisible hand' under which individuals pursuing their own self-interest were pictured as achieving the overall maximum well-being of the society was extremely high. But the great depression of the 1930s revealed in a dramatic man-

her failure of macro-economic co-ordination; and the second world war demonstrated possibilities of effective government planning and intervention. This, combined with the importance attached to the goals of distributive justice and of positive freedom, designed to improve the capacity of individuals to expand consumption demands, meant that role of government expanded significantly. But such expansion led in due course to intensive examination of the concept of government failure. Reasons for such failure may be summarised as follows: (i) consequences of many government actions are extremely complicated and difficult to foresee; (ii) government may promulgate policy measures, but it has only a limited control over relevant variables; (iii) there is a gap between legislation and intention, and between those who set broad policy framework on the one hand and those who frame detailed rules and procedures and who actually implement them on a day to day basis on the other; and (iv) different interest groups may vie with each other in a society, and this may complicate the task of defining what is overall public interest.

In addition to the failure in macro-economic co-ordination noted above, other reasons for market failure include monopoly power (when buyers and sellers are price-makers rather than price-takers and entry and exit barriers are high), externalities (when actions by an individual or a firm affect cost or utility functions of others but these do not get reflected in the market); public goods (when marginal social cost of an additional person consuming a good is zero and when those who do not pay cannot be excluded because of technical infeasibility or high cost); and asymmetric information (when either a buyer or a seller has markedly more relevant information in a transaction). However, as Weimer and Vining (1992: 76) have noted, "market failure is most likely in situations where information asymmetry occurs in combination with public good problems in secondary markets".

In addition to the above types of market failure, reservations about the efficiency of capital and insurance markets, and concern for values other than efficiency such as equity, including income and consumption distribution, freedom and human dignity provide the analytical rationale for the role of government in the economy.

Thus, both market and government are imperfect alternatives. Indeed, as Helm has noted, "... economic theory does not provide any evidence to support a general preference *either* for markets *or* for planning" (1989: 42-43, emphasis in the original). A pragmatic approach would be to assess which of the two failures is greater in a specific situation and context, and to then decide on whether market or government is more appropriate. If government is chosen, it is also necessary to design the instruments of intervention in a careful manner, taking into account sources of government failure noted earlier.

While the emphasis in the economics literature has been on market and government (or planning) as alternative mechanisms, economic success achieved by Japan and other east and south-east Asian countries, including Singapore, which have borrowed heavily from Japanese methods of economic and to a lesser extent political organisation and management, has raised many complex issues regarding market and government. Friedland has described the Japanese policies as favouring "... producer over consumers, bureaucratic control over political debate and stability over innovation" (1993: 12) Indeed, the above policies, and the role of the bureaucracy in guiding markets have led some analysts such as Clyde Prestowitz Jr and Chalmers Johnson to argue that Japanese capitalism is different in fundamental ways than the western capitalism, and that international economic policies of the US and other industrial countries should take them into account [Sterngold 1993]. Sterngold quotes Yasushi Mieno, governor of Bank of Japan, as stating that western nations need to study the Japanese model of economic organisation and that lessons from the Japanese model should be applied by the multilateral institutions in their advice on development strategy (1993).

The main difference between the conventional economic theory and the western view on the one hand and that of Japan, Singapore and other like-minded countries on the other is that in the latter market is used an instrument of policies and goals already set as in these countries belief in the idea of invisible hand as a mechanism is quite weak. As a result, markets in these countries are not free in the western sense. Thus, in Singapore extensive government landholding noted earlier, combined with extensive public housing programme have resulted in government being a dominant player in the real estate and property market. Similarly, government decides on the number of certificates of entitlement (COEs) to be issued in each period; but then uses auction mechanism to allocate them. Government also decides on the amount of levies, overall number, and the source for foreign labour, but then allows this labour to be allocated according to those who are prepared to pay the resulting price. Thus, market is used as an instrument because it is regarded as more economical in information and administrative costs, but not as a mechanism. It should be noted that such use of the market does not carry with it normative efficiency implications which are normally associated with market mechanism leading to Pareto efficiency, under which it is not possible to make someone better off without making others worse off. The policy-makers in Singapore however did ensure that state intervention did not ignore the disciplining functions of the market. Moreover, state intervention did attempt to reduce uncertainty and risks of business through overall policy stability while being flexible about tactics; by fostering optimistic psychology in individuals and by skilfully projecting Singapore and the region among investors, opinion-makers and others.

Use of market as an instrument also assumes that allocation function can be separated from the distribution function. When the use of market as an instrument is combined with corporatism, almost no area of individual's life is theoretically immune from the purview of the government. This is evident in the role state has played in Singapore, which has touched lives of citizens in many diverse areas.

It appears that Singapore government recognised at the very beginning that for its method of economic organisation and management to function effectively, efficiency-conscious, and result-oriented bureaucracy; very high priority to business interests and minimisation or elimination of illegal payments to those in positions of power within Singapore, would be indispensable. Indeed, those entities which are unable to match these requirements may find that Singapore-type of economic organisation and management yield very different results. Thus, changing the attitudes and behaviour of the civil servants, so that these are consistent with the ruling party's objectives and strategies has been a priority ever since the People's Action Party (PAP) formed the first government of the State of Singapore in 1959. On September 16, 1963, Singapore became a constituent state of Malaysia. It became a sovereign, independent nation on August 9, 1965. Through various measures and policies relating to personnel, training, adoption of information technology (IT) in government, review of procedures, rules, regulations, and others, the government has lowered compliance costs, both psychic and financial, of day to day transactions of general public with the governmental machinery. The government has also taken steps to encourage flexibility and responsiveness and adaptability to changing market forces and other factors by the governmental organisations. The government has set up Corrupt Practices Investigation Bureau (CPIB) under the prime minister's office (PMO). As Ow has noted, "... the CPIB has immense

powers and may carry out investigations of allegations of corruption by civil servants, other public sector employees, Members of Parliament and Ministers. The director of CPIB reports directly to the Prime Minister' (1986: 247-48).

The planning process in Singapore centres around a broad indicative plan and several sector-specific physical and human resource development plans. Currently applicable indicative plan is the Strategic Economic Plan (SEP) which identifies for targeting 13 industry clusters in which Singapore should develop international competitiveness, and which aims to turn Singapore into an innovation-driven economy by the year 2030, with substantial command over economic decisions exercised from the headquarters of the domestic and foreign firms located in Singapore [Ministry of Trade and Industry: 1991]. The sectoral plans include Urban Redevelopment Authority's Concept Plan, Master Plan for Singapore's physical development, National Technology Plan, National Automation Master Plan, and others.

The following characteristics of Singapore's planning process may be noted. First, plans are constantly reviewed and when necessary updated. Second, vision and objectives of the plan are clearly articulated, and then communicated to the concerned parties, including the general public. Third, clear lines of accountability and responsibility are assigned. Fourth, implementation details as well as results are emphasised. Project planning and execution is among the important strengths of Singapore.

III
Budgetary Policy

Budgetary accounts of the Singapore government are organised around various funds. A distinction is made between the current or operating expenditure and capital or development expenditure. The budgetary system emphasises efficiency objective, and as a consequence, relationship between financial and other inputs for a given activity or a programme on the one hand and resulting output or performance on the other is stressed. The published budgetary amounts are based on a mixture of cash, accrual, opportunity cost, and notional cost elements, whose combination may vary from year to year. As a result, budgetary analysis needs to be undertaken with care.

Tax Policy

It may be useful to begin the discussion of tax policy by briefly summarising the relevant features of Singapore's revenue system. Data for the fiscal year 1992-93 provided in Table 1 form the basis for the summary provided below.

(1) Total revenue to GDP ratio at 34.5 per cent in 1992-93 is fairly high, particularly when compared to government expenditure 20.1 (per cent of GDP in 1992-93).
(2) Tax revenue (at 18.3 per cent of GDP) accounts for 53.4 per cent of total revenue. Unlike the revenue to GDP ratio, tax to GDP ratio for Singapore is substantially lower than the average for the Organisation of Economic Co-operation and Development (OECD) countries (38.8 per cent of GDP in 1990).[11]

Thus, the reliance on non-tax revenue and capital revenue combined is exceptionally high (46.8 per cent in 1992-93). This has three main implications. First, the government has considerable flexibility in raising revenue. In particular, it does not need to rely exclusively on taxes if additional revenue is needed. Second in analysing the economic effects of revenue structure, such as on stabilisation, the cost of doing business, and incentives to save and to work, exclusive attention to tax revenue is likely to be inadequate. The effects of various regulatory and non-regulatory charges, incidence of land acquisition policy,[14] sale (essentially long-term lease) of land, pricing policies of statutory boards, and sources of and cost paid to generate investible funds, all need to be taken into account in analysing the economic effects. The above suggests that budget balance (or changes in it) is even less likely to be an useful indicator of the overall direction of fiscal policy than is normally the case. Third, since a major portion of income is from capital income and investment income, and since a substantial part of the investment income is from investments abroad, conservative management of investment portfolio and continued health of the current international financial system are vital for Singapore's fiscal health.

Persistent government budget surpluses has meant a build-up of assets of the Singapore government. The assets have increased from $ 1,07,300 million on March 31, 1992, to an estimated $ 1,21,500 million on March 31, 1993 (1993 Budget Document, p 85). These assets may be contrasted with the estimated total expenditure and operating revenue for fiscal year (April-March) 1993 of $ 15,500 mil-

Table 1: Singapore—Revenue Structure, FY1992-93[a]

Category	Amount (Million $)	As a Per Cent of Total Revenue	As a Per Cent of Tax Revenue	As a Per Cent of GDP[b]
1 Total revenue	25,832.4	100.0	188.1	34.5
2 Current revenue	20,116 9	77.9	146.5	26.5
3 Capital revenue	5,715.5	22.1	41.6	7.6
3.1 Sales (lease) of land	4,526.4	17.5	33.0	6.0
2 Current revenue	20,116.9	77.9	146.5	26.8
4 Tax revenue	13,731.0	53.2	100.0	18.3
5 Non-tax revenue	6,385.9	24.7	46.5	8.5
5.1 Fees and charges	2,045.8	7.9	14.9	2.7
5.2 Investment income	3,337 2[c]	12.9	24.3	4.4
4 Tax revenue	13,731.0	53.2	100.0	18.3
4.1 Income tax	6,738.0	26.1	49.1	9.0
4.1.1 Individual income tax[d]	1,714.1	6.6	12.5	2.3
4.1.2 Company income tax[e]	5,023.9	19.4	36.6	6.7
4.2 Asset taxes[f]	1,436.1	5.6	10.5	1.9
4.3 Import duties	709.0	2.7	5.2	0.9
4.4 Motor vehicles taxes	1,548.0	6.0	11.3	2.1
4.5 Excise and related taxes	1,593.3	6.2	11.6	2.1
4.6 Stamp duties	671.7	2.6	4.9	0.9
4.7 Other taxes[g]	1,034.8	4.0	7.5	2.3

Identities: Total Revenue = Current Revenue + Capital Revenue.
Current Revenue = Tax Revenue + Non-Tax Revenue

Notes. a Based on revised estimates.
b GDP in 1992 was $ 74,974.5 million.
c No figures have been provided for Singapore Technologies Holdings.
d Estimated from the assessed income tax to individuals divided by total income tax assessed in 1991. The ratio in that year was 28.1. From Income Tax revenue, contribution by the Statutory Boards of $ 638.1 million is excluded for calculating the individual income tax revenue.
e Includes contributions by the Statutory Boards.
f Includes real estate taxes and estate duties.
g Includes levy on domestic maids, foreign workers levy and certain other taxes.

Sources: Calculated from the Republic of Singapore, the Budget for the Financial Year 1993-94, pp 55, 73; and Republic of Singapore, Department of Statistics, *Yearbook of Singapore 1992*, Table 4.3, p 81.

lion and $ 17,200 million respectively. The 1993 assets are equivalent to 162.1 per cent of the 1992 GDP of Singapore. The official foreign reserves have increased from $ 17,917.9 million in 1982 to $ 65,788.4 in 1992 [Republic of Singapore, Department of Statistics 1993: 223, Table 12.4]. Accumulated balances in the national provident fund, called the Central Provident Fund (CPF) amounted to $ 51,526.9 million as at end 1992 [Republic of Singapore, Department of Statistics 1993: 233, Table 12.15].

While the above are gross and not net figures, (public debt as at end 1992 was $ 67,255 million), they do demonstrate the point that conservative management of such large balances is vital for future economic and social well being of the residents of the country.

An important and potentially far-reaching institutional development in this context is the Elected Presidency Law (EPL) which came into effect on November 30, 1991. Qualifications needed to be nominated to contest for presidency are set in such a way that at present only several hundred individuals can potentially qualify. There are two main fiscal powers under the EPL. The first gives the president the right to veto the annual budgets of the government statutory boards and key government companies if they draw on reserves accumulated during the terms of previous governments (definition of reserves is at present somewhat ambiguous). The president also has the power to scrutinise and if necessary veto any large item of expenditure by a statutory board or a government company. The second fiscal power allows the president to veto key public service appointments, including those concerned with fiscal aspects

The EPL does not forbid the use of reserves, but requires the concurrence of the president before this can be done. This suggests that the president does not have any direct oversight powers over the level or composition of the public sector, though the president can still influence it through the veto powers. Nevertheless, the EPL is designed to prevent drastic departures from the present public sector arrangements, including almost exclusive reliance on the national provident fund mechanism to provide social security.

(3) In 1992-93, taxes on income accounted for 49.1 per cent of total tax revenue. The individual income tax however accounted for only 12.5 of the total tax revenue. This is in sharp contrast to the OECD countries where it accounts for about four-fifths of the total. As a part of the tax burden of company income taxes is usually assumed to be shifted forward to consumers, and given Singapore's high income status, the role of taxes on income, particularly of individual income tax, cannot be regarded as being unduly high.

(4) Motor vehicle taxes accounted for 11.3 per cent of total tax revenue in 1992-93. If other types of taxes dependent on motor vehicles, such as petroleum excises, and motor vehicle related fees and charges such as for Certificate of Entitlement (COE), essentially a licence to purchase a motor vehicle, are included, then the share of motor vehicle taxes could increase to around one-fourth of the total tax revenue. Excises are levied on traditional items and accounted for 11.6 per cent of tax revenue in 1992-93.

(5) Among the 'others' category which accounted for 7.5 per cent of total tax revenue in 1992-93, foreign workers levy is quite significant. In this case, government not only sets the overall quota, but also decides on the share of workers to be sourced from various countries, and the amount of levies. At the lower end of the wage scale, such as to construction workers and maids, it is likely that foreign workers' levy according to the government exceeds the wages paid to the foreign workers; and it is they who bear most of the burden of the levy. Pricing is used to allocate labour, but control is exercised on both the demand and the supply side Amount spent on services provided to foreign workers is not provided in the budget documents, but it is unlikely to be significant.

(6) Singapore does not levy any export taxes. The import duties are largely confined to liquor and tobacco products, motor vehicles, and others such as textiles, cosmetics and chocolates. Thus, unlike in many countries, import duties play only a marginal role in the revenue structure and in the system of fiscal incentives.

(7) Singapore does not levy capital gains taxes. The only tax on wealth is estate duties whose revenue importance is negligible. Some of the east Asian countries such as Taiwan and South Korea have in recent years attempted to levy capital gains taxes to curb asset inflation in stock and real estate markets. Whether similar measures will be taken in Singapore if the asset inflation persists remains to be seen.

Introduction of the Goods and Services Tax (GST): The GST is to be introduced from April 1, 1994 at a rate of 3 per cent.[15] The GST is a type of value added tax (VAT) covering all aspects of production and distribution. However, because of the high exemption level (those with turnover of S$ 1 million or less are exempt from the tax, but as a result they cannot claim refunds on input taxes paid), only 20 per cent of businesses are expected to be covered under the GST. This would turn GST into a complicated excise tax with cascading-type features

The main official rationale for the GST is that its introduction will permit reductions in company and individual tax rates, thus helping to keep its tax system internationally competitive.

The introduction of the GST is to coincide with various other changes in the tax system. Among the most important are the reduction in company income tax from 30 per cent to 27 per cent; and in the top income tax rate from 33 per cent to 30 per cent, both effective from the year of assessment 1994. Other tax measures include increase in personal relief from S $ 2,000 to $ 3,000; and an annual sliding-scale rebate on income tax. The above changes in income tax, according to the government estimates, are expected to reduce the proportion of households liable to income tax from the present 90 per cent to 50 per cent. As Singapore has used income tax for a variety of socio-economic objectives such as providing incentives for qualified women to have more children; to take care of the aged parents; for gifts to approved charities; and to in effect differentiate in income tax rates between citizens, permanent residents and others; lower coverage of income tax as well as lowering of rates will reduce their effectiveness.

The GST is expected to increase the share of taxes on domestic goods and services, while reducing the share of income tax. This is expected to move the overall tax system in the direction of regressivity. It is also expected to increase the administration and compliance costs of the tax system.

The GST will also have important implications for social security financing in Singapore, as noted in Section V.

With the GST, Singapore now has two broad-based taxes, namely income tax and consumption tax. Since both have the potential to generate significant amounts of revenue, the government is well placed to meet increased expenditure, if a policy decision is made to do so.

Role of Fiscal Incentives

As may be expected from Singapore's economic strategy and from the role of the state, Singapore has pursued an activist fiscal incentive policy.[16] In addition to the incentives contained in the Economic Expansion Incentives (Relief from Income Tax) Act, there are incentives provided in the Income Tax Act. Certain tax incentives also exist in the double tax treaties which Singapore has negotiated with other countries, particularly in treaties with the capital exporting countries. While Singapore continues to be a significant importer of capital, in recent years it has also been exporting capital first in the

passive form and increasingly in the form of direct foreign investment. As a result, it faces a complex task in double tax treaty negotiations, particularly if it is to adhere to the most favoured nation clause in the OECD model for such a treaty. Singapore has entered into investment guarantees agreements with countries such as the US, Germany, UK, People's Republic of China, and Sri Lanka. Such a treaty with India is being considered. In addition to the Economic Development Board (EDB), the Trade Development Board (TDB), Monetary Authority of Singapore (MAS), the National Computer Board (NCB), and other bodies have become active in granting and monitoring incentives during the 1980s. In recent years, there has been a shift towards promoting service related activities at the margin. There are also many important types of incentives which have not been written into the law, but which are expressed by the relevant authorities as administrative or policy decisions. Thus significant discretionary power is exercise in Singapore in granting of fiscal incentives.

Rules and regulations governing the entry and operations of foreign enterprises, with some exceptions such as retail domestic banking, have been relatively liberal once objectives of significant contribution to the economy and consistency with the economic strategy have been satisfied. Repatriation of capital, and remittance of profits and other capital income are allowed with no undue restrictions. There are no local content, technology transfer or other such requirements. Borrowing by foreign firms from domestic sources also faces only minor restrictions. Foreign labour flow is however regulated.

It is important to recognise that Singapore government has attempted, quite successfully, to regard fiscal incentives as only a part of overall business environment; and has regarded incentives as signals to investors as to where government's energies and policies will be focused. It has also had an effective pre as well as post incentive evaluation programme. Thus, while incentives are quite generous on paper, in practice stringent criteria are applied in granting them, particularly whether the enterprise granted such incentives will help the economy to reach a higher level at the margin. Post-evaluation of incentives has meant effective sunset types of policies under which incentives are withdrawn after a certain date; and new ones introduced in response to perceived need for new niches.

Concerning the business environment, civil service reform has already been indicated. In addition, the following may be noted. First, the government has emphasised relevant and utilitarian investments in skills formation, particularly on technical training. This constant upgrading of technical skills has meant that Singapore can not only develop the capacity to move up the technological ladder, a move which is essential as its competitors catch up,[17] but also provides a real possibility of overcoming technological dependence implied in the overwhelming importance of foreign enterprises in the economy. Towards this end, Singapore has been providing scholarships to students from such countries as India, China and Malaysia for pursuing engineering and related technical and professional careers. There is a provision to bond these students, so that their services become available to Singapore. This talent-augmenting is one of the policies pursued to achieve the above objective. The second aspect concerns the power of the trade unions. In 1968, Singapore enacted two important labour legislations which severely circumscribed union's power to negotiate on economic issues. While the Employment Act curtailed the power of unions to negotiate fringe benefits; the Industrial Relations (Amendment) Act made matters, such as recruitment, promotion, reclassification, transfer, retrenchment and dismissal of workers, management's prerogatives, and thus not a part of bargaining with the unions [Yoshihara 1976, 32-33].

In a recent study, Asher et al conclude that fiscal incentives regimes in Singapore have enjoyed an overall success, but as number of agencies involved in initiating and implementing incentives increases, as political system matures, and as distribution coalitions take root, greater transparency, public disclosure, and accountability would need to be given greater weight (1992: 126-27). This conclusion is particularly relevant as there does not appear to be any prospect of less activist fiscal incentive regime.

Expenditure Policy

The expenditure policy of the Singapore government has the following main features. It is designed to keep the level of government expenditure low. Thus, government expenditure plus net lending has declined from 35.89 per cent of GDP in 1985-86 [IMF 1993: 475] to 22.21 per cent of GDP in 1990-91 (Table 2). Unlike in the case of revenue, 1990-91 data are used because it is the latest year for which expenditure data in the IMF format are available. Per capita government expenditure in 1990-91 was $ 5,340 (Table 2). It should be stressed that the above figures refer only to the general government sector, and only net lending and grants to statutory boards and others are included.

Second, in allocating expenditure, priority is given to defence, education and

Table 2: Singapore—Level and Composition of Government Expenditure, 1990-91

Category	Amount (Million $)	Per Capita Expenditure[a] ($)	As a Proportion of Total Expenditure Plus Net Lending	As a Proportion of GDP[b]
Aggregate Expenditure				
1 Total expenditure plus net lending	14,444	5,340	100.0	22.21
2 Total expenditure	14,223	5,258	98.5	21.87
2.1 Current expenditure	10,867	4,017	75.2	16.71
2.2 Capital expenditure	3,356	1,241	23.2	5.16
3 Net lending	221	82	1.5	0.34
Functional Expenditure[c]				
4 General public services	897	332	6.2	1.38
5 Defence and public order and safety	3,915	1,447	27.1	6.02
6 Education	2,825	1,044	19.5	4.34
7 Health	652	241	4.5	1.00
8 Social security and welfare	300	111	2.1	0.46
9 Housing and community amenities	1,121	414	7.8	1.72
10 Economic affairs and services	2,362	873	16.4	3.63
11 Interest on public debt	2,021	747	14.0	3.11
Expenditure by Economic Type[c]				
12 Expenditure on goods and services	7,193	2,659	49.8	11.06
12.1 Wages and salaries	3,780	1,397	26.2	5.81
13 Subsidies and other current transfers	1,653	611	11.4	2.54

Notes: a Based on resident population of citizens and permanent residents of 2.7051 million in 1990.
b GDP in 1990 equalled 65,024 million dollars.
c Includes net lending. Details may not add up to the total as some items have been omitted.

Sources: Calculated from IMF, *Government Finance Statistics Yearbook, 1992*, Washington, DC, IMF, 1993; Republic of Singapore, Department of Statistics, *Yearbook of Statistics, 1992*, Singapore 1993, Table 2.1, p 9.

economic services. Thus, in 1990-91, expenditure on defence and public order and safety amount to 6.02 per cent of GDP (Table 2). Even this, rather high level is understated as in Singapore males are required to do two and a half years of national service. The amount paid to them is at below market rates. The military training however is regarded by the government as an indispensable past of nation building, and in preparing individuals for facing economic realities confronting Singapore. In 1990-91, education expenditure was equal to 34 per cent of GDP, with primary and secondary education receiving the largest subsidy as a proportion of its costs. The government is to cap the subsidy for tertiary education at 75 per cent of recurrent costs. With numerous scholarships and bursaries available, affordability of education is not a major issue in Singapore. Stress on education is a part of human resource development; and it is designed to allow rapid restructuring and upgrading of the economic activities in Singapore. Expenditure on economic affairs and services equalled 3.63 per cent of GDP in 1990-91 (Table 2).

Third, expenditure on health and social security and welfare is kept low, with emphasis on individual or family provision. This is achieved by extensive government intervention on both the demand and the supply side of health care. The objective is to price health services as near to true economic cost as possible, with provision made for the most needy. As a result government's health expenditure has declined from 1.64 per cent of GDP in 1981 to 1.0 per cent in 1990-91. Whether affluence, rapid ageing, longer life spans, and commercialisation of health sector particularly evident since the mid 1980s will allow this trend to continue remains to be seen. Difficult choices between equity, efficiency, affordability, and needs and demands concerning health care lie ahead. The question of social security is discussed in Section V.

Fourth, since the late 1960s, providing affordable good quality public housing has been an important goal of Singapore government. In this the government has achieved remarkable success (see note 9). The government acquired the land at below market prices but it passed on this low land cost, until recently, to the public, while simultaneously ensuring that the Housing and Development Board (HDB) and other such bodies had management culture and expertise to build good quality housing at relatively low cost on a mass scale. The CPF scheme provided the means to the general public to purchase public housing; and the centralised nature of the scheme meant negligible default rates. It also made available enormous amount of data which could be used for social engineering and economic planning. In the first half of the 1980s when the public housing programme was expanding rapidly, net lending was an important item of expenditure (it accounted for 8.67 per cent of GDP in 1985-86). But with the programme now at a lower level, and because of revision in pricing and accounting procedures of the HDB, net lending has become much lower, accounting for only 0.34 per cent of GDP in 1990-91.

Fifth, even though government has had an overall budget surplus since 1968, and its external debt is negligible (less than 0.04 per cent of total debt in 1992) the interest expenditure in 1990-91 was equivalent to 3.11 per cent of GDP, or 14 per cent of total expenditure plus net lending (Table 2). Singapore's internal debt has increased from S$ 19,855.7 million in 1982 to S$ 67,228 million in 1992 [Republic of Singapore, Department of Statistics 1993: 254, Table 13.5]. This debt is issued in the main to satisfy the statutory requirements of the financial institutions, including of the CPF. Indeed, almost all of CPF assets of S$ 51,526.9 million in as at end 1992 were in Singapore government securities. The government in turn invests these funds at home and abroad, though the details of portfolio are not made publicly available.

Sixth, in 1990-91, wages and salaries accounted for 26.2 per cent of total expenditure plus net lending or 5.81 per cent of GDP. The government considers it essential that it is able to attract highly qualified technical and professional manpower. It is willing to provide the employees with competitive compensation package, though recent medical benefit revisions for both existing as well as new civil servants and employees of statutory boards have created some concern among them. At the same time, productivity, performance and behaviour of the civil servants are closely monitored to ensure efficiency and minimise principal-agent problems. The civil service rules are flexible enough to enable induction of individuals with necessary talent and expertise. Scholarships accompanied by service bonds are used extensively to attract and retain talent in the civil service. Corporatisation of certain government departments and divisions has been used to provide greater flexibility in personnel policies.

IV
Public Enterprises and Privatisation

As noted, public enterprises has played an extensive role in Singapore's economic development. As Tan has argued, "... since the 1960s, statutory boards have played a catalytic role in spearheading new activities and identifying the main thrusts of the government's development policies for the private sector to follow through" (1992: 13).

Two main types of public enterprises in Singapore are statutory boards and government-linked companies (GLCs). Statutory boards are autonomous organisations set up by specific Acts of Parliament. Their autonomy permits greater commercial flexibility. Recently, the Inland Revenue Authority, which collects income tax, property tax and other mainly direct taxes, have been turned into a statutory authority. Almost all infrastructural, promotional, and public utility services are provided by statutory authorities in Singapore. While they enjoy managerial flexibility, they are controlled by a small group of individuals.

The activities of the statutory boards are complemented by the GLSs which are in turn owned through three major holding companies. They are Temasek, Singapore Technologies and Ministry of National Development, MND Holdings. The GLCs are also controlled by a small number of individuals.

Recent initiative of the government to develop an external economy is also being led by the statutory boards and GLCs. Many GLCs such as, the Development Bank of Singapore (DBS), Sembawang Group, Singapore Technologies, Keppel Corporation, TDB Holdings, and Singapore Telecom have been aggressively expanding abroad, often in partnership with domestic and foreign private sector firms. As an example, a consortium of Singapore companies which will hold 40 per cent of total equity (with another 40 per cent held by the Tata Group and the remaining 20 per cent by Karnataka state government) in the Bangalore Information Technology Park in India to be completed by 1995, and whose total cost is expected to be Rs 4,825 million, includes two GLCs and three private sector firms. Moreover, public enterprises are not confining their activities to a particular area as evidenced by the Singapore Technologies, a defence sector company, teaming up with others to operate a family-dining chain across ten countries (*Straits Times*, Singapore, October 27, 1993: 40). This is consistent with the trend in east and south-east Asia where military has been involved in a wide range of defence as well as non-defence related ventures.

Statutory boards and GLCs have been provided with task of absorbing technology and becoming a counterweight to the multinational enterprises. They have also been in the forefront of promoting use of information technology, and spearhead-

and technology, through Research and Development (R and D).

The government has kept the subsidies to public sector enterprises at minimum; and has set bench-marks for them which not only retain but improve on Singapore's international competitiveness. At the same time, potential entry in the domestic arena and regulatory policies have been managed in such a way as to permit public sector enterprises to obtain high level of profits essential for upgradation. The balance between the profit-orientation and public service-orientation is overwhelmingly in favour of the former.

The issue of public-private mix and privatisation has also been discussed in Singapore. But privatisation is an elastic term and a variety of measures are usually included under this term (see figure). Singapore has emphasised cost recovery, user fees, corporatisation and partial divestment, i e, divestment without giving up control among the various aspects listed in the figure. Government's privatisation programme, spelled out in a 1987 Report of the Divestment Committee, is designed to broaden and deepen the stock market. It is also designed to permit relatively younger middle level technocrats in the civil service more advancement opportunities, thus helping to retain them in the public sector. It does not envisage privatisation as a way to spread risks associated with choosing technologies, markets, and products or to introduce a different management culture. The programme is also not being envisaged to promote local private firms. Instead, these firms are encouraged to team up with government enterprises both at home and abroad. It should be stressed that the impetus for divestment in Singapore has not come about because of such traditional reasons as the lack of technological dynamism, inefficiency, or drain on budgetary resources by public enterprises. Indeed, government enterprises have continued to expand scope of their activities, and their number has also been increasing. As their number and scope expand, there will be increasingly need to co-ordinate their decisions and activities, so as to prevent macro-economic failure and to ensure that their activities are consistent with public interest and objectives. This represents a formidable challenge to the policy-makers and its importance is likely to grow as public sector co-ordination problems become more complex, and various factors significantly weaken the material incentives to join public sector organisations.

A strong case can be made that in the Singapore context, its privatisation programme will make the role of government even stronger and more extensive. This is because there is an overall budget surplus, so the divestment proceeds are not needed to either reduce taxes or expand expenditure. Instead, these can be invested at home and abroad. Since divestment of such public enterprises as Singapore Telecom, Singapore Airlines and others has usually been partial which allows retaining control by the government even as divestment proceeds give greater control over financial wealth to the government. If this wealth is used to rationalise public sector portfolio, overtime the public sector could emerge stronger. This is likely to be the case in Singapore. Thus, public enterprises will continue to play a dominant role in Singapore. The government will continue to regulate competition to ensure adequate profits to these enterprises; linking efficiency with international competitiveness and trying to achieve them through administrative and political leadership. Producer

FIGURE: CLASSIFICATION OF PRIVATISATION MEASURES BY OPERATIONAL AREA OF IMPACT

Marketisation
The whole range of market-oriented transformation initiatives
Affecting

Ownership	Performance	Finance	Organisation	Business Environment
Divestment The transfer of ownership by: Private offer of shares Public offer of shares Restricted sale or lease of assets, e g land **Management/Employee Buyout (MBA)** Ownership is transferred to a group of managers and/or employees of the firm. **Leveraged MBO** The MBO if financed through credit from the financial sector or by the seller itself (the state). **Employee Stock Ownership Plan (ESOP)** Special financial arrangement promoted by the SOE to minimise the financial burden to the employees. Dilution of ownership. Allowing new private investments in the SOE.	**Contracting-Out** An external entity is paid to perform a service. **Agency** The transfer of the performance to a subject who acts in name and on behalf of the SOE. **Franchise** The lease of the enterprise to a firm who pays to acquire the right and bear all the entrepreneurial effects.	**User Pay** The main reliance is on financing by the users. **Cost Recovery** The consumer is called to finance more heavily the current operations of the firm. **Contractor Equity Financing:** "Build own and operate" (BOOs) contracts; "Build own, operate and transfer" (BOOTs) contracts.	**Corporatisation** The transformation of a government body in a Companies Act Company. **Performance-Related Incentives** **Memorandum of Agreement (MOA)** Agreements between PEs and government fixing objectives and other aspects of a PE or group of PEs. **Fragmentation** The breaking up of a firm in a number of separate entities.	**Liberalisation** Any measure aiming to increase competition and provide freer access to the market. **Deregulation** The removal of government imposed restrictions on any level or type of economic activity. **Demonopolisation** The removal of rules ensuring monopoly or quasi-monopoly market by non-renewing investments and allowing investments from the private sector.

Source: Adopted from Asher and Strazzulo (1992: 138).

interests will continue to receive priority over consumer interests. Privatisation exercise in Singapore is a good example of the maxim that the effects of a public policy should not be judged by the label given to it.

V
Central Provident Fund

The publicly-mandated arrangements for providing social security in Singapore consist of the Central Provident Fund (CPF) system and an extremely limited programme of public assistance. Among the high income countries, Singapore is alone in adhering to the provident fund mechanism; others use a combination of social insurance, social assistance and social allowance in their social security arrangements. The government is determined to continue the present system as long as possible. Affluence, demographic transition such as rapid aging[18] and below replacement rate fertility levels,[19] and political aspirations for participation, particularly by the aged, could significantly influence the outcome, however.

The CPF system which began in 1955 has evolved since then to become the dominant social security institution in Singapore. Indeed, a wide range of schemes under it, including home ownership, investment, health care, various types of group insurance along commercial lines, and others, have been introduced over the years (Table 3). As a result, the mechanics of the system have become exceedingly complex in spite of being a compact city state, in 1990.

The CPF is financed through mandatory contributions from employers and employees. The rate of contribution since July 1993 has been 18.5 per cent for the employer and 21.5 per cent for the employee. The rates are however expected to be equalised at 20 per cent each by July 1994. Such high rates are designed to generate sufficient forced savings for housing, health care and other needs during the working life, and still have sufficient amount left over for retirement. Even then in 1992, average balance at the withdrawal age of 55 was only $ 24,223, insufficient to finance retirement [Republic of Singapore, Department of Statistics 1993: 234, Table 12.16]. The CPF system, however, does not provide protection against inflation, or against longer than average span of life. The government is to extend the retirement age to 67 in two stages from the present 55, thus reducing the number of years for which retirement financing will be needed.

While the tax treatment on contributions, interest accruals, capital gains from approved investments, and withdrawals is generous, the rate of effective return is positively correlated with the marginal rate of income tax. Thus, the system is quite regressive. This will become even more so when GST is introduced, as then half the households will get no tax benefits as they will not be liable to income tax. Also, as the GST is expected to lead to a one-time price increase of at least 3 per cent, this will act as a tax on CPF wealth as their real value will be reduced.

Since the interest paid on CPF balances was made dependent on the average of relatively short-term interest rates, even though the CPF funds are of a long-term nature, the variable interest has often meant near zero or even negative real rate of return, particularly if the market basket of the elderly is considered. This could adversely impact on social adequacy of the scheme as a minimum of 3 per cent real rate of return is considered to be necessary by social security experts to provide the adequate replacement rate, i e, the proportion of the last drawn salary available to finance old age. There is also an implicit tax on CPF balances. Due to the budgetary surpluses of the government, CPF balances are largely invested abroad, but the probable higher real rate on those investments is not channelled back to the CPF members.

The above suggests that the CPF system has objectives wider than the provision of social security. Through the CPF, the government seeks to influence the avenues of consumption and savings, as well as to exert enormous social, political and economic control. It also puts almost exclusive reliance on individual or family for the provision of social security. Thus, the CPF system is consistent with the philosophy of the Singapore government concerning the role of the state. The CPF also permits conservative macro-economic policies, as it decreases the level of consumption, and allows socially desired allocation of income. Lower income tax rate made possible by state supported social security allows internationally competitive income tax policy to be pursued. High contribution rates could however increase labour costs to uncompetitive levels as happened in Singapore during the first half of the 1980s.

The CPF system is a flexible instrument. Thus, if the government does decide to introduce modest social insurance elements, the system can be easily modified to accommodate them. Thus, the catastrophic medical insurance scheme, called the Medishield scheme, at present covers only a handful of diseases; its coverage stops at age 70; its insurance payments are not related to income but to age; benefits are limited in amount; and it is not mandatory. Making the scheme compulsory, extending the age and dollar limits and the number of diseases covered, could be easily done through social insurance type premium arrangements. Thus, CPF provides a firm basis for more social security system more appropriate for an affluent society. The government has shown a high degree of pragmatism and innovativeness when particular challenges have arisen, and it is likely to do so in this case as well.

VI
Concluding Observations

This paper has analysed selected aspects of the role of the state in Singapore's

Table 3: Various Schemes under the CPF, by Type and Year of Introduction

Type	Scheme	Year Introduced
Home ownership	i) Approved Housing Scheme	1968
	ii) Approved Residential Property Scheme	1981
Investment	i) Singapore Bus Services (1978) Ltd Share Scheme	1978
	ii) Approved Investment Scheme	1986
	iii) Approved Non-Residential Properties Scheme (ANPPS)	1986
	iv) Share Ownership Top-up Scheme	1993
Insurance	i) Home Protection Insurance Scheme	1982
	ii) Dependent's Protection Insurance Scheme	1989
	iii) Medishield Scheme	1990
Others	i) Company Welfarism through Employers' Contribution (COWEC) Scheme[a]	1984
	ii) Medisave Scheme[b]	1984
	iii) Minimum Sum Scheme	1987
	iv) Topping-up of the Minimum Sum Scheme	1987
	v) Financing of Tertiary Education in Singapore	1989

Notes: a Present status of the scheme is unclear.
b From July 1, 1992 all self-employed people who earn more than S $ 2,400 a year must contribute to the Medisave. The initial rate is 3 per cent for all income groups. This rate will be raised by one percentage annually until it reaches 6 per cent.

remarkable rise to an affluent society in a short period of about three decades. In this transformation, the state played an extensive role, while its policies have been increasingly economy-centred. The state's role however has been complex and cannot be analysed in a simplistic state versus market dichotomy. Managing interactions between the two has been an important characteristic of Singapore's experience. Singapore was among the first Asian countries to allow the use of its territory as a production base. It thus was able to capitalise on the major waves of outward investment from the US, Europe and Japan to Asia. The state not only ensured that multinational operations were highly profitable, but it also undertook to build social and political cohesion among the elites; and took vigorous steps to ensure that Singapore prepared for the next stage or level of development. In the process, it depended on spotting and profiting from new activities and niches. This required extensive, powerful, but flexible and result-oriented planning and execution apparatus. As argued in the paper, the same policies and type of role of the state which Singapore has pursued successfully so far, could lead to very different results under different conditions and under different political and administrative structures. Indeed, as Singapore becomes accustomed to its affluence, and as amenities, including adequate social security and political and intellectual space, become important, the role of the state would need to undergo significant modifications in Singapore, and this will be a formidable challenge for the policy-makers. However, given Singapore's past record, innovative and pragmatic response can be expected from the policy-makers to help meet the above challenge.

Notes

[I would like to thank C T Kurien and Ramkishen Rajan for useful comments. The usual caveat applies.]

* All dollars unless otherwise stated are in Singapore dollars. In early February 1994, the exchange rate was US $ 1 = S $ 1.58 approximately.

1 Singapore's GDP grew at an average annual rate of 8.3 per cent during 1970-80, and at a rate of 6.6 per cent during the 1980-91 period [World Bank 1993: 240-41, Table 2]. The 1991 per capita GNP figure is also from the same source, Table 1, pp 238-39.

2 While state and government are distinct entities, given the one-party dominant nature of Singapore politics, the two are used interchangeably in this paper.

3 An indication of this domination is that during the 1982-92 period, 80 per cent of total investment commitments in manufacturing were from foreign sources [Republic of Singapore, Department of Economics and Statistics 1993: 120, Table 6.12]. In 1989, in Singapore's manufacturing sector, foreign firms (both 100 per cent and majority foreign owned) accounted for 76.3 per cent of gross output, 73.6 per cent of value added, 59.8 per cent of employment, 86.1 per cent of exports, 61.7 per cent of wages and salaries, 73.4 per cent of capital expenditure, but only 23.0 per cent of establishments [Republic of Singapore, Economic Development Board 1991: 4, Table 4].

4 In 1990, revenue and expenditure of statutory boards alone was 17.9 per cent and 13.5 per cent of GDP respectively [Low 1993: 173, Table 11.4]. The ratios would be considerably higher if the GLCs were added. Low also estimates that in 1990, public sector which includes both government sector and statutory boards, had revenue and expenditure equivalent to 44.1 and 34.7 per cent respectively, providing an overall surplus of 9.4 per cent of GDP. If current account surplus of the public sector rather than overall surplus is taken as a measure, the public sector accounts for more between one-half and two-thirds of gross national saving. Adding compulsory saving through the Central Provident Fund would raise the share to around fourth-fifths of the total gross national saving accounted for by the public sector. As at June 1986 there were 39 statutory boards, and as at September 30, 1986 there were 505 GLCs in Singapore [Asher 1989: 141-42]. Their number since then has increased, and the scope of their activities has widened, including participating in joint ventures abroad, mainly at the direction of the state.

5 Current data on direct investment abroad by Singapore are not available. But the position as at year-end 1990 was as follows. Wholly and majority local owned investor companies in Singapore had set up 1,479 companies abroad, with investment of S $ 3,423.2 million; with 84.2 per cent of the companies, and 60.7 per cent of the investments were in Asia, mainly in other members of the Association of Southeast Asian Nations (ASEAN) [Republic of Singapore, Ministry of Trade and Industry 1993: 105, Table 2]. According to the same source, as at year-end 1990, wholly and majority foreign owned investor companies is Singapore had set up 829 companies abroad, with total investment of S $ 4,050.6 million; with 79.3 per cent of the companies, but only 37.9 per cent of investment in Asia. In analysing the Singapore economy it is useful to distinguish between Singapore-owned and Singapore-based firms many of whom are MNCs with global operations. The above data do not indicate whether the value of direct investment abroad refers to equity portion or the total project cost, which could include equity share of other partners, including from the host countries, and debt. It is not unusual for project cost to be three to four times foreign equity from one country. It appears that the data refer to approvals and not to actual disbursements.

6 In 1960, Singapore had a negative saving rate of 2.4 per cent of GDP, while its gross capital formation was 11.2 per cent of GDP. By 1970, the saving and investment rates were 19.3 per cent and 38.3 per cent respectively. But by 1992, saving and investment rates were 46.4 per cent and 40.1 per cent respectively [Republic of Singapore, Ministry of Trade and Industry 1993: 120, Table A1.8]. Thus in little over three decades, Singapore has not only achieved high saver and investor, but has also become a net lender abroad.

7 Singapore has had an overall budget surplus (tax plus non-tax revenue less current and development expenditure) since 1968 [Asher 1989: 169, Table 5.12]. Singapore's fiscal system is discussed elsewhere in the paper.

8 In 1992, Singapore's literacy rate was 91.1 per cent, and 92.8 per cent of children between six and 17 years of age were attending school [Republic of Singapore, Department of Statistics 1993: 15].

9 In 1992, 87 per cent of the population lived in public housing, with 89 per cent of those in public housing owning their own flats. It should be kept in mind that land on which the public housing estates have been built is owned by the state. So the flats are owned on a land which is leased. In 1992, per cent of total resident population living in owner-occupied public flats was 82 per cent [Republic of Singapore, Department of Statistics 1993: 18].

10 In 1991, life expectancy at birth in Singapore was 74 years [World Bank 1993: 238-39, Table 1].

11 Brown indicates that the term corporatism is contentious and ambiguous, but nevertheless describes it as referring to "... attempts by an avowedly autonomous state elite to organise the diverse interest associates in society such that their interests can be accommodated within the harmonious, interdependent and organic national community" (1993: 2).

12 The phrase 'economic boundaries of the state' is from Helm (1989).

13 This and other figures relating to the OECD average are from OECD 1992.

14 The Land Acquisition Act of 1966 conferred very extensive powers on the state. A 1973 amendment to the act set compensation for acquired land at the market value as at November 30, 1973 or at the date of the Gazette notification, whichever is lower. Market value, in turn, is determined on the basis of the existing use or the Master Plan zoning of the land, whichever is lower. On January 12, 1988, an amendment changed the pegged price to its market value on January 1, 1986, or its value on the date of the notice of acquisition, whichever is lower. This is what allowed the increase in ownership of land by the government. More recently, the land acquisition price has been brought nearer to market price. But as four-fifths of the land is already owned by the state, practical importance of this is likely to be negligible. This act provided considerable leverage and flexibility to plan public housing, industrial, and commercial development.

15 For a detailed analysis of the implications of the GST on the Fiscal System, see Asher (1993).

16 For a more detailed analysis of the role of fiscal incentives in economic management in Singapore, see Asher, et al (1992) ch 5.

17 In today's globalised economic environment, this aspect has become even more important. This is because a time period over

which a particular location can expect to retain its competitive advantage has lessened considerably due to severe competition for investments and markets. As a result, location which do not plan for almost continuous upgrading soon lose their advantage.

18 According to the government estimates, by the year 2030, one in every four persons is expected to be above 60, as compared to one in every 11 persons in 1990. In the year 2030, 29 per cent of those above 60 are expected to be aged over 75; while one and two person households are expected to constitute 31 per cent of total households, many of which will be elderly [Republic of Singapore, Advisory Council on the Aged 1988: 21-22].

19 Singapore's fertility rate has been below the replacement level since 1975. In 1992, it had a total fertility of 1.74, much below the replacement rate of 2.10 [Republic of Singapore, Department of Statistics 1993: 34, Table 2.6].

References

Asher, M G, (1993): 'The Proposed Goods and Services Tax (GST): Implications for Singapore's Fiscal System' *APTIRC Bulletin*, 11, 6, June, pp 212-20.

—(1989): 'Fiscal System and Practices in Singapore' in M G Asher (ed), *Fiscal Systems and Practices in ASEAN*, Institute of Southeast Asian Studies, Singapore, pp 131-83.

Asher, M G, et al, (1992): *Fiscal Incentives and Economic Management in Indonesia, Malaysia and Singapore*, Asian-Pacific Tax and Investment Research Centre, Singapore.

Aspe, P and J A Gurria (1993): 'The State and Economic Development: A Mexican Perspective', Proceedings of the World Bank Annual Conference on Development Economics, 1992, pp 9-14.

Brown, D (1993): 'The Corporatist Management of Ethnicity in Contemporary Singapore' in G Rodan (ed), *Singapore Changes Guard*, Longman Cheshire, Melbourne, pp 16-33.

Dhanabalan, S (1993): 'The Economic of Government', *The Straits Times*, Singapore, August 29.

The Economist, London (1993): 'Privatisation', August 21, pp 16-18.

Friedland, J (1993): 'Necessary Caution', *Far Eastern Economic Review*, August 19, p 12.

Helm, D (1989): 'The Economic Borders of the State' in D Helm (ed), *The Economic Borders of the State*, Oxford University Press, Oxford, pp 10-45.

Lee, K and H Y Lee (1992): 'States, Markets and Economic Development in East Asian Capitalism and Socialism', *Development Policy Review*, 10, p 107-30.

Lee, T Y (1992): 'Economic Restructuring Policies in the 1980s in L Low and M H Toh (eds), *Public Policies in Singapore*, Times Academic Press, Singapore, pp 12-29.

Lim, C Y and Associates (1988): *Policy Options for the Singapore Economy*, McGraw-Hill Book, Singapore.

Low, L (1993): 'The Public Sector in Contemporary Singapore: In Retreat?' in G Rodan (ed), *Singapore Changes Guard*, Longman Cheshire, Melbourne, pp 168-83.

Margolin, J L (1993): 'Foreign Models in Singapore's Development and the Idea of a Singaporean Model' in G Rodan (ed), *Singapore Changes Guard*, Longman Cheshire, Melbourne, pp 84-100.

OECD (1992): *Revenue Statistics of Member Countries, 1965-1991*, OECD, Paris.

Ow, C H (1986): 'The Role of Government in Economic Development: The Singapore Experience' in C Y Lim and P J Lloyd (eds), *Singapore: Resources and Growth*, Oxford University Press, Singapore, pp 221-67.

Ramesh, M (1993): 'Economic Globalisation and Domestic Policy Choices', processed.

Republic of Singapore, Advisory Council on the Aged (1988): *Community-Based Programmes for the Aged*, Singapore.

Republic of Singapore, Ministry of Trade and Industry (1991): *The Strategic Economic Plan: Towards a Developed Nation*, Singapore.

—(1993): *Economic Survey of Singapore 1992*, Singapore.

Republic of Singapore, Department of Statistics (1993): *Yearbook of Statistics, 1992*, Singapore.

Republic of Singapore, Economic Development Board (1991): *Report on the Census of Industrial Production*, Singapore.

Rodan, G (1993): 'Introduction: Challenge for the New Guard and Directions in the 1990s' in G Rodan (ed), *Singapore Changes Guard*, Longman Cheshire, Melbourne, pp xi-xxii.

Samuels, W J (1989): 'Diverse Approaches to the Economic Role of Government: An Interpretive Essay' in W J Samuels (ed), *Fundamentals of the Economic Role of Government*, Greenwood Press, New York, pp 213-49.

Sterngold, J (1993): 'New Candour Belies Japan's Feelings of Trade Superiority', *New York Times*, reproduced in *The Straits Times*, Singapore, August 18.

Tan, C H (1992): 'Public Sector Management: Past Achievement and Future Challenge' in L Low and M H Toh (eds), *Public Policies in Singapore*, *Times Academic Press*, Singapore, pp 12-29.

Thynne, I and M Ariff (eds) (1989): *Privatisation: Singapore's Experience in Perspective*, Longman, Singapore.

Weimer, D and A R Vining (1992): *Policy Analysis: Concepts and Practice'*, second edition, Prentice-Hall, Englewood Cliffs.

World Bank (1993a): *Sustaining Rapid Development in East Asia and the Pacific*, , World Bank, Washington, DC.

—(1993b): *The East Asian Miracle: Economic Growth and Public Policy*, Oxford University Press, New York.

—(1988): *World Development Report 1988*, World Bank, Washington, DC.

Yoshihara, K (1976): *Foreign Investment and Domestic Response*, Eastern Universities Press, Singapore.

Dimensions of India's External Economic Crisis

Sunanda Sen

This paper seeks to provide an analysis of India's recent external economic crisis, emphasising that the developmental dimensions of the crisis are distinct from the short-term liquidity aspects which are paramount to the international lenders. The discussion in Section I of the paper of a set of conceptual aspects is complemented in Section II by an analysis of the turn of events which led to the crisis. Section III offers a set of conclusions dwelling on the distinction between the exogenous/endogenous as well as the developmental/financial dimensions of the debt problem. The two aspects of the debt issue bring to light a basic incongruity between the diagnosis and the remedial measures implemented.

PROBLEMS in India's external payments reached a crisis proportion by the early 90s with questionings of the country's international credit worth in the international credit market after October 1990. A downgrading of the country's credit-rating which followed was matched by a virtual cessation of new lending or refinancing of private credit. The country has, since then, been managing its difficult external payments balance both with import compressions and borrowings from official bilateral and multilateral sources. Of late, the economy has been going through a spate of economic reforms. These embody the structural adjustment measures advocated by the multilateral lending agencies against borrowing at high conditionalities. This has initiated a new wave of debates on India's economic policy, dwelling on the optimal degree of openness for the economy.

The present paper seeks to provide an analysis and an account of the manifestations of India's recent external economic crisis. The paper addresses questions related to the crisis, the developmental dimensions of which are distinct from the short-term liquidity (or financial) aspects which are of relevance to international lenders. Analysis in Section I of a set of conceptual aspects is complemented in Section II by an analysis of the turn of events which led to the present crisis. Section III offers a set of conclusions, dwelling on the distinction between both the exogenous/endogenous as well as the developmental/financial dimensions of the debt problem. The two aspects of the debt issue bring to light a basic incongruity between the diagnosis and the remedial measures implemented in terms of debt management policies—on development in debtor areas as well as on the prospects of finding external markets on the part of the lender countries.

I

Some Conceptual Issues

We want to draw attention to the fact that for borrowing economies, problems in their external payments generally relate to a set of factors which may be either exogenous or endogenous to the domestic economy. For understandable reasons, the ability of a country to steer through a difficult payments situation would be relatively weak as exogenous forces prevail over the endogenously determined circumstances. Such circumstances weaken the case for structural adjustments in the debtor economies, and also the case for debt negotiations on a case-by-case basis, both of which are anchored on borrower country disorders and remedies. This, however, is not to deny the possibility that exogenous factors may at times turn out to be fortuitous if favourable factors combine to shape up the borrowing country's external payments.

On the whole, these dimensions of the external payments problem concern the distinct and rather asymmetric aspects of the debt issue, viewed very differently by the debtors and the international lenders. A debt trap, experienced by debtor nations, is often conditioned by factors which are exogenously determined for the economy. The lender agencies on their part harp on the short-run debt distress indicators at country level which according to them provide explanations of the debt problem. These dwell on aspects which are of concern to these financial institutions. By and large the dominant view of the lender institutions has identified the endogenous factors as generally responsible for the crisis. This justifies them to enforce a set of remedial measures through SAP and related policies as are supposed to eradicate the internal (or endogenous) malaise in the debt-ridden countries.

Aspects of the payments crisis for a borrowing economy, the origins of which can be traced back to the externally determined factors, are often lost sight of in these policy prescriptions. This remains especially true with the conventional package of reforms which are generally advocated for the debt-ridden countries as the route to balance of payments adjustment. The compulsion on the part of these countries to accept the norms set by the multilateral funding agencies (mostly the World Bank and the IMF) in the standard packages of structural adjustment programme thus ignores the fact that the problems are also caused by factors which do not necessarily have their origin in the debtor economy. Examples of such externally determined factors include the stagnant export market abroad and the limited prospects of fresh borrowings as are faced by the developing countries.

The second dimension of an external economic crisis faced by a debtor country relates to the distinction, often overlooked in the literature, between short-run liquidity indicators and the long-term developmental aspect, both relating to the domestic economy. The liquidity indicators comprise the standard measures of debt serving capacity including the debt service ratio, the debt to GDP, debt to exports ratios and foreign exchange reserves expressed as a proportion of imports. In addition, the ratio between short- to long-term debt, the ratio between undisbursed to disbursed debt and the level of official exchange reserves net of IMF repurchase liabilities also deserve attention. While crucial to judge a debtor country's short-term liquidity position, the last three mentioned variables are usually overlooked in the standard debt literature. (Increases in short-term credits as pointed out in an AMEX Bank study on debt often signify a rise in debt-related liabilities during the short run, an outcome which frequently triggers off 'defensive' banking action to withdraw these credits, with "the slightest uncertainty regarding the creditworthiness of borrower".[1])

Attention may be drawn, at this point, to the pace of real transfers to a debtor country which, at a closer look, provides the links between domestic accumulation or development and balance of payments. It also provides the developmental dimension of debt as distinct from the financial or short-term liquidity dimension. A positive flow of real transfer can be defined as the net inflow of goods and services at current prices (excluding interest payments on foreign loans) from abroad.[2] In the absence of offsetting changes in domestic savings, real transfers can thus act as a supplement to domestic savings available for accumulation. Even when the current account deficit continues to widen, *net* inflow of loans, and as such the

flow of real transfers from abroad may cease to grow, especially with a rising interest burden on foreign debt. In extreme cases, the real transfer may turn negative (the case of reverse transfers) with or without current account deficits. The argument can be spelt out as follows:

$$RT_t = CAD_t - iD_t = M_t - X_t \quad \text{... (1)}$$

where RT_t: real transfers to debtor country during period t; CAD_t: current account deficit during period t;
D_t: debt outstanding at the beginning of period t;
i: rate of interest on past loans;
M_t and X_t: value of imports and exports.

It is possible to show that domestic growth rate in the debtor country (g) is a function of RT.

From $Y_t = C_t + I_t + X_t - M_t$
we get $Y_t = C_t + I_t - RT_t$ ... (2)
or $sY_t = I_t - RT_t$
Rearranging, $g = \frac{\dot{Y}}{Y} = \frac{s}{k - \frac{RT_t}{Y}}$ ... (3)

where g: rate of growth of GDP, s: marginal propensity to save, k: capital-output ratio.

From (3) it is evident that a rise in RT would raise 'g' provided 's' and 'k' remain unchanged. Alternatively, increases in the absolute size of a negative RT (implying an excess of X over M) causes a drop in 'g'.

Now $RT = CAD - iD_t = \dot{D} - (a + i) D$ ... (4)
For $RT > 0$ we need $\dot{D} - (a + i) D > 0$
or $r = \frac{\dot{D}}{D} > (a + i)$ ... (5)
where 'r' is the growth rate of gross inflow of capital.

With heavy debt-serving schedules, the debtor nations may be compelled to enter into fresh borrowings, inevitably at high conditionalities, primarily to continue with debt-servicings. The structural adjustments in the debtor economies often raise their import propensities, initiated by the import liberalisation packages which accompany the reforms. While the flow of net finance (gross loans less debt charges) declines, possibilities of actual increases in imports may turn out to be rather dim when exports fail to perform. The debtor nations are then forced to settle for a lower level of real income at which the requisite imports can all be financed. This can be characterised as a path of import-led GDP compression.[5] The argument can be supplemented by Figure 1 which depicts the sequence of import-led GDP compression. With stagnant export earnings during the short-run the X X line is horizontal since exports do not depend on domestic GDP as long as they are not supply constrained. We also rule out the possible favourable effects on exports as might cause upward shifts in the X X schedule due to changes in domestic policies (e g, devaluation import liberalisation, export subsidies) or foreign income and/or prices. The import function $M_0 M_0$, shown as a function of domestic GDP shifts upward to $M_1 M_1$ with liberalisation of imports under debt conditionalities. With net external finance at zero or negligible level, the rise in import propensity would bring down the equilibrium level of GDP from Y_0 to Y_1, indicating a typical process of import-led GDP compression under structural adjustment policies. It may be here recalled that countries burdened with large debt and conditional borrowings typically face cutbacks in real transfers, which in turn are consistent with an import-led GDP compression.

Conceptualising further, one can identify the three successive phases in a debt process which generates unfavourable movements in a debtor country's external accounts, characterised by continuous declines in the flow of real transfers. Phase I starts with the financing of the real transfer by means of net capital inflows. The positive real transfer records an inflow of resources. As the gross

TABLE 1: COMPARATIVE DEBT PROFILE: 1990s

	Total External Debt ($ bill) 1990	Debt Service (Per Cent Exports) 1989	Current A/c (Per Cent of GDP) 1989	Real GDP/GNP Growth Rate (Per Cent) 1990	Inflation Consumer Prices (Per Cent) 1989
1 Brazil	113.8	31.3	1.3	-4 0	1286.9
2 Mexico	96.0	39.5	-1.7	2.5	20.0
3 India	71.0	25.3	-2.2	10.5	6.2
4 Argentina	60.5	36.1	-2.4	-2.0	3079.2
5 Indonesia	55.7	35 2	-1.5	7.0	6.4
6 China	51.6	9 8	-1.0	5.0	16.3
7 Korea	36.4	11 4	8.8	8.7	5.7
8 Nigeria	34.4	21.3	-0.5	5 3	50.8
9 Venezuela	36.3	25.0	-7 5	4.5	83.8
10 Philippines	30 2	26.3	-1.0	2.5	10.6
11 Thailand	27.0	15.5	-2.9	11.0	5.4

Note: Recent official estimates for GDP growth rate indicate 2.5 to 3 per cent growth for 1991-92. The rate of inflation, given by consumer prices, have been 13.1 per cent for 1991-92. Unofficial figures for debt and service ratios estimated by the Moody's at 45 9 per cent for 1991 and 46.6 per cent for 1992 provided all short-term debts and currently maturing long-term debts are included. See *Economic Survey* for official estimates.

Source: Moody's Investor Service, *Sovereign Credit Report: India*, New York, December 1991.

TABLE 2: INDIA'S BALANCE OF PAYMENTS 1980-91—CURRENT ACCOUNT

A Official Series *($ Billion)*

	Exports	Imports	Balance of Trade	Interest Payments	Invisible Balance	Current Account Payments
1960-61	1 32	2.32	-1.00	-0 07	0 17	-0.82
1970-71	1.87	2.43	-0.56	-0 27	-0.04	-0.59
1980-81	8.31	15.86	-7.54	-0.35	5.45	-2.03
1981-82	8.65	15.48	-6.82	-0.40	3 68	-3.14
1982-83	9.45	15.42	-5.97	-0 65	3.59	-2.37
1983-84	9.83	15 51	-5.67	-0.84	3.48	-2.18
1984-85	10.05	15.71	-5.65	-1.10	3.23	-2.39
1985-86	9.46	17 29	-7.83	-1.12	2.96	-4.84
1986-87	10.42	17.74	-7 32	-1 19	2.73	-4.56
1987-88	12.64	19.81	-7.16	-1.50	2.31	-4.85
1988-89	14.25	23.61	-9.36	-1.76	1.31	-7.99
1989-90	16.95	24 41	-7.45	-2.12	0.61	-6.83
1990-91	18.49	26.24	-7.75	-2.17	0.02	-7.72
1991-92	18 13	21.21	-3.07	-2.23	0.05	-2.83

B Unofficial Series

	Exports	Imports	Balance of Trade	Interest Payments	Current Account Balance
1985	9.47	15.09	-5.61	1.69	-4.5
1986	10.24	15.70	-5.45	2.08	-5.0
1987	11.87	17.65	-5.77	2.25	-5.6
1988	13.51	20.09	-6.58	-3.30	-7.8
1989	16.95	21.76	-4.80	-3.40	-7.0
1990	18.49	23.69	-5.20	-3.60	-8.6
1991	19.89	22.39	-2.50	-3.97	-5.5

Source: A = Government of India, *Economic Survey 1991-92.*
B = Moody's Investor Service, *Sovereign Credit Report: India*, New York, December 1991.

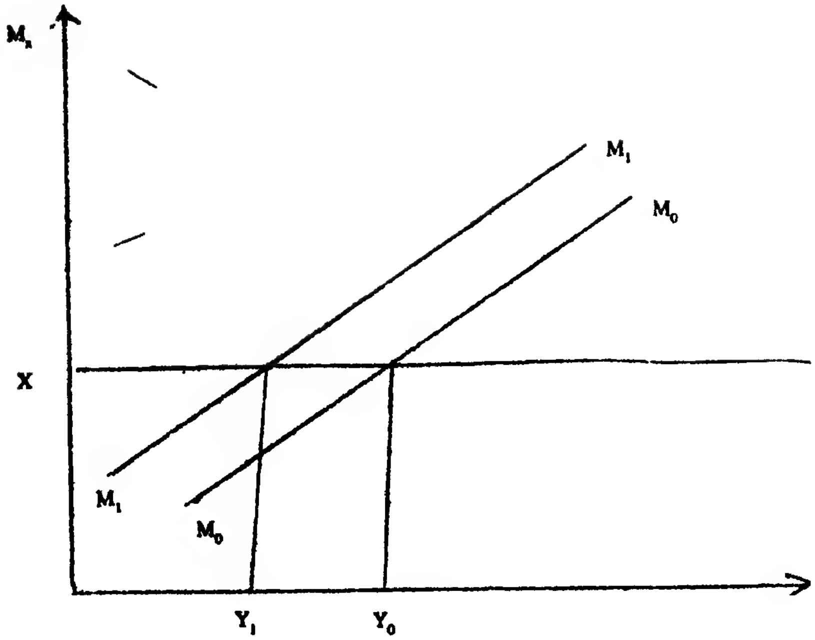
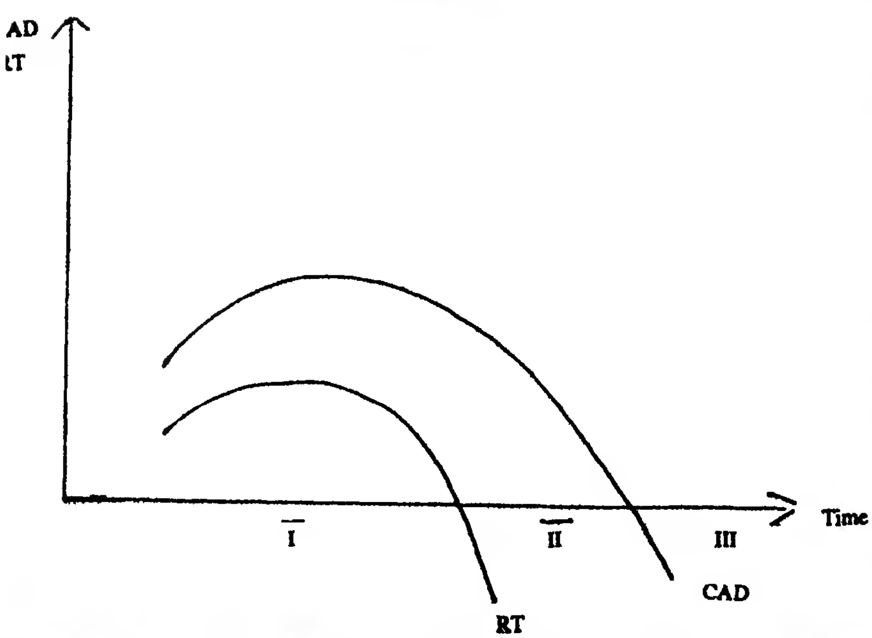


FIGURE 2



inflow of external finance tapers off, real transfers start declining while the current account deficit may continue to grow, largely due to the mounting interest payments on past loans. The tendency for a declining real transfer to taper off signifies the transition from Phase I to Phase II. This also marks the beginning of both a debt crisis and a debt trap, the former with the compulsions on part of the debtor to adjust along a path of import and GDP compression; and the latter with the debtors' compulsion to secure loans to meet debt charges rather than to finance a positive flow of real transfers. This leads to Phase II of the debt process—one where the real transfer has already turned negative. This is the phase which characterises a typical debt trap situation since short of default, the debtor is compelled to borrow, and the finance thus secured is used to meet debt charges rather than provide for real transfers. A process of expenditure cuts and consequent output compression (which is a part of the conditional loan package) cuts back the import demand of debtors which generate a reverse flow of real transfers from abroad. Phase III starts off with positive current account balances. As in Phase II, real transfers to the debtor economy continues to be negative and the debt is serviced exclusively by means of the debtor's own exchange earnings. Moreover, the swings in the current account to a surplus (i e, a negative CAD) signify an outlow of finances in the capital account to meet the growing amortisation payments

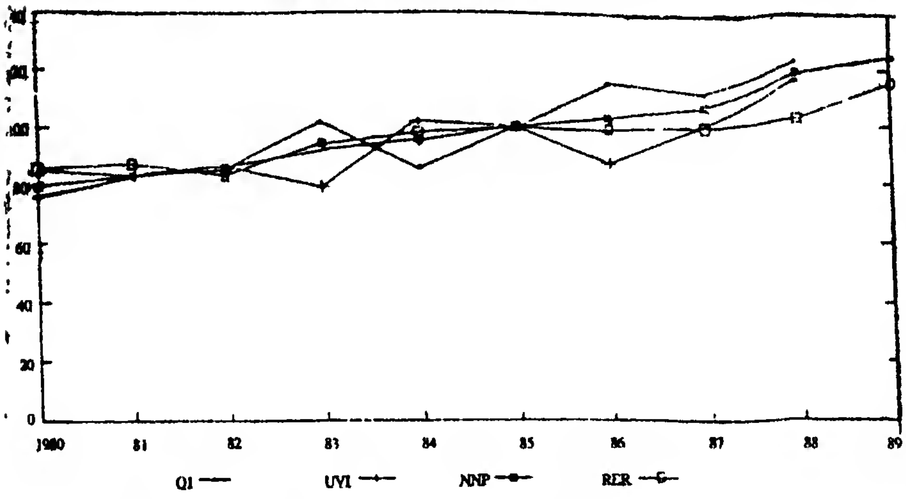
In terms of equation (1), the three phases of the debt process can be characterised as follows:

Phase I: $RT = CAD - iD > 0$ and $CAD > 0$
Phase II. $RT = CAD - iD < 0$ and $CAD > 0$
Phase III· $RT = CAD - iD < 0$ and $CAD < 0$

It can be noticed from equation (3) above that growth rates in the debtor economies may not be sustainable with declining RTs eventually turn negative during Phases II and III An evidence is provided by the low and negative growth rates of GDP, matched by low/negative RTs experienced by the major debtor countries during the 80s. With consumer price indices hovering around astronomical heights, growth in per capita GNP had actually been negative during 1980-89 for Argentina, Mexico, Nigeria and the Philippines, and rather low in other large debtor countries (see Table 1 for comparative statistics on debt). In absence of compensating mobilisations of domestic savings (which is difficult to achieve when growth rate and/or expansions in tradable output are low), a narrowing down of the real transfers can thus be instrumental in initiating declines in the growth rate of GDP in the debtor economies. If inflation is uncontrolled in the borrowing economies this also affects the distribution of income and hence per capita GDP.

The literature on debt crisis and its management has relied on the short-run liquidity indicators of external debt country level data for which is used to advocate remedial adjustment policies in the debtor countries. While theoretical models, including the early versions of debt-cum-growth models or the more recent models of optimal borrowings (which in turn incorporate the long-term solvency argument by stressing pre-committed investment targets by debtors as part of loan package) were all concerned with real growth in the debtor country as a precondition for continuing the debt process, the criteria chosen by the lending agencies to assess debt servicing capacity has been consistently around the short-term liquidity indicators. Failure, on the part of the large debtors to maintain a reasonable growth record does not necessarily tarnish the micro profit maximising norms of the private lenders. Instead the international financial institutions tend to accept these lapses as the necessary transitional costs for achieving allocational efficiency and long-run growth. In absence of evidences to the contrary it is difficult to ignore the developmental dimensions of the debt process which include

FIGURE 3: MOVEMENTS IN INDICES (RUPEE EXCHANGE RATE, QUANTUM AND UNIT VALUE FOR IMPORTS) AND NET NATIONAL PRODUCT (1985-86 = 100)



Notes: QI = Quantum Index, UVI = Unit Value Index, NNP = Net National Product, RER = Real Effective Exchange Rate.

both the dwindling or negative real transfers of resources from the debt ridden economies and the import-led GDP compressions in these economies.

Dimensions of the debt problem which are exogenous in origin and developmental in nature need to be handled separately, as areas of concern to the developing countries. The issues are different from the debt distress symptoms, characterised as endogenous in origin and financial in nature; issues which are of special concern to the lending institutions and countries.

II
Manifestations and Analysis

Indications of a grave external payments front for India was evident to the world economy by the early 90s as Moody's Investor Service, a leading international credit rating agency, put India under credit watch in July 1990. Moody's came out with two significant country reports on India, one in October 1990 and the other in December 1994.[4] Concern expressed in the October 1990 report over the performance of India's external sector was followed by an appreciative tone, in the December 1991 report, about economic reforms which were launched in the country since mid-90s. The successful loan negotiations between India and the multilateral financial institutions like the IMF, the World Bank and the Asian Development Bank provided additional grounds for optimism in the December 1991 report. India's credit ratings, however, continued to be rather low. Thus the Oil and Natural Gas Commission failed to float its long-term bonds in the Eurobond market in December 1991 when the country's credit ratings against long-term borrowing were still as low as BA2. Overall, the country had a credit rating as BA2 which has not so far improved at the time of writing this paper.[5]

Between April 1984 when India drew last from the IMF under the Extended Fund Facilities (EFF) and July 1990 when the reserve tranche of $ 0.69 billion was drawn by the country, no fresh drawings were made. It was thus natural that a negative flow (or repurchase) from the Fund prevailed during most of the intervening period.[6] However, with the net flow of private credit at its low ebb since the early 80s, the country was clearly dependent on high conditionality borrowing from the official multilateral credit agencies. The latter usually are linked to a package of structural adjustments including privatisation and liberalisation of markets in the domestic economy. As contrasted with the experiences of other heavily indebted countries, which successfully re-entered the international credit markets by means of the Fund Bank and Paris Club negotiated loan adjustment programmes, India has not so far succeeded to re-establish her credit worth in private markets. The phenomenon, in our judgment, needs scrutiny and analysis.

In October 1990 a set of six factors were singled out by Moody's[7] as responsible for the drop in the country's credit ratings. These included (a) the rise in the debt-service ratio; (b) the higher level of external commercial borrowings and their impact on interest liabilities; (c) increase in the debt to export ratio; (d) the Gulf War of 1991 with its adverse effects on India's export earnings and flow of migrant remittances from abroad; (e) budget deficits with a rise in internally held public debt and the growing interest liabilities which further fed into the deficit, generating inflationary pressures within the country, and finally, (f) an adverse international economic environment in terms of a recession in the OECD economies having adverse prospects for global export growth rates. Coupled with the narrowly diversified range of India's exportables, the latter signified, according to Moody's, rather poor prospects for India's exports. Interestingly enough, the October report of Moody's anticipated a potential lender risk as might result from the sudden opening up of a highly regulated economy like India even when the pace of opening up was gradual. The risks were considered to be greater because of uncertainty created by the internal political dynamics in India and also due to the adverse global economic circumstances.[8] Internal political dynamics, however, continued to prevail in financial circles, especially with the minority status of the present government. This probably explains a large part of the current hesitation on part of the world financial community to reaffirm their confidence in India's credit worth, despite the opening up of the economy.

To ascertain the manifestations of India's external economic crisis, it is appropriate to look at the changing components of both her international accounts as well as her stock of foreign assets/liabilities. The fast deterioration in India's current deficit during the 1980s was compounded by a changing mix of finances in her capital account the sources of which were either non-sustainable or commercially non-viable. We consider, in the rest of this section, the magnitude as well as the sources of financing for India's CAD as took place since the beginning of the 80s. This is followed by an assessment of the short-run indicators of India's debt-servicing capacity. Finally, a close look at the flow of current real transfers and the sources of their financing completes the picture.

Deficits in India's current account widened considerably during the 80s, both with worsened merchandise balance and diminished migrant income flows, due to the end of the oil boom and the Gulf War. Coupled with the growing interest liabilities on foreign loans, the changes considerably strained the current account balances, as can be seen from Table 2. This was matched by a rising trade deficit, which went up from roughly $ 1 billion during 1960-61 to $ 7.8 billion in 1985-86 reaching, after minor reversals, a new peak of $ 9.3 billion in 1988-89. The major factor responsible was the spurt in import payments, which at current dollar prices rose more than tenfold between 1960-61 and 1988-89. Export values, however, were relatively stationary, and export earnings at current dollar prices rose only threefold during 1960-61 to 1988-89. The relative growth in dollar value of imports during 80s contrasted the actual declines which were rather steep during 1991-92. It was the import compression evident during the year which also achieved a cut-back in the trade deficit. The latter, at (-) $ 7.75

billion in 1990-91 fell to (-) $ 3.07 billion during 1991-92 (Table 2).

The second set of forces which initiated the adverse changes in India's current account during the 80s included the end of the boom in the flow of remittance from non-resident Indians and the steady growth in interest payments on externally held debt. Private transfers from abroad had emerged as important sources of India's invisible earnings from abroad, especially since the mid-80s. In 1986-87 these flows exceeded other sources of invisible earnings from abroad, largely due to the drop in worker remittances at end of the oil boom in the Middle East. The boom in NRI income transfers, however, as we had predicted in an earlier paper,[9] was short-lived and these flows dried up at the beginning of the 1990s with apprehensions regarding increasing political uncertainties in the country. Simultaneously, interest payments on foreign loans continued to grow, especially with the growth in the stock of commercial sources of borrowing and in short-term sources of finance since the middle of the 80s (Table 5). With private transfers no longer sustainable by the end of the decade, it was not surprising that the country's current account deficit widened by 1989-90. This was followed by reductions in the trade deficit, matched, since 1988-89, by less than proportionate reductions in the current account deficit. India's external accounts thus reached a stage where the CAD could no longer be manipulated by controlling the size of the TD.

Looking at the pattern of India's CAD since the early 80s, it is possible to discern three distinct stages. The first spans the earlier half of the decade when trade deficits (TD), ranging from $ 5.65 to $ 7.57 billion, were systematically financed by invisible surpluses, narrowing down the CAD to a range of $ 2.09 billion to $ 2.39 billion. Years between 1985-86 and 1989-90 marks a second phase with a steady pace of import liberalisation and expansions in import bills which fed into the widening trade deficits. Net invisibles as well as transfers of inflows, however, fell steadily during this phase and despite temporary drops in TD during 1987-88 the CAD continued to widen further largely because of the rise in interest payments. TD as well as the CAD rose further after 1988-89 when net invisible earnings nearly disappeared. In effect this indicates the beginning of a new pattern in India's external balance; one where trade volatility was matched by an uncertain pattern for the inflows of invisibles and transfers, impairing the element of flexibility in adjusting the current account as annual interest liability in the current account deficits rose steadily. Flows of private transfers which had assumed a significance in India's current account since 1987-88 almost discontinued by the early 1990s. The tapering off in these net private transfers at end of oil boom was followed by further shocks due to domestic political uncertainty in India. This marks the third stage when the CAD reflected less of the changes in the TD because of the simultaneous drop in the inflow of invisible earnings and the steep increases in interest payments abroad. The near disappearance of the net invisible balance (which touched a low of $ 0.02 billion in 1990-91) was matched by steady increases in the interest bill (at $ 2.17 billion in 1990-91). Evidently it became rather difficult to reduce the size of the CAD by means of reductions in the TD. Correspondence between the TD and the CAD (which in official statistics moved in the same direction during most of the 80s) seems to have been disturbed by the 90s as other invisible earnings tended to disappear. (It can be seen from data in Table 1 that imports have shown noticeable declines during the last couple of years. The resulting cutbacks in the TD, again, had a less than proportionate impact on the size of the CAD, largely because of the drop in invisible earnings net of the rising interest bill.) The new pattern is evident in the share of the CAD as a proportion of GDP, which was higher than the respective share of TD as a proportion of the GDP. This also indicates the difficulties of controlling the magnitude of the CAD by means of reductions in the TD. The explanation, as already mentioned above, lies in the volatile flows of non-resident income flows as well as in the build-up of the interest liabilities. Thus the CAD in India no longer seems to be amenable to control, by means of structural adjustments which can only restrain the TD through import compressions. Indeed, the influence of exogenously determined factors on the CAD (e g, those which influence export earnings and the net flow of invisibles net of interest payments or capital inflows net of repayments) seems to be more powerful than those of the endogenous forces, typically achievable through structural adjustments

The crisis in India's balance of payments during the late 80s had its build up in the early years of the decade, with decisions to borrow short-term commercial sources of external finance in order to meet worsening trade deficits [10] This considerably added to the already large and inflexible debt services. With exports averaging around 5 per cent of GDP during 1985-90 and rising marginally to 6 3 per cent by 1990-91, an explanation for the widening of the TD over 1985-86 to 1990-91 has to be sought in the dynamics of India's import behaviour. We have argued elsewhere that a move towards import liberalisation, initiated in India since the mid-80s can explain these surges in imports. Imports were liberalised, not only through expansions in the Open General List (OGL) but also through absolute expansions in the ceilings fixed against most categories of import licences.[11] Impact on the import volume can be noticed in the doubling of the import volume index during 1978-79 to 1988-89, at a pace which exceeded the increases in the real NNP index during the period Compared to the volume index of imports, its value index, in dollar terms, showed a steady but lower rate of increase (Table 4 and Figure 3). Changes in the import volume index can thus be identi-

TABLE 4: INDIA'S IMPORTS AND GDP, 1980-81 TO 1991 (Base 1978-79 = 100)

	Import Volume (at 1980-81 Prices)	NNP (at 1980-81 Prices)	Imports/ GDP at Current Prices (Percentage)
1980-81	137 9	101.1	9.5
1985-86	182.3	127.0	8 4
1986-87	212.3	131 2	7 7
1988-89	204 8	136.4	7 9
1989-90	224 4	151 0	8.0
1990-91	NA	159 6	8.8
1991-92	237.7	—	9.1

Source: Government of India, *Economic Survey.*

TABLE 3: DEBT INDICATORS FOR INDIA

(Percentages)

Years	(1) DS/X	(2) D/X	(3) R/M	(4) ST/LT	(5) UD/D
1985-86	29.32	419.66	40.59	51 11	382.46
1986-87	34.18	368.52	67.45	53.96	326.42
1987-88	36.07	335.63	51 49	33.33	337.08
1988-89	40.44	385.82	34.35	47.52	332 09
1989-90	36.22	352.76	23.82	33.07	
1990-91	35.44	349.44	32.13	29 78	
1991-92	36.05	378.33	53.73	27.27	

Symbols:

DS/X : Debt services (interest + amortisation)/exports of merchandise.

D/X : Debt outstanding/exports of merchandise.

R/M : Stock of official exchange reserves/annual value of imports.

ST/LT : Short/long term private debt.

UD/D : Stock of undisbursed private debt/stock of disbursed private debt.

Note: Data for last two columns are on a calendar year basis.

Source: (1) to (3): Government of India, *Economic Survey 1992 93.*

(4) to (5): Bank of International Settlements.

fied as a major factor behind the expansions in India's value of imports For India an increased 'import propensity' is thus confirmed, with relative increases in the import volume index relative to that for NNP at constant prices In the same study we also have drawn attention to a second dimension of import liberalisation in India during these years, with export linked import licences adding more to the dollar value of imports rather than to exports. The findings put to doubt the claim that these import-linked export incentives had actually narrowed the gap between exports and imports. During 1990 difficulties in securing trade and other short-term credits forced commercial banks in India to deny import financing (trade credits), even to those who held valid import licences. A large measure of import compression resulted both with these measures and later with simultaneous declines in GDP, the growth rate of which fell from the 7 per cent annual average of the three preceding years to 1.4 per cent during 1991-92.[12] These resulted in absolute declines in the value of imports during 1991-92. Thus imports played a dominant role as an explanatory factor behind movements in India's trade balance.

Factors precipitating the external payments crisis in India during the second half of the 80s also included the mode of financing the current account deficits which had an adverse impact on the time profile as well as the magnitude of debt liabilities. The process depleted the cushions of official reserves as well as the stock of unutilised credit (including the Fund drawing facilities), which normally provide a short-term cushion for external financing. The resulting situation resembled what the AMEX Bank has described a 'payments crisis' for borrowing countries, one signified by a 'swing' from a 'liquidity surplus' to a 'payments gap'.[13] Evidently India was pushed from a 'liquidity surplus' to a 'payments gap' scenario during the 80s. Heavy depletions of exchange reserves and a build-up of commercially held debt during the late years of the 80s (Table 5) led to expansions in the stock of India's outstanding medium-term and long-term debt which, in terms of official statistics, went up from $ 22.38 billion in 1985-86 to nearly $ 39.89 billion by September 1992. NRI deposits and short-term credit also rose considerably during the period. Table 5 makes it evident that short-term and other commercial borrowings exploded during the second half of the 80s, adding substantially to the debt-service liabilities by end of the decade.

A steady worsening of the different short-term debt indicators, tabulated in Table 3, supplements the picture. The steady increases in the value of short-term bank credit with maturity of one year or less since the late 1980s which was followed by a sudden drop in NRI deposits and short-term credit during 1990-91, led to a drop in ST/LT during 1990 and 1991 (Tables 3 and 5). The pattern is similar to a typical "triggering of a defensive bank action", as described by the AMEX bank, "...with accumulation of short-term debt by debtor nations followed by a sudden decision on part of banks, apprehensive of a debt crisis, to curtail short-term credit".[14] Factors as above clearly pushed India to a classical situation of 'payments gap', one which had already altered the international financial community of possible 'liquidity shortage' and the political risk of lending to India. In India short-term credit of less than one year's duration (both banking and non-banking/trade related flows) declined significantly during the second half of the 80s, thus reducing the proportion of short-to long-term credit (ST/LT). Also, the ratio of undisbursed to disbursed credit (UD/D) which reflects the debtor capacity in terms of short-term debt management, declined after 1989-90. As mentioned earlier, both these debt indicators have actually been picked up by the AMEX bank as factors which may prove crucial for debt management in the short run. Countrywise data on both ST/LT and UD/D are available from publications of the BIS, supplementing the World Bank or the BIS/OECD data on long- and medium-term external debt.

Difficulties in financing the current account deficits (and especially the contractual interest payments on foreign loans), made it natural that in India there was a cut in real transfers from abroad Attempts to procure external finance to meet the growing debt service payments, typically led to a debt-trap situation, one where the compulsive borrowings are no longer available to finance imports. These aspects of debt-finance indicate the developmental dimension of the debt issues, an aspect which as mentioned above hardly had much of an appeal to the lending agencies. For India the current dollar value of real transfers from abroad actually declined both during 1989-90 and more significantly in 1991-92, as can be seen from Table 6. Contrasting to the increases in the gross inflows of capital, real transfers to India seem to have improved only marginally since the mid-80s, a picture which is attributable to the sharper increases in the debt-related outflows in the country's international accounts.

For India the stagnating inflows of real transfers since the mid-80s were matched, as could be expected, by increasing difficulties of procuring net external finance from abroad. Table 6 provides an account of the changing pattern of external finances which provided for the real transfers from abroad. Steady depletions of official reserves seem to rule out further possibilities of using these primary sources of liquidity (including the drawing rights at the Fund) by end of 80s. Simultaneously, the secondary sources (the unutilised credit lines) dried off, with lower rates of refinancings and issue of fresh loans. An earlier phase when India had net drawings from the Fund terminated in 1981 as the country returned SDR 1.5 billion drawing rights sanctioned under the EFF to the IMF. A series of Fund repurchase ar-

Table 5: India's External Debt (Disbursed and Outstanding)

A Official Series ($ Billion)

	Long-Term and Medium-Term External Assistance	Long-Term and Medium-Term External Commercial Borrowing	Total Long-Term and Medium-Term	Non-Resident Deposit Account	Short-term Debt Inclusive of Less Than Six Month Maturity	Total Including Short-Term Debt
1985-86	22.38	6.25	28.63	4.59	–	–
1986-87	25.99	–	–	6.07	–	–
1987-88	28.87	8.08	36.95	7.77	–	–
1988-89	28.79	8.17	36.96	6.46	3.86	53.90
1989-90	30.67	9.33	40.00	7.13	5.48	58.63
1990-91	35.09	10.20	45.29	7.10	6.00	63.39
1991-92	38.57	11.70	50.27	5.60	5.86	67.57
September 92	39.89	12.27	52.16	5.68	4.14	71.11

B Moody's Series

	Long-Term and Medium-Term Debt to Official Creditors	Long-Term and Medium-Term Debt to Commercial Creditors	Short-Term Debt
1985	25.90	10.72	2.24
1986	29.60	12.32	3.28
1987	33.41	17.46	3.29
1988	33.61	20.70	3.39
1989	34.75	23.05	4.10
1990	36.42	25.23	5.69
1991 (est)	39.43	24.80	5.30

Source: A = Government of India, *Economic Survey 1992-93*.
B = Moody's 1991-92 Investor Service, *Sovereign Credit Report: India 1991*.

rangements, which settled the earlier drawings in terms of the EFF and other windows, resulted in a negative flow in relation to the Fund, an outcome which effectively added to the overall annual payments liabilities. A changed pattern, with positive inflows from the Fund, amounting respectively, $ 1.21 billion and $ 1.31 billion during 1990 and 1991, indicated fresh drawings, under the head of reserve tranche ($ 0.69 billion during July-September 1990), the first credit tranche ($ 0.79 billion in January 1991), CCCF ($ 1.88 billion during January-September 1991) and standby facilities ($ 0.38 billion drawn over November 1991-January 1992 out of a total of $ 2.2 billion) utilisable by June 1993. (The major source of external finance for India however has so far been the bilateral and multilateral sources of concessional loans, and can be verified from Table 5. As a contrast, private sources of credit as well as transfers tapered off, at end of a short-lived boom, by 1990.)

Despite a significant revival of official capital inflows during the early years of the 90s (especially with the favourable loan approvals with the Aid India Consortium, the World Bank, the Asian Development Bank and the Japanese Government) it has not so far been possible for India to compensate the sharp declines in private sources of finance, which evidently was relatively sensitive to what they judged as uncertain economic and political climate in the country. Thus real transfers as well as the CAD declined, in terms of official statistics, during 1991-92 (Table 2). Evidently, India's external accounts was subject to a set of adverse circumstances which included both declines in private capital inflows and transfers, an exhaustion of official exchange reserves, and disruptions of the export markets for commodities and services in both the Gulf area and in the socialist countries of east Europe and Russia. Attempts to finance an inflated import bill and other external liabilities by means of market sources of finance during the mid-80s introduced further constraints in the country's external accounts by the end of the decade

The country had, in these circumstances, little option to avoid the situation of a "debt-trap", one where fresh (gross) borrowings, were no longer available for import finance The import compressions which are forced in these situations are generally achieved at cost of domestic growth, especially when the country simultaneously pushes an import liberalisation policy in the domestic economy A rise in import dependence, both technological and financial, under a liberalised trade regime thus poses a problem as the capacity to import shrinks because of non-availability of net external finance. Thus, while the proportion of imports at each level of GDP goes up with import liberalisation, difficulties of securing foreign exchange from exports and net capital inflows constrain the growth rate of GDP in these borrowing countries.[15] The adjustment in the balance of payments which then follows takes the standard route of a deflationary path, as experienced by several large debtors in different parts of the world (see Table 1 on debt profile of the large debtors). Such processes typically depict the theoretical arguments advanced earlier in Section I of this paper.

Attention may be drawn, at this point to the margin of discrepancy between the official sources and the Moody's sources of statistics on India's current account. Export/import values in the Moody series are respectively higher/lower compared to the official data sources, as can be seen from Table 2 The consequent narrowing of the trade deficit in the Moody series (as compared to official statistics) is however matched by a significantly wider margin of CAD in the latter, largely due to the higher interest bill in the Moody series which reflects the discrepancy in Moody's data for externally held long and medium term commercial borrowings (Table 5) Evidently, India's ability to bridge the CAD by means of compressing the TD seems to be even more limited in terms of the Moody series of data sources Also, the magnitude of real transfers to the country seem to be of a smaller magnitude

III
Conclusion

India's access to sources of international finance have of late been less than adequate to sustain a growing transfer of resources to the country from the rest of the world. This has considerably impaired the growth prospects in the economy by curtailing the country's import capacity in the face of rising levels of both capital and import intensity. The lower rate of GDP growth has reduced the growth in import demand, despite the increases in the import intensity of output as has resulted from the recent spate of import liberalisations in the economy. The process can be characterised as one of an *import led GDP compression,*[16] an experience shared by a large number of countries in Latin America and sub-Saharan Africa which relied heavily on external debt.

The debt process, under these circumstances, leads to a situation where the debtor country becomes a compulsive borrower, in order that the debt charges can be met on schedule. While efforts to control imports and the trade deficit by means of restraints on output continues, the inflexible and growing debt services constrain the capacity of the country, by means of endogenous efforts, to limit the size of the current account deficit The country thus continues to borrow, in order to finance the latter, without, however adding to its capacity to import.

The above aspects of the debt process, characterised in the paper as the *developmental dimensions of the debt issue* paper, have by and large been side-tracked by the lender agencies Concern with the short-term liquidity aspects have led these agencies advocate packages of economic reforms which are often antithetic to long-term growth Some attempts, however inadequate, were made by official agencies (say the Baker initiative of 1985) to instil ele-

TABLE 6 FLOW OF FINANCING REAL TRANSFERS TO INDIA—PATTERN OF FINANCING, 1980-81 TO 1991-92

A Official Statistics *($ Billion)*

	80 81	85 86	86 87	87 88	88-89	89-90	90-91	91-92
(1) Real transfers	1 73	3 72	3 36	3 35	5 42	3 78	5 38	0.61
(2) Sources of financing (percentages)								
(a) Net inflow of capital	45 7	77 3	101 6	127 6	98 6	114 8	52 77	516.30
(b) Changes in reserves (+/–) decrease/ increase	37 5	15 5	17 0	22.0	18 4	19 3	22 71	–585.24
(c) Net IMF drawings	19 4	–5 5	–15 6	–27 8	–19 7	–23 1	21 64	127.86
(d) SDR allocations	8 7	–	–	–	–	–	–	–
(e) Errors and omissions	–11 4	12 7	3 0	–21 8	2 5	–11 4	2 88	58.92

B Moody's Series

	1985	1986	1987	1988	1989	1990	1991 (est)
(1) Real transfers	6 19	7 12	7 85	11 12	10 49	12 23	9 52
(2) Sources of financing							
(a) Net inflow of capital	93 19	94 66	99 50	99 90	100 53	77 11	85.07
(b) Changes in reserves (+/–) increase/ decrease	–0 8	–0 08	–0 10	9 61	7 01	10 40	–
(c) Net IMF drawings	0 39	–0 07	–1 18	–9 60	–3 60	9 92	14.53
(d) SDR allocations	–	–	1 03	–	–	–	–
(e) Errors and omissions	6 50	5 11	0 75	0 09	–3.94	2 37	0.40

Note: Real transfer = current account deficit less interest payments
Source: A = GOI, *Economic Survey*, various issues
B = Moody's Country Report on India, December 1990

ments of solvency through long-term growth in the debtor economies. Incidentally, attempts to revive fresh flows of capital to the developing countries would also open up new markets for goods from the advanced economies. Since the developing economies have so far been importing more of goods rather than services (excluding interest payments on past loans), the result would be a global regeneration of demand. This would tilt back the demand in favour of industrial capital, correcting the disproportionate expansions in finance (capital) related activities in the services sector.[17]

Among factors which could be held responsible for the deterioration in India's balance of payments since the mid-80s one can mention (a) the pace of import liberalisations which contributed substantially to import expansions since the mid-80s, (b) a rather stationary export growth, (c) decline in worker remittances and non-resident transfers from abroad, and (d) a spate of commercial borrowings which included short-term credit. The combination led to substantial trade deficits during the 80s which widened dramatically during 1988-89. Improvements in trade balance, noticeable since 1989-90, were achieved through domestic monetary and fiscal restraints (rather than import controls). Thus availability of short-term import finance was curtailed by the banks while a general squeeze in import demand (at a lower level of GDP) was achieved through deflationary monetary-fiscal processes. It needs to be stressed here that both the import liberalisation efforts and the fiscal-monetary contractions were outcomes of an economic reform programme, initiated through the IMF and the World Bank. Other factors which precipitated the balance of payments crisis included a pressure to service the debt at high interest rate and their shorter maturity. These added considerably to interest and repayment liabilities by end of the decade. A decision to deplete, under the financial pressures of the late 80s, the officially held reserves limited the options for the government by the beginning of the 90s when new avenues of finance had to be found, both for meeting the payments deficits and to rebuild the reserves. As international capital markets had already turned hostile to fresh demands for credit from developing country borrowers by the early 80s, the country found it increasingly difficult to have access to the private markets for international credits.

India's payments crisis by end of the 80s was thus precipitated by a set of forces the major part of which were exogenously determined for the domestic economy. The exogenous factors which influenced the current account included an adverse international economic environment which arrested the potential growth of exports and simultaneously pushed up the nominal as well as the real interest rates on outstanding loans. (One can recall here the note of caution in Moody's October 1991 report which predicted rather poor prospects for India's export growth in view of the global tendencies for recession and protectionism.) The rise in nominal interest rates was related to the upward movements in the Libor rate and the growing US fiscal deficit during the 80s. A slump in primary product prices, matched by recession in the OECD, hiked further the real interest rate for developing countries as a whole, once the nominal interest rates were deflated by the price index for the LDC exports. The uncertain political and economic climate in the country led to further declines in private capital flows—which included the adverse flow of short-term non-resident deposits in India, non-resident transfers, trade credits as well as the long- and medium-term commercial loans. The squeeze in credit was also influenced by a general reluctance on the part of commercial banks to lend further at the end of the debt crisis, especially to the developing countries. Faced with a set of exogenously determined factors which contracted the current and capital account receipts, the options left to the Indian government were considerably narrowed down, in terms of balance of payments management.

It is significant that real transfers from abroad had started declining since the early years of the 80s, indicating the difficulties of obtaining net external finance for additional imports. With gross inflows going up, the situation indicated the symptoms of a debt-trap for India, one where the country had to borrow compulsorily in order to service old loans. The impact of these changes on the domestic growth rate was, for obvious reasons, not so favourable. Aspects as above need to be highlighted, as the developmental dimensions of external debt are no less important than the financial issues of external debt.

Notes

1 AMEX Bank Review, *Special Papers International Debt: Banks and the LDCs*, Number 10, March 1984, pp 11-24.

2 See for similar applications of the real transfers, Sunanda Sen, 'External Economic Constraints and Domestic Economic Policy', *Economic and Political Weekly*, January 11, 1986. See also, Sunanda Sen, *Colonies and Empires: India 1890-1914*, Orient Longman, 1991.

3 Moody's ratings for India fell from A2 in October 1990 to BAA1 for long-term borrowing and later again from BAA1 to BAA3 in March 1991. For short-term borrowings the ratings downslided from P1 to P2 in July 1990 and then again to P3 in July 1990. Either rating indicated levels at which refinancing or sanctioning of new loans were virtually impossible. Credit watch on India has been maintained through 1991 and 1992, not only by the Moody's but also by the Standard and Poor and the Japanese Bond Research Institute. The ratings indicated poor investment options for the borrowing country. Thus "bonds rated as BBAs lack outstanding investment characteristics as well"; also, "short debt rating P3 is the lowest prime lending rate". See Moody's Ratings Moody's Investor Service, April 1991.

4 Moody's Investor Service, Sovereign Credit Report: India October 1990 and December 1991, New York.

5 See Moody's report on India December 1991. See also, Government of India, *Economic Survey 1991-92*, pp 59, 75-76.

6 Fresh drawings took place during 1991 and 1992 and a total of $ 3.05 billion was drawn during January 1991-92, which comprised the first credit tranche, the Cash Compensatory Financing Facilities (CCCF) and Stand-by Facilities. In addition the country had an unutilised stand-by credit facility of $ 1.82 billion, which was already sanctioned. A Structural Adjustment Loan, of $ 500 million from the World Bank and a programme loan of $ 250 million from the Asian Development Bank supplemented the above. In addition, the Paris Club group of official donors met at the Aid India Consortium in June 1992, granting a credit of $ 7.2 billion for 1992-93. The sum exceeded the credit sanctioned during the preceding year by at least $ 50 million. See *The Economic Times* (Bombay), August 23 and 25, 1991. Also Government of India, *Economic Survey 1991-92*, pp 71-75.

7 Moody's Investor Service, India, October 1990.

8 Ibid. See also, *The Economic Times*, October 30, 1990.

9 See for an early forecast, Sunanda Sen, 'Managing India's Balance of Payments', *Economic and Political Weekly*, April 8, 1991.

10 See Moody's Report on India, October 1990.

11 See for empirical and conceptual bais of this argument, Sunanda Sen and R U Das, 'Import Liberalisation as a Tool of Economic Policy in India since the Mid-Eighties', *Economic and Political Weekly*, April 8, 1991.

12 Government of India, *Economic Survey 1991-92*, Part 1, p 2. Average monthly percentage growth of non-oil imports was at 14.12 per cent in dollar terms during April-September 1990. This dropped to a negative average monthly rate of -25.61 per cent during April-September 1991. In November 1991 the negative rate was at -41.25 per cent.

13 Liquidity surplus indicates a primary excess of exchange reserves including unutilised quotas at the IMF above payments due next six months and second line reserves (which includes unused credit payable by banks over next six months). As a contrast the payments gap signifies covered (excess of debt payments over unused liquidity) as well as uncovered (one where debt payments are not covered by available liquidity).

14 See AMEX Bank, 1984.

15 *The Economic Times*.

16 See our article cited above in note 11 for an elaboration of this point.

17 See for an analytical account, Sunanda Sen, 'Swing and Paradoxes in International Capital Market: A Theoretical Note', *Cambridge Journal of Economics*, June 1990.

Science and Ethics in Public Decision-Making

Case of Big Dams

K Subramaniam

An attempt is made in this article to unearth some of the values which form a background to the undertaking of a large technological project like the Narmada dam. Specifically, the author presents an argument defending the common property right of the project-affected persons over forest land.

THE main issues in the controversy over the Narmada dams have been discussed widely and intensively and are relatively well reported in the popular media. The first part of the article briefly touches on a few arguments that appear to me to be the strongest both in favour of and against the dam. The issue of the indirect costs and benefits of the dam and their relation to the cost-benefit analysis is discussed. I point out one way in which science and values combine in the cost-benefit analysis. In the second part, the focus is on the background consensus about rights that informs technological development. Specifically the article defends the common property right of the project-affected persons over forest land. Throughout the attempt is to unearth some of the values that form a background to the undertaking of a large technological project like the Narmada dam.

I

To begin with, there are two major kinds of criticism of the Narmada dam projects. The first is that the project is misplaced, pointless or ill-conceived. This kind of criticism tries to kill the project before it leaves the drawing board. The other criticism doubts the ability or the intention of the various government bodies in seeing through critical aspects of the project, even if the project looks good on paper.

In the arguments hurled against the supporters of the dam, these two criticisms are often as closely bound together as lead and powder. This is justly so because any project can be made to look good on paper if a sufficient number of ground realities are ignored. However, it is useful to bear this distinction in mind since neglecting it leads often to the pro- and the anti-dam sides speaking at cross-purposes.[1] It also reminds us that in calculating the benefits of the dam a certain deduction would necessarily have to be made to account for improper implementation of the project. When to discount and how much to discount are fine judgments requiring some expertise in, among other things, political sociology. Another reason why the distinction is important is that it suggests that the strongest arguments against the dam are of the second kind, relating to implementation, and these are also more difficult to appreciate. We may recall that improper implementation and inadequate preparation were the main reasons why the World Bank withdrew from the project.

If the approach to implementation speaks clearly against the case for the dam, one of the strongest arguments for the dam comes from a consideration of the national demand for water in the present and in the future. The argument is well-formulated by Ramaswamy Iyer in a perspective paper [Iyer 1990]. The main point is that large and small dams are not technically exclusive alternatives and they may both be necessary. If the objective is specified as impounding or making available a maximum amount of water, then the case for the Sardar Sarovar dam becomes strong.[2] Also, if it is recognised that large and small projects have both to be constructed in order to meet the national demand for water, then the question reduces to one of time-priority between the two. Here other considerations begin to enter. Some are questions of value and others are questions of fact. Shall we leave for the future capital infrastructure in the form of a large dam and the associated burden of debt (supposedly small for the Narmada dam)? Or shall we leave them the responsibility of raising financial resources to construct the dam? How do small, medium and large dams compare as capital stock? How effectively will the money spent be utilised in the competing alternatives? (The internal rate of return is taken as a convenient measure of this aspect). It is with regard to the time-priority of the alternatives that many people think favourably of the Narmada dam. There are implicit beliefs operating here that do not always find clear expression in the literature available—beliefs having to do with the effectiveness of the large dam in the short or medium run, beliefs that the large dam is a more important form of capital stock, beliefs that a large, visible project will ensure more effective spending and so on.[3]

Many of these issues cannot easily enter into the standard assessments of costs and benefits. But these considerations can decide what objectives are to be pursued, which is an exercise that precedes the cost-benefit analysis (CBA). It is important to note the way in which the CBA has actually been done for these dams. Generally the CBA is taken to be a technique that enables one to decide between well-developed alternatives pursuing the same goals. It is essential that the alternatives which are compared are reasonably well-developed, since that affects the cost calculations. However, in the case of river valley projects in India such as the Narmada dams the CBA is not employed to compare well-developed alternatives. The purpose of the CBA is to arrive at the benefit-cost (B-C) ratio for the sole project proposed. If the B-C ratio turns out higher than the accepted norm of 1.5 the project is considered viable. In all cost-benefit analyses, since the total costs computed do not generally indicate real costs, but rather indicate opportunity costs, it is essential that alternatives are considered. Further since the estimates involve so many points of interpretation, if there is a sole project in the race, there will be implicit biases acting to work out a favourable B-C ratio. Moreover, ignoring alternatives allows one to refrain from specifying what the basic objectives are. A lack of clarity about alternatives also implies a lack of clarity about what common goals or objectives these alternatives are meant to satisfy. The approach actually adopted is of course very suitable to the government agencies since they are able to disown the responsibility for developing alternatives. The responsibility is then charged to the critics of the dam who are ill-equipped to develop alternatives.

Costs and Benefits

Many aspects of the CBA have been subject to critical analysis and debate. I shall focus only on one such issue, namely, the range of costs and benefits that enter into the analysis. One of the most important issues in the debate has been the estimation of indirect costs and benefits. This issue is complex and its consideration seems to lend support to both sides. While the anti-dam group believes the indirect costs to be too high, the pro-dam group believes the indirect benefits to be very high. There have been at least three rounds of CBA commissioned by the government. The standard direct costs taken into account are the costs of construction, the cost of rehabilitating project-affected persons and the loss of revenue from the forest land submerged. The

direct benefits calculated are the increased yield in agricultural production and the yield of electrical power.[4] The indirect costs are broadly identified as environmental costs and social costs. The latter term is misleading because it refers often not to the cost borne by the builders of the dam but by the people affected by the project. Social costs borne by the people who just happen to be living in the submergence area cannot be justified even if it means benefits for a large majority. The costs for the people must be converted into costs for building the dam by applying the principle of compensation.[5] Only in this way can social costs appear in the CBA and to let it appear as costs borne by the people is misleading. The indirect benefits of the dam are the various spin-offs resulting from added agricultural output and electrical power. As can be envisaged, such indirect benefits can be vast.

There is, however, a certain asymmetry between the indirect costs and the indirect benefits. If, for instance, compensatory afforestation is undertaken to reduce the cost of loss of forests, there are many additional factors affecting the success of such afforestation. There is an uncertainty surrounding each of these factors. These uncertainties act in such a way as to reduce the effectiveness of the afforestation. As a general principle, one might say that the uncertainties act in such a way as to increase the costs and to reduce the benefits. This suggests that the weightage given to costs must be greater than the weightage given to benefits, because we are more certain that the costs will turn out to be what we expect, but the benefits will generally not meet expectations. This asymmetry is based on our experience of past projects and hence is known through empirical investigation.

There is another kind of asymmetry between benefits and costs. We might express this by saying that one must travel much farther along a causal chain while considering costs than while considering benefits. For example, at a future date, it may be found that soil erosion in a certain location due to the impounding of water and other effects has become a major problem, imposing its own set of fresh costs in the area. Then these costs, or at least the cost of implementing soil conservation methods, get added to the cost of the dam. Similarly, the increased incidence of water-borne diseases might necessitate the introduction of public health measures. The costs of such measures again would get added to the cost of the dam. However if the economy were to receive a boost through a combination of secondary effects of the dam, we would not attribute it directly to the dam in the strong sense in which we would attribute the secondary costs to it. This may not seem evident at first, but becomes clear if we look at it from the side of policy formulation. We are quite justified in asking that policies regarding health control measures or soil conservation be included in the plans for the dam construction. But we do not feel equally pressed to ask for the inclusion of policies concerning secondary effects of increased agricultural output or electrical power. We only say that the project creates certain opportunities and makes certain things possible and it is left to contributions from other quarters to realise these benefits further

An example might make the point clearer. The dam clearly increases the irrigation potential and also definitely agricultural production. But in order to translate the increase into the prime objective of increased food production, the cropping pattern that is actually followed must be appropriate, that is, food crops must not yield to cash crops when the fields are irrigated. Similarly there is a general agreement that the measures for draining the command area of excess water are a major factor affecting agricultural production. In the case of the Narmada project drainage of the command area is not included in the plans and policies for construction of the dam. Instead drainage, perhaps justifiably, has been left to the care of private farmers. Similarly the availability of electrical power would presumably lead to a growth in industrial production A good part of this expansion in industry would feed the expansion in agriculture and would process its harvest[6] Whether the industrial growth would also lead to other social benefits like net increase in employment is determined by the action of mitigating factors such as the trend towards modernisation and the shifting and relocation of capital away from developed urban regions

I am not claiming that these factors would prevent the realisation of the secondary benefits of the dam I am only pointing out the complexity of factors that would necessarily operate in determining these benefits And because of this we rightfully limit the scope of the plans and policies having to do with the dam construction, as in the example of the drainage of the command area mentioned above. While planning for the dam we keep a certain target effect in view, and leave all the rest to independent acts of planning. Should we not therefore limit also the range of indirect benefits that we consider in the cost-benefit estimation? I think we are justified in imposing this limit and acknowledging this asymmetry between benefits and costs partly because we implicitly recognise that the higher order benefits may be realised in other ways. Again this asymmetry like the earlier one mentioned seems to be because of the presence, in the casual chain on the side of the benefits, of a large number of external factors, many of which call for fresh and creative inputs. It is the intervention of human creativity in the causal chain that I wish to emphasise here.

The view that through the multiplier effect the indirect benefits of the dam are enormous even if we are not able to formulate it properly is one of the strong implicit arguments in favour of the dam.[7] We ... however that when it comes to a cost-benefit analysis we generally restrict the range of indirect costs and benefits and draw boundaries around what it is acceptable to include. We may call this process of restricting a cost benefit analysis 'moduling'. Certain effects taken together with the proposed act from a module, a self-sufficient whole that must be evaluated solely in its own terms. For example, when it is suggested that we limit ourselves only to the direct costs and benefits, this is a proposal to module the cost-benefit analysis in a certain way, which of course is too limited. In the process of 'moduling' the CBA notions of responsibility, i e, considerations of what benefits the dam is responsible for, what we owe to the dam play an important part. Such responsibility is fixed by the importance we give to the contribution made by the dam itself relative to other factors in effecting certain benefits, and hence involves value judgments. The importance of the other factors rises when we consider them to involve creative components and consequently we module the CBA over a smaller range of benefits. Thus considerations of value enter the CBA not only in the way that common sense tells us—i e, how we quantify the costs and benefits depend on how much we value them. Value considerations enter the CBA through another not very obvious path—that is considerations of how to module the CBA.

It must be said however that in principle the estimation of costs and benefits may turn out to favour the dam. Then the second major issue of the debate over the dam moves to the centre· the displacement of people living in the submergence area of the dam. If analysis reveals the social necessity of constructing a big dam then the acquisition of land for the dam is justified since it is for a public purpose. Here the examination of the rights of the project affected persons becomes important because the extent of these rights determines the extent of compensation. The present amount of compensation (over and above an absolute minimum specified) is determined on the basis of how much land is privately held by the displaced individual. If the arguments that I present below in favour of recognising the common property rights of forest-dwellers are correct then the present compensation is grossly inadequate. It is to this defence of the tribal rights that we shall now turn.

II

The conflict of value over the Narmada dam is readily interpreted as an example of the familiar conflict between distributive justice and individual rights. The project, it is said, benefits a large number of people and is distributively just, but then, it infringes on the rights of others. The two aspects of justice are supposedly enshrined into two parts of the Indian

Constitution often seen to conflict with each other—Part III dealing with fundamental rights and Part IV dealing with the directive principles of state policy. The conflict between the two parts has a chequered history in post-independent India and is widely known and written about.

Of all the fundamental rights listed in Part III of the Constitution the most disputed is the right to property. The dispute about the status of this right may be traced even to the time of the drafting of the Constitution where it revolves around two foci—the general socialistic orientation of most of the founders of independent India and the concrete issue of the zamindari holdings.[8] The path chosen by the drafters of the Constitution, and subsequently by the legislatures, has aimed not at carefully defining the term 'property' and classifying various kinds of ownership, but at weakening the right to property itself. The sequence of amendments to the Constitution, motivated by a desire to keep the land acquisition issue out of the purview of the courts, found a culmination in the 44th amendment passed in 1978. The Janata Party-led legislature, with this amendment, removed the right to property from the list of fundamental rights written into the Constitution.

The suggested conflict between the two deep principles of justice, namely, of individual rights and distributive justice, might urge a conclusion that the issue is morally undecidable. One might conclude, like Alisdair MacIntyre, that there is really no shared moral language or framework since we believe in conflicting and incommensurable moral principles [MacIntyre 1984]. There are however alternative approaches to the issue. Even the interests of the majority of the people expressed in the principle of distributive justice may be formulated in the language of rights. A more sophisticated theory, that bases even the principle of distributive justice on a framework of right to holdings and entitlements, is presented by R Nozick in his important book *Anarchy, State and Utopia*. Nozick (1974) presents very strong arguments against patterned distribution principles, that is, external moral principles that specify what a just distribution is. Some examples of such principles mentioned by Nozick are, to each according to his needs, or moral merit, or effort, or marginal product, etc. Opposing a definition based on such principles, he defines distributive justice as the possession by everyone of holdings they are entitled to [Nozick 1974, p 151]. In other words distributive justice is itself based on the right to property.

The term 'fundamental right' refers to rights that the citizen might hold against the government. The government cannot interfere with the exercise of the right except under very special circumstances. The right is protected even though it may be clear that the majority would be better off if it were curtailed. This is because rights are believed to have a de-ontological justification grounded in the notion of human dignity or of political equality [Dworkin 1977, p 198]. It is important to remember however that some of our strongest notions about what people's rights are may not find a place in our constitutions. Dworkin distinguishes between background rights and institutional rights. Background rights may provide justification for political or legislative changes, but are not protected within the given legal and institutional framework and are therefore weaker than institutional rights. Amartya Sen points out that the right to livelihood, as it is found in the Indian Constitution, has a form even weaker than the background or abstract right [Sen 1981]. In its directive principles of the state policy all that the Constitution grants to citizens is the right to a policy directed towards securing the right to adequate means of livelihood. Sen calls this weakest form of all rights a 'metaright'. He goes on to argue that most cases of starvation and famine in the world are not a result of people being deprived of what they are entitled to, but a result of people not being entitled, within the prevailing legal system of institutional rights, to adequate means for survival.

STATUS OF SPECIFIC RIGHTS

The role and significance of rights in protecting justice, and the need for a serious discussion about the status of specific rights is, I hope, clear from the points made by Sen. What is the status of the right specifically relevant to the dam controversy, that is, the right of forest-dwellers over common property? Chatrapathi Singh complains that the last serious discussion about the rights of forest-dwellers in India dates back to the previous century [Singh 1986, p v]. This is indeed a surprising situation since much is spoken about the rights of the tribals. Singh's own work is a contribution concerning the various legal aspects of the issue of common property rights as it relates to forest land. Mention must also be made of the work by B K Roy Burman that reports the different kinds of systems under which tribal people exercise collective ownership [B K Roy Burman, n d]. In this article I shall briefly look at some aspects of the debate over property rights and I shall put forward some arguments that justify the right of forest-dwellers over forest land.

Legislation in India has over the years weakened the right to property. In spite of this, the compensation package awarded to the people affected by the Narmada dam project is one of the most progressive in our country till date. This indicates that there are other protective measures that independently safeguard the rights of displaced persons; perhaps the special safeguards meant for scheduled tribes have been effectively used. Compensation has been interpreted to mean an improvement or at worst a conservation of the quality of life of the displaced, and is not based upon market value or some other principle. Even though this step is progressive, the ruling understanding of what the tribals are entitled to is still based on the notion of private property or individual holdings. Thus a central problem in awarding compensation is of distinguishing between encroachers and owners. The entire issue of common property is ignored or only weakly stated.

We obtain some indication of the unsuitability of the notion of individual property right from the widely varying ways in which the notion has been brought to bear on the issue of project-displaced persons. The assertion that the right to property is a fundamental right is a premise both for claiming and denying that right to tribals. Those who interpret it against the interest of the tribals argue that the tribals never really developed a notion of property and did not consider the forests that they lived in as their 'property'. Hence the proprietary right over forests is vested with the sovereign or the state. The right of the state is further strengthened by quoting the doctrine of eminent domain, and also by tracing historical agreements through which tribal chieftains gradually acquired or transferred proprietary rights over forest land to the reigning power. The conversion of tribal common property into privately held land under settled cultivation is a common feature found to various extents in the tribal regions [Roy Burman n d]. Indeed, this is a phenomenon that spans a greater part of known history. This phenomenon of the gradual historical conversion from a tribal, forest-based economy to an agrarian one cannot however be taken as refuting or weakening the tribal common property rights, as I shall argue below.

Those who eschew references to the right to property (presumably because it has been omitted from the list of fundamental rights in the Indian Constitution) seek to defend the claims of tribals by invoking the fundamental right to life along with the implied right to livelihood [Sharma 1990, p 8]. Although the approach may seem pragmatically sound, it has been argued rightly that it only serves to weaken the notion of the right to life, which is best invoked in cases involving its direct violation, given the extreme gravity of such violations [Singh 1986, p 40]. Secondly, while the right to life is acknowledged as fundamental, the derivation from this of the right to livelihood and of the right over material things is not automatic but contains a proviso. What may be derived from the right to life is only a right to a minimal livelihood, but beyond that I have a right to the material things necessary for my livelihood provided it does not violate someone else's rights. This clearly is not as fundamental as the right to life [Nozick 1974, p 179n].

What is the nature and extent of the tribal people's rights over forest land as it is recognised by our legal system? It is relevant here to distinguish between the re-

gions where the tribals have mostly converted to settled cultivation and where shifting cultivation is still dominant. In the former regions collective decisions regarding common use of land is a practice that is found less frequently and is less important than in the shifting cultivation regions. Whatever the internal social and political organisation of the tribals, the dominant outlook at present is to recognise the ownership rights of tribals only over the plot that is settled and cultivated. In addition, their right to minor forest produce and some timber for personal use is also acknowledged. Their right to sell forest produce virtually does not exist, save in a few states which allow them to collect and sell minor forest produce. (In many areas, it must be noted, tribals are allowed to cultivate plots only for limited periods of time, entirely at the pleasure of the forest department. This ensures that labour is readily available to the department for forest-related works. No rights of such people are recognised even over the plots they cultivate.) With regard to the areas where shifting cultivation is present, the approach is one of imposing restrictions on this practice and encouraging a shift to settled agriculture. Here too, there is no recognition of a common proprietary right over forest land [9]

The basic grounds for recognising the proprietary right of the tribals over forest land is that traditionally such a right has been exercised by tribal groups collectively. The close identification with and the sense of belonging to the forests of the tribals point to the existence of such a right. I shall now consider some objections which taken together seem to negate the proprietary right of tribals over forest land

(1) The argument that the sovereign is the sole owner of all land within his territory: Although this argument is not intended as a justification of the proprietary right of the state over forest land it has played an important part in the historical process by which such a right has become vested in the state. Singh cites the argument made by justice Blackburn that aboriginal rights over land extant before conquest or settlement do not survive the establishment of another sovereign power [Singh 1986, p 27]. Thus the tribals would forfeit whatever rights they held under the rule of their own king, when the king or chieftain acceded to or was conquered by another power. This may possibly be premised on two beliefs: that conquest creates new rights for the conqueror or that a tribal sovereign or chieftain holds a higher proprietary right over the land possessed by the members of his tribe.

Only the latter proposition is justifiable, and that too on the same grounds and under the same conditions that are recognised to hold for the doctrine of eminent domain which I shall consider below. However, given the nature of the tribal economy, it is doubtful whether one can interpret the tribal chiefs as having a right over and above the members of the tribe. Rather, it is the case that such an interpretation has been used by outsiders and conquerors to introduce the notion of private ownership of land into tribal societies [Roy Burman n d]. The argument needs to be mentioned because it is taken to add historical weight to the present situation where the proprietary rights over forests are seen as vested solely with the state.

(2) The principle of eminent domain: The principle states that the state has an absolute right to acquire land and its resources under two conditions (a) Wherever public purpose or national interests override personal or communal interests and (b) where there is a payment of due compensation to all people who are deprived of their rights. The two conditions are important and are recognised as a necessary part of the doctrine. Indeed they are stressed even in the first enunciation of the principle by Grotius in 1625 [Singh 1986, p 24].

It is important to note that this principle is applicable even when no prior negotiated settlement exists between the state and the persons deprived of rights. If such a negotiated settlement were existing, it would simply be a case of the persons holding land exercising their own right of exchanging it freely for payment and other benefits. The validity of this principle, which I take as evident, depends crucially on the two qualifications that are attached to it. The principle also points out the importance of examining the terms of the compensation and the extent of the entitlements of the tribals.

(3) The argument that forests inhabited by the tribals are not really property and that their right is not a real right of ownership: The form in which this argument was stated in the previous century by Brandis and Baden-Powell is seen now to be inadequate [Singh 1986] They advanced the argument by citing assertions of absolute rights over forests by non-tribal Indian rulers under whose domain the forests fell. These assertions were generally made for purposes such as the demarcation of hunting reserves. However some cases, where the rulers arbitrarily extinguished customary rights, were also cited in support of the argument by Brandis and Baden-Powell. More recent anthropological and historical work shows that the practice of the Indian rulers was not to interfere with the lives of forest dwellers. The assertion by them of proprietary right over forests generally made no real difference to the forest-dwellers and cannot form a model for assertions of proprietary rights by modern governments [Singh 1986, p 10].

The more general form of the argument, that the prevalence of common property right is not a historically stable form of social organisation has a wide currency and influence. This position is adopted for instance by Shepherd, who insists on seeing the prevalence of common property right as "a transitional stage between open access resources and private property" [Roy Burman nd, p 29]. Shepherd enumerates three factors that induce a breakdown of common property right: (a) When the value of a common property rises so does the vulnerability of the common property right; (b) a greater degree of wealth differential within the group holding a common property right induces change, and (c) the local authority is undermined more and more by the modern state, and the enforcement of common property right breaks down leading to cheating and private appropriation by wealthier individuals of the group.

In order to rebut this argument Roy Burman calls for a close study of the historical aspects of common property right holding across the globe Such a study will certainly reveal examples where common property right has been institutionalised and accepted into the formal legal structure, and repudiate Shepherd's claims about the inevitable breakdown of common property right. One cannot however adopt a purely historicist stance as Roy Burman does: "Until comparative data in a more complete form are available for several regions of the world, situated in diverse historical ecological settings, one will have to keep one's judgments (about whether Shepherd is right) in abeyance" (pp 30-31).

One would rather have to be guided by principles of justice in accepting the validity of common property right. After all, even the progressive legislations protecting the rights of the indigenous people have been occasioned by a problem that has become especially acute in the present world. With the growth of population and awareness, there is no 'free' land available, and indigenous people cannot any longer retreat into deeper forest under pressure from outsiders. Land has become useful in new ways and has hence become scarce. Claims over land in most parts of the world are settling into certain patterns. The claims of indigenous people over common resources are increasingly coming into conflict with other sections of society Such a situation calls for an interpretation of customary tribal practices in terms of common law and the formal notion of property-right, that is sensitive at once to the indigenous point of view and to the ends of justice. Only by an act of interpretation can the rights of indigenous people be brought within the framework of modern legal systems where such rights can be protected To insist, as some courts have done, on a proof that local law ('lex loci') existed among the indigenous people in a form recognisable by modern law, and that such local law protected the rights of the members of the tribe is to open loopholes in the issue. It has only provided those defending the state's rights against the forest-dwellers with an additional strategy: of proving that no recognisable form of local law existed [Roy Burman nd, p 9). This supplements the strategy of showing 'treaties' by

which tribal chieftains ceded land to the reigning power.

It is important to note that the argument that outsiders have settled on forest land and hence the forests are not the property of indigenous people, to an extent, has a force independent of the manner in which such possession or acquisition was effected. Therefore even if the tribal chief conceded land to outsiders in violation of the collective rights held by the tribe, it does not weaken the right of the outsiders over such land, and the argument that the forests never really belonged to the tribals as property can be advanced. The independent force of the argument arises from the recognition that the facts of possession or non possession themselves establish or extinguish the right of ownership. Here the argument would be essentially negative: if the tribals failed to restrict outsiders from possessing and holding land, they failed to exercise any right of ownership. By implication and extension it is also believed that the tribals do not exercise and therefore do not cognise any rights over forest land in general. (This, of course, excludes the cases where some form of resistance was actually made by the tribals to the settlement of outsiders.) This argument has the effect of turning the acquisition of forest land by outsiders into a form of original acquisition. By implication, the assertion by the state of proprietary right over forests also becomes a form of original acquisition. The forest is then seen as a free natural resource not subject to any prior ownership claim.

The limitation of this argument arises from the fact that, while the relation of the tribals with the forests permits acquisition and use by outside individuals to a certain extent, it does not follow thereby that their ownership claim stands negated and that the inhabited forests are a free resource. If the tribal is indifferent to taking of an inch it does not justify appropriation of miles of forest land. Even original acquisition as formulated by Locke is not an entirely free act, it has a proviso. Original acquisition is justified provided it does not worsen the situation of others. The phrase 'worsen the situation of others' is itself interpreted in two ways. In the strong sense every acquisition worsens the situation of others by limiting their possible future acquisition. In the weak sense the situation of others is worsened by limiting or restricting their use of the acquired property [Nozick 1974, p 176]. The strong form of the proviso, if it is consistently applied, can be shown to rule out all original acquisition. Hence only the weak form of the proviso is relevant. By the weak form however, the state, as long as it provides rights of use (of forest products) to the tribals, is fully justified in establishing its right over forests by an original acquisition.

There is however a kind of right recognised by the tribals that cannot in any sense be interpreted as a user right. This is the right to permit younger members of the tribe to clear and settle forest land. The forest is owned with the understanding that future generations have the right to clear and settle parts of it. This right, analogous to the right to bequeath one's property is really part of the right of ownership. Thus, even though clear demarcations and boundaries may not exist for the forest land collectively owned, and the settlement of land by outsiders may be tolerated to an extent, it does not indicate that the exercise of ownership right was entirely absent. The presence of this right is implied by the conscious holding of forest land for clearing, settling and use by future generations.

(4) The argument that the life-style of the tribals includes practices that are destructive of the forest and therefore the environment: Practices such as rearing animals and shifting cultivation are seen as leading to destruction of the forests. Ironically, those who support tribal rights use exactly the opposite argument—that the tribals have a life-style that respects and protects the forest. How do we reconcile these conflicting claims? It is true that in certain regions shifting or slash-and-burn cultivation is having a destructive impact. This does not however mean that the state can take away existing proprietary rights of the tribals. It only brings forth the need to impose appropriate restrictions on such practices. Further, if we take as examples the worst cases where tribals have failed to protect the forests, we must compare them with the worst cases of forest management by the forest department itself. This old and familiar principle would restore a balance of perspective.

If we acknowledge that the tribal people had evolved a form of life that allowed them to inhabit the forests and to completely depend on it without destroying it, then that fact alone seems to me to be extremely significant. Not only is such a life-form possessed of an intrinsic worth owing to its strangeness and difference from other life-forms. It also has a social function in an age where the need for conserving and increasing the extent of forests is so poignantly clear. I shall state without argument that this alone entitles tribal people to rights over forest land more than any other group of people. Such rights must be taken cognisance of in a world with a vast and growing population where right over land is fast freezing into certain patterns of holding and where the principle of original acquisition has a minimal applicability, if at all.

Notes

1 In the interview with S C Verma, chairman of the Narmada valley Development Authority, by R Billorey and S Sarangi for example, Billorey's criticism is largely of the implementation aspect of past projects. The officials generally counter the criticism by citing plans, estimates, etc [C Alvares et al, 1988].

2 For some counter-arguments, see Paranjpye, 1990, p 59.

3 Iyer makes the point that small projects have a number of practical advantages including the need for limited investments. He also notes that the user (farmer) bears a large part of the capital and operating costs and that hence the utilisation of the water resource will be more careful and economical. If his point about investment is correct, small projects cease to be alternatives competing with large ones (for funds) and there is no justification for not taking up small projects concurrently with large ones [Iyer 1990, p 84].

4 See Paranjpye, 1990, pp 147-52. Also see SSNL 1991, pp 73-76.

5 A person is fully compensated for a loss if it makes him no worse off than he otherwise would have been. The World Bank adopts this meaning of compensation [Morse 1992].

6 This is cited as one of the secondary benefits by R B Shah in "Role of Major Dams in Indian Economy", (Dhawan, 1990, pp 112-14).

7 This argument gains prominence of place in the World Bank's defence of the Narmada Project [World Bank 1991].

8 A comprehensive account is found in Narively, 1987.

9 For a summary of the situation see Roy Burman, 1982.

References

Alvares, C and R Billorey (1988): *Damming the Narmada*, Natraj Publishers, Dehra Dun.

Dhawan, B D (ed) (1990): *Big Dams: Claims and Counterclaims*, Commonwealth, New Delhi.

Dworkin, R (1977): *Taking Rights Seriously*, Duckworth, London.

Iyer, R (1990): 'Large Dams: The Right Perspective' in Dhawan, 1990, pp 61-88.

MacIntyre, Alisdair (1984): *After Virtue, Nortre Dame*, Indiana, University of Nortre Dame Press, 2nd edition

Morse B and T Berger (1992): *Report of the Independent Review*, World Bank, Ottawa.

Narively V (1987): *Conflict: Right to Property and Directive Principles of the Indian Constitution*, [illegible]ing, New Delhi.

Nozick R (1974), *Anarchy, State and Utopia*, Basic Books, New York.

Paranjpye, V (1990): *High Dams on The Narmada*, Intach, New Delhi.

Roy Burman, B K (1982): *Report of the Committee on Forests and Tribals in India*, Government of India.

—nd: 'Historical Ecology of Land Survey and Settlement in Tribal Areas and Challenges of Development', Council For Social Development, New Delhi.

Sen, Amartya (1981): 'The Right not to be Hungry' in G Floistad (ed), *Contemporary Philosophy: A New Survey*, Vol 2: *Philosophy of Science*, Martinus Nijhoff, Dordrecht, pp 343-60.

Sharma, B D (1990): 'Scheduled Castes and Tribes: A Status Report', *Lokayan Bulletin*, 8:6, p 8.

Singh, Chatrapathi (1986): *Common Property Common Poverty*, Oxford University Press, New Delhi.

SSNL (1991): *Sardar Sarovar Project: What It Is and What It Is Not*, Sardar Sarovar Nigam, Gandhinagar.

World Bank (1991): 'In Defence of Enslaving', The Agricultural Division of the World Bank, India, *Lokayan Bulletin*, 9: 3/4, pp 98-103.

Exchange Rate and Trade Imbalance

Ashok K Nag

Ghanashyam Upadhya

THE article by Prabirjit Sarkar ('India's Balance of Payments and Exchange Rate Behaviour since 1971: A New Approach', January 1-8) shows that 'unit root' econometrics is fast becoming an indispensable and standard item in the tool-box of an applied econometri-cian. Sarkar's conclusions based on cointegration analysis of the real exchange rate and a few important real variables pertaining to the external trade sector go against standard neoclassical results. Prima facie it appears that deregulation of the foreign exchange market would not have the desired impact on the trade balance if the trade balance, itself being an unit root process, is found to exhibit no long-term relationship (linear relationship, to be particular) with the real exchange rate. So the policy of keeping the exchange rate deliberately undervalued, the current policy stance of the RBI, may turn out to be counter-productive insofar as such undervaluation fails to correct the external trade imbalance in the long run and on the other hand adversely affects the industrial growth process by making the cost of necessary imports prohibitive. Sarkar's results, therefore, provide empirical support to the hypothesis cherished by some that foreign exchange is a scarce resource the optimal allocation of which cannot be ensured through a deregulated market. If the empirical results obtained by Sarkar are indeed robust, serious doubts would ensue about the soundness of current policies. We, therefore, wanted to find out how robust or fragile Sarkar's conclusions are and in that process discovered some interesting aspects of our external trade regime which has escaped the notice of Sarkar. The details of our exercise follow.

DATA

At the outset we decided to use monthly data for a number of reasons. Firstly, it is unlikely that real variables like export and import would respond to significant changes in exchange rate with a lag of more than a year and these intra-year changes may contain important information about the relationship of our interest. Secondly, the small sample properties of the test statistic which we are going to use are still being explored and for the sake of having some power for our tests we wanted a reasonable sample size. Twenty-one data points look too small. Lastly, and most importantly, the external trade regime has been undergoing rapid changes in recent years and unless a reasonable part of the sample comes from this period we may fail to detect the emerging relationship if only yearly data are used. More on this below. As such our monthly data series range from January 1979 to January 1993.

If the monthly data on real export, real import, real export by real import (in lieu of trade gap) and real exchange rates are plotted, the visual inspection of the data clearly suggest that the multivariate process might have undergone certain structural changes sometime in the mid-80s (Figure 1). To be fair to Sarkar, he did look

FIGURE 1

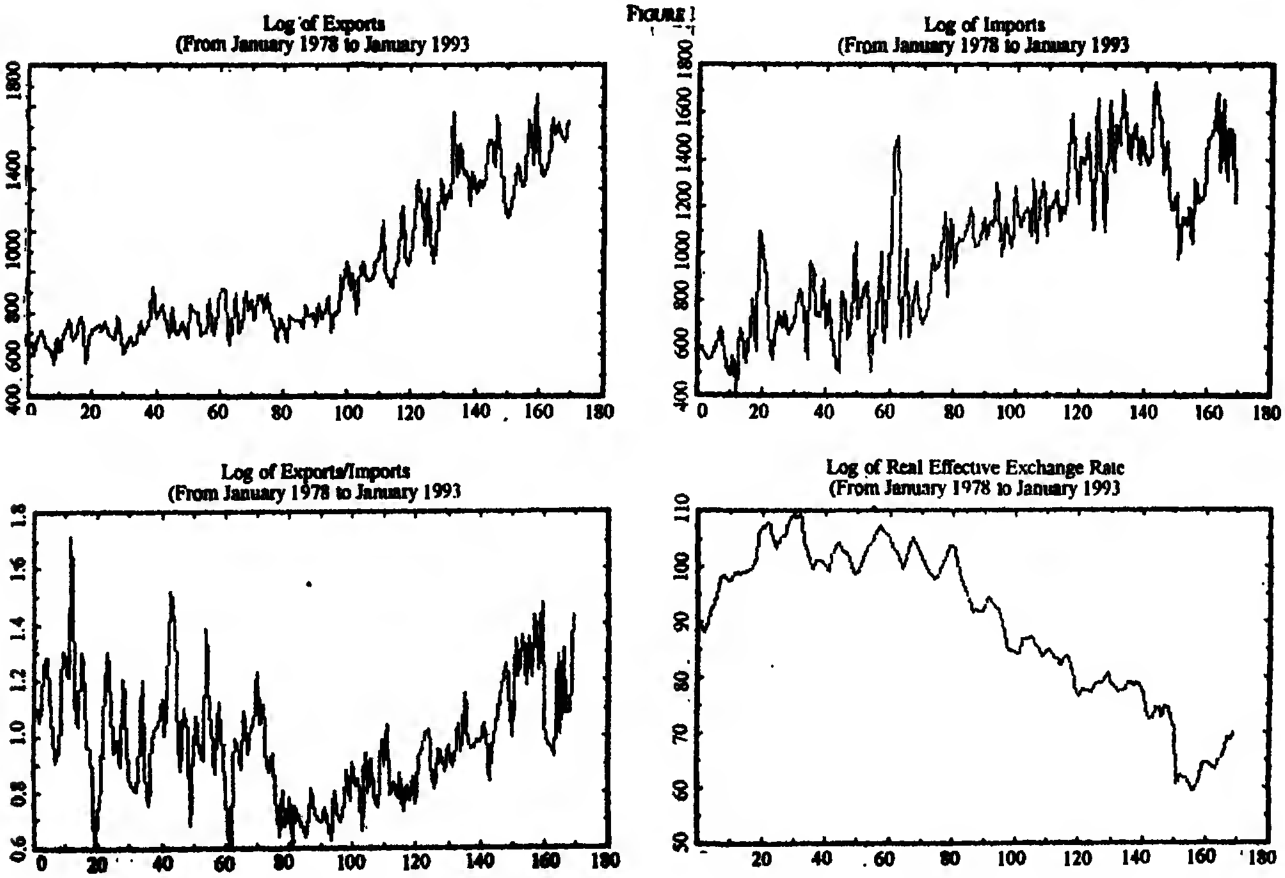
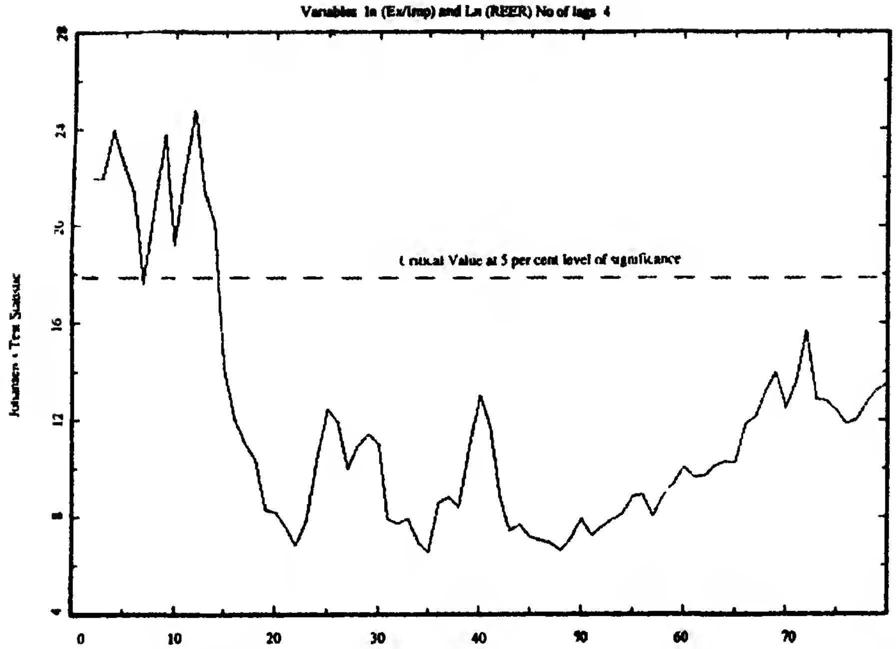


FIGURE 2

Variables: ln (Ex/Imp) and Ln (REER) No of lags 4



for structural changes in each univariate series, using Perron's 1989 method Since use of known break-points makes the standard Dickey-Fuller critical values suspect, we used sequential test as suggested by Banerjee et al (1992) for each individual series and like Sarkar could not find any structural change in any of them In other words each individual series is best represented by a single unit root process

COINTEGRATION ANALYSIS

We used Johansen's method to test for presence of co-integrating relationship among the bivariate variables—one being real exchange rate and the other one being one real variable (For a simple exposition of this method, see our paper in *RBI Occasional Papers*, March 1993) The initial analysis using the entire sample suggests non-existence of any co-integrating relationship as also obtained by Sarkar However, the situation changes dramatically when only the later part of the sample, i e, from July 1985 onwards, is used for the series balance of trade (export/import) In fact Figure 2 plots the Johansen's test statistic against size of sample, the size being increased in a backward fashion on the time-scale, starting with the sample period from July 1985 to January 1993 As can be seen from the figure, the null of non-cointegration is clearly rejected when we are confined to the later periods only. The strength of this relationship gets weaker and weaker as we go backwards and inclusion of sufficient earlier period data points completely masks this relationship We should point out here that a similar result is obtained if one uses Granger-Engle's two-step procedure for detecting co-integrating relationship These results are not reported here to save space

How does one reconcile this observation of ours with the earlier one of no structural break According to us what is happening is as follows

The individual series may not show any structural break but innovations in them may start getting correlated from a later period Since presence of cointegration is nothing but a statement of correlation about the innovation processes of two random walk process in the bivariate case, the full sample may fail to show this correlation if the earlier period innovations are uncorrelated and their contribution to total variance is sizeable.

According to us, herein lies the real reason behind the discrepancy between our and Sarkar's results. When the distortion in the external trade sector due to non-price factors is gradually being minimised and when the exchange rate starts getting determined through the market we expect innovations in variable reflecting trade balance to start getting correlated to the innovations in real exchange process For this relationship to show up, the period from when this phenomenon gets going should account for a substantial portion of the sample And that is why the absence of any cointegrating relationship is rejected in favour of presence of one when we use the data pertaining to that period effectively. In other words exchange rate matters

References

Banerjee, Anindya et al (1992): 'Recursive and Sequential Tests of the Unit-Root and Trend-Break Hypotheses Theory and International Evidence', *Journal of Business and Economic Statistics*, Vol 10, No 3, July

by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 01[illegible]
and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038.

Three generations of small savers. There's one thing they all trust–Units.

Even people generations apart think the same way when it comes to Units Because Units help make their dreams come true

Whether it's a young man saving for a house of his own Or an older man looking forward to a comfortable retirement Or a little girl dreaming of becoming a doctor some day

Unit Trust has schemes to meet every need Whether the need is for high growth or liquidity Whether it's tax benefits or good returns coupled with insurance cover

People know that with Unit Trust they can get what they want That is why the number of Unit holders is going up so spectacularly To over 33 million today Most of these people are small savers They come from every part of the country They come from every walk of life They have different needs, different dreams

But they share the same abiding confidence in Unit Trust Living up to this confidence is what keeps us going And growing

UNIT TRUST OF INDIA

For your better tomorrow.

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs 12 00 Vol XXIX No 15 April 9, 19

FINANCIAL DUALISM AND VIRTUAL INTEREST: CASE OF INDIA

COMMUNAL VIOLENCE AND ROLE OF POLICE

AGRARIAN TRANSFORMATION AND CO-OPERATIVES: CONTINUITY AND CHANGE

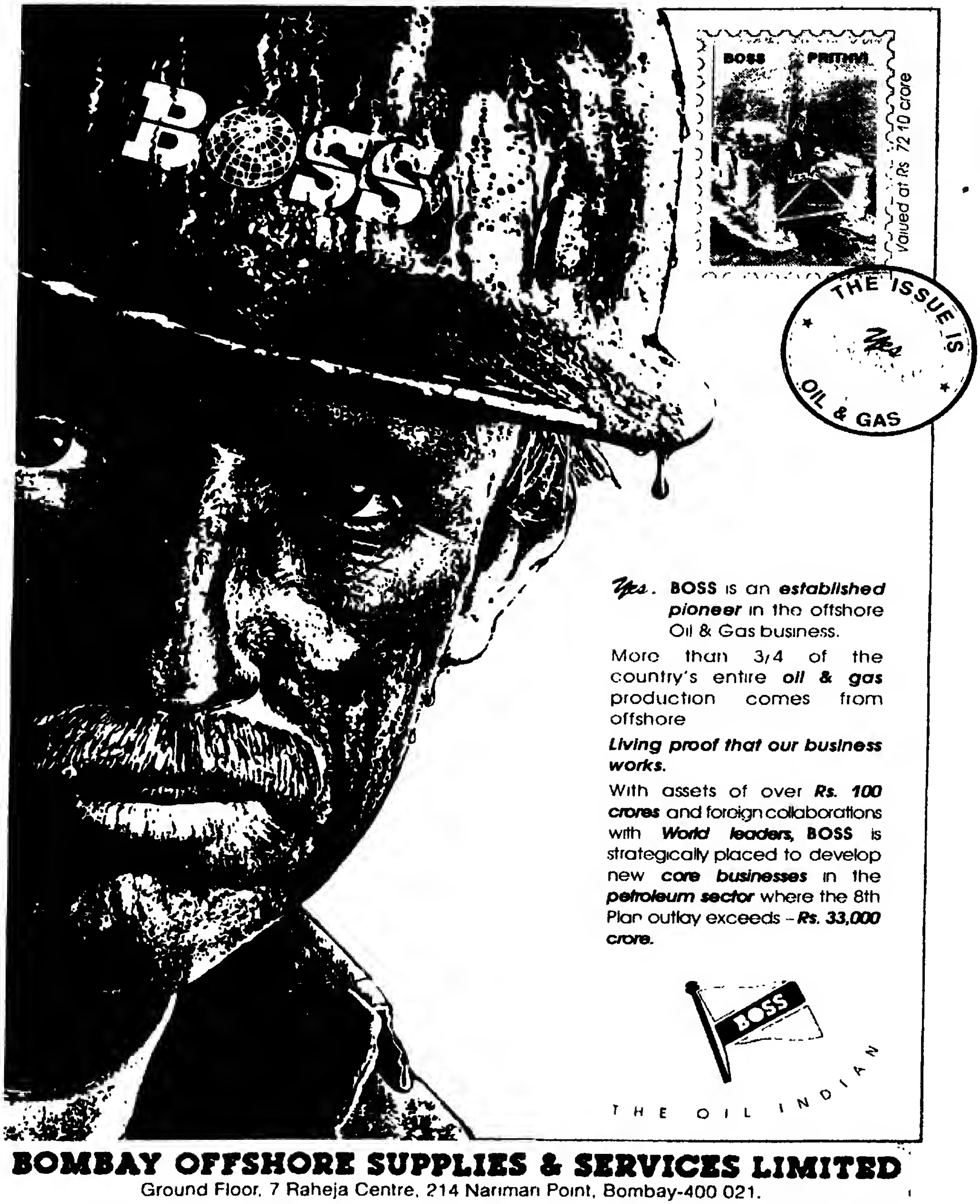
INDUSTRIAL SICKNESS AND CORPORATE RESTRUCTURING

MANAGING INDIA'S NEPAL POLICY

GATT AND PATENTING OF MICRO-ORGANISMS

THIRD FORCE IN SOUTH AFRICA

BONDED BY BLOOD: MATRILATERAL KIN IN TAMIL KINSHIP


BOSS
BOSS PRITHVI
Valued at Rs 72.10 crore
THE ISSUE IS Yes OIL & GAS
Yes. BOSS is an established pioneer in the offshore Oil & Gas business.
More than 3/4 of the country's entire oil & gas production comes from offshore
Living proof that our business works.
With assets of over Rs. 100 crores and foreign collaborations with World leaders, BOSS is strategically placed to develop new core businesses in the petroleum sector where the 8th Plan outlay exceeds - Rs. 33,000 crore.
BOSS
THE OIL INDIAN
BOMBAY OFFSHORE SUPPLIES & SERVICES LIMITED
Ground Floor, 7 Raheja Centre, 214 Nariman Point, Bombay-400 021.

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

CONOMIC AND POLITICAL WEEKLY
Hitkari House
4 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar

EPW RESEARCH FOUNDATION
212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phone 8870482
Director
S L Shetty

Vol XXIX No 15 April 9, 1994

Two Markets

While it is widely acknowledged that the existence of two different types of money markets, one organised and the other unorganised, has important implications for the conduct of monetary policy in less developed countries, there are a number of important issues which have not received the attention they deserve in discussions of dual money markets. For instance, what role does the market structure play in explaining the emergence of dual interest rates? Do interest rates in the organised market affect those in the unorganised markets? 871

Land Reform and Co-operatives

The limitations of land reform lay the structural foundations of the limitations of rural co-operatives and the green revolution. Where land reforms have failed to remove the non-cultivating groups and establish cultivating owners, the groups which need co-operatives have not emerged. Agricultural transformation has also remained elusive in such areas. 863

Industrial Sickness

Sweeping generalisations, such as those offered by the Committee on Industrial Sickness and Corporate Restructuring, do not help in correct diagnosis and treatment of the malaise of industrial sickness. 833

Blood Bond

The steady fall in the status of women in upwardly mobile groups in rural Tamil Nadu and growing anti-female bias in such 'progressive' groups which are benefiting from rural development is closely linked to change in the marriage system within these groups which has greatly weakened the importance of matrilateral kin in Tamil kinship. 855

Threatened

Vital economic sectors linked to micro-organisms—agriculture, pharmaceuticals and industrial biotechnology, to name the most important ones—will be severely affected by the acceptance of patents on micro-organisms under the new GATT agreement. 841

Minority Identity

The laboured distinction sought to be made between 'Islamic modernists' and 'secular modernists' will be of no consequence in the long run. Muslim Indians must seek their destiny within the national framework of the secular state and the international framework of the rights of religious minorities in an increasingly shrinking world. 876

Gandhi Today

There is need to redefine Gandhi in a modern context: to preserve the values, but come to terms with the changes. Can the Gandhian movement address the issues that must be explored and understood to come up with an alternative framework? 843

Village Industries

In our traditional village industries we have in our hands the only relevant technology for the well-being of humankind, yet these industries are struggling against the consequences of long neglect now aggravated by the economic reforms. 845

Partisan?

The role of the police in communal riots has been a very controversial issue. A study of some major communal riots. 835

Confirmation

The report of the Goldstone Commission has confirmed the widespread belief about the active involvement of the South African security forces in fomenting political violence directed mainly against the ANC. 847

India-Nepal Ties

Demands for a review of Indo-Nepalese relations and suggestions that an Indian initiative is essential for giving a 'positive tone' to them have to be viewed against the backdrop of how the relations evolved over a century and a half of British colonial rule. 849

LETTERS TO EDITOR

Ethnocentric Science

ALTHOUGH Vasant Kaiwar's article (February 26) touched upon the effects of capitalism on science and technology, the stress was mainly on defeating the concept of ethnocentric science. This has made him stretch the concept of universality to an extent that leaves no place for specificity. In practice multidirectional development of science is always missed or is sidelined due to specific aspects like political situation, living conditions, natural surroundings, etc. Even though the concepts that develop may be universally correct, it is incorrect to claim them as the 'only' possible trend. Due to the political conditions and money power it is possible to undermine or eliminate all the other scientific trends if they are not amenable to the ruling power. By scientific, we mean any activity which can be verified by repetition irrespective of the pursuits of the experimenter. Specific developments would become universal as and when suitable conditions for the same are available everywhere. In the present condition when scientific activity is deeply interwoven with capitalist development and profit, only that science which is useful for this capitalist plunder is considered as science and all other scientific activity is clubbed along with the meaningless traditional activity.

For example it is well known that science of entymology had developed to a very great extent in China to detect earthquakes, when the sensitivity of seismic instruments then available was much poorer than the capabilities of insects. But this faculty was neither allowed to develop nor recognised by the organised sector of science. It has been recognised that for the topography of large parts of India small tank irrigation is more beneficial, cheaper and suitable than big dams. Although the scientific basis for the same can be verified and proved, the capitalist lobby in favour of big dams is able to dub these activities as traditional/backward, and impose its versions in the name of modern science.

While accepting the basic viewpoint (anti-ethnocentric science) of Vasant Kaiwar, it has to be understood that if this concept of universality is overstretched then the scope for any independent activity in third world will come to an end. Only the scientific activity acceptable or recognised by the west will be considered as science. The clever imperialists have already converted western science and technology into new sophisticated tools to plunder the whole world. Economic and ecological disadvantages in this are being dumped on the third world in the name of aid and development. Suitable ideologies are also being created to take care of intellectuals. It is unfortunate that Vasant Kaiwar is also getting trapped into this net by not analysing the Joseph Needham's contribution in this field. Through his meticulous research Needham has been able to prove the scientificity of many scientific activities in China and other third world countries. Ecological problems coming to surface all over the world have further enhanced the importance and relevance of considering specificity.

Kaiwar's overzealous attempt to defeat ethnocentric science has unfortunately put him into the new glamorous trap of imperialists, which is much deeper and more venomous than before.

CHANDER RAJU

Kalpakkam

Brundaban Chandra Raj

WE have learnt with deep grief the passing away of Brundaban Chandra Raj, president of Uttar Balasore Khyapanastra Ghati Pratirodh Committee (North Balasore National Test Range Resistance Committee) on February 23. He suffered a cerebral haemorrhage and died in a hospital in Balasore. Brundaban Raj spearheaded the united people's movement in the Baliapal-Bhogarai region of Balasore in Orissa which challenged the decision of the government of India to locate the missile test range in that area. This project involved the take over of 102 sq km of fertile land inhabited by nearly 50,000 people. The area is famous for its products such as coconut, cashew nut and betel vine besides paddy and other cash crops. Agriculture and fisheries provide natural sources of support for the well-being of the people of Baliapal. Brundaban Raj along with Gadadhar Giri, who died a few years earlier, mobilised the people threatened by displacement against the project. The Baliapal movement was at its peak during 1986-88 when many innovative methods of peaceful struggle were applied by them. This included preventing entry of government officials and their vehicles into the area and women squads taking the lead in mobilisation.

Thanks to the dedication of leaders such as Brundaban Raj, the voice of Baliapal was heard all over the country and the issues raised by the people's movement were echoed in the debates on development and displacement in other parts of India. Baliapal movement and its call for the struggle for people's rights over *Bheetamati* (habitat) became symbols of democratic movement in India.

Born in 1918, Brundaban Raj was an activist in India's freedom struggle and an underground organiser in the Quit India Movement. He was jailed several times and was tortured by the police. After independence, he shunned electoral office and remained a committed grass roots social worker. When the Test Range was announced he came to the forefront of the resistance movement and led it successfully preventing the location of the Test Range in Baliapal. In his death, the democratic movements in India have lost a great fighter. We send our sincere condolences to the Khyapanastra Ghati Pratirodh Committee and his close relations. We reaffirm our solidarity with the Baliapal people's movement and the cause which Brundaban Chandra Raj represented.

Rajni Kothari, Medha Patkar, Manoranjan Mohanty, Y P Chibber, Aurobindo Ghose, Rajesh Gupta, Madhu Kishwar, Swami Agnivesh, Joseph Mathai, Vijay Pratap, Anil Sadgopal, Janak Lal Thakur, B L Sharma, Kishan Pattanayak, Thomas Kocherry, Ranjana Padhi, Arun Kumar Singh, Shripad Dharmadhikari, Suresh Bhatt, T K John, Joginder Yadav, Dhruva Narayan, Yogendra Yadav, Hari Subramaniam, N Bhattacharya.

ECONOMIC AND POLITICAL WEEKLY

Export-Import Policy

THE revisions effected in the five-year (1992-97) export-import policy, though not earth-shaking, represent a further attempt to squeeze export surpluses from a sluggish economy. The five-year exim policy, introduced in April 1992, was radically revised last year in order to pay special attention to the growth of exports from agriculture and allied sectors. As many as 146 items were removed from the negative list of exports and export incentives were augmented through extension of duty drawback to 333 new items and improvement in the drawback rates for 84 products. While announcing the latest revisions, the commerce minister has said that last year's "measures have yielded handsome dividends" in the form of a 45.3 per cent rise in exports of agriculture and allied sectors, exposing the government's unconcern for the distortion of the structure of the country's export-import trade. Even the exports of so-called engineering goods consist, to the extent of some two-thirds, of products which are as good as raw materials.

In the latest revision of export-import policy, two steps which stand out in this respect are: first, expansion of the scope of the system of Special Import Licences (SILs) by including in its purview import of products hitherto in the negative list consisting of consumer goods, office equipment, spares and components of consumer goods, communication equipment, sports equipment, and health-related equipment as also gold and silver at concessional rates of customs duty paid in foreign exchange by holders of exchange earners' foreign currency (EEFC) accounts; and, second, permission for import of second-hand capital goods at normal import duty rates by actual users with a reduced minimum residual life stipulation of five years as against the earlier seven years; the requirement of a certificate from a chartered engineer has also been dispensed with for machinery up to Rs 1 crore in value. As many as 67 consumer and other goods are now allowed to be imported against the special import licences; these range from colour TV sets (30" and above), video cameras, air-conditioners (two tons and above) and refrigerators (capacity above 200 litres) to cordless and cellular telephones. In the capital goods sector, the permission for import of second-hand machineries is in addition to the Export Promotion Capital Goods (EPCG) scheme under which import of capital goods is permitted at a concessional import duty of 15 per cent subject to export obligation of four times the c i f value of imports in a period of five years. Under the latest revisions, this export obligation can be discharged even through third-party exports of products that have some nexus with the imported capital goods.

It has been estimated that the bulk of India's exports are import-dependent to the extent of at least 50 per cent. Hitherto such import dependence was primarily for raw materials and other inputs as, for example, in the case of cashew and diamonds where the import content is over 70 per cent. Leather manufactures look set to join this league. But the permission now granted for import of second-hand capital goods, the concessional EPCG scheme with the facility for fulfilling the attached export obligation through third-party exports and the drastic reduction in import duties on capital goods and on raw materials, spares and parts are, all put together, bound to raise further the import dependence of exports. Again, after the sharp devaluation of the rupee it was thought that there would be no need to continue the numerous discretionary incentives for exports. But while the substantial cash compensatory allowance was abolished, the many export incentives which continue, including some newly introduced ones, do raise the basic question of what might be the domestic resource cost (DRC) of the additional export receipts. This was a major subject of concern in the 1950s and 1960s and should remain so because the drain of domestic resources for promoting exports will erode real incomes in the economy. Currency depreciation and other financial incentives do not, beyond a point, add to exports; they only enhance the opportunity cost of export earnings. Apart from total exemption of export profits from income and corporate taxation and concessional rates of interest for exporters in general and the series of open incentives for 100 per cent export units and units in export processing zones, there is the duty exemption scheme under which imports used in export production are permitted duty-free under numerous schemes, including the value-based advanced licence (VABAL) scheme, the coverage of which has now been expanded from 2,212 products to 3,383. Yet another major concession now offered is the expanded list of consumer and other goods, including gold and silver, under the special import licence scheme as the premium on the goods earlier covered had dropped on account of the general import liberalisation. It has been estimated that the value of imports under SILs may go up to Rs 1,200 crore in 1994-95. This may not appear very large, but the objective seems to be to test the waters for opening up the Indian market for import of consumer goods, a pointer to which is provided by the latest *Economic Survey* which affects to be concerned that "Quantitative restrictions on import of consumer goods provide very high levels of effective protection to these sectors. This results in mis-allocation of investible resources away from sectors where the country may possess a comparative advantage." What is actually happening is that any comparative advantage that the country may have in high technology, knowledge-based capital goods industries is being systematically undermined. The concurrent throwing open of the economy to import of consumer goods will in due course complete the process of globalisation, so determinedly pushed by the developed countries, the transnational corporations, and the multilateral economic organisations. The pattern of the country's exports will progressively move in favour of agriculture and allied products and low value added industrial goods. No wonder, so-called export houses, trading houses, star trading houses and now super-star trading houses are expected to play an important part in the country's exports. The bulk of their exports will be third-party exports and, by their very nature, cannot belong to the category of sophisticated, knowledge-oriented products.

BJP

In a Quandary

NOTWITHSTANDING the BJP's recent anti-Dunkel rally, the party is obviously in the throes of grappling with a major difference of opinion on the issue within its leadership as well as among the rank and file. True to its tradition it is endeavouring to use these differences to project a stand on GATT which may be interpreted differently to suit the occasion by its members and constituents.

From the deliberations at its executive meeting at Hyderabad what has emerged is the refurbished party plank which now reads thus: 'Hindutva Ramrajya-Swadeshi'. In one sense of course none of the differences have been resolved, but in another all shades can now appear to function for the greater good of the party. At the start of the deliberations it was expected that the meeting would arrive at crucial decisions with regard to major issues. Among them was the question of whether, in the wake of the reversals in the last bout of elections, there should be a shift of focus from Ayodhya and the mandir issue. The impression that the BJP would underplay Hindutva had begun to gain ground especially in the wake of growing criticism within the party that it was this focus which had been detrimental to the BJP, especially in UP. To many it seemed that the shrill and strident 'call to Ayodhya' was not now sufficient to move the masses. Post election analysis in UP (*EPW*, April 2) clearly points to the fact that especially among the dalits and backward castes the 'masjid todo' stance had been rejected. Hindutva had to find a garb which was egalitarian and not so sharply divisive. This is what is being sought to be tailored now. Advani speaking at the end of the executive meeting affirmed that Hindutva was not a mere slogan, but the party's ideological mascot.

This means obviously that Hindutva will not be the main agenda in the forthcoming elections, but rather a construct of broader goals within the ideological garb. This is why the party's consensus stand on GATT is yet to emerge. On the one hand, the groundswell of opposition to the country being party to the agreement mitigates against the party taking a pro-GATT stand. On the other, it cannot afford to adopt the swadeshi strategies being systematically promoted by RSS and alienate industry and financial interests. Some of the party leaders, especially Vajpayee and Joshi, have been adhering to opposing India appending its signature to the agreement. Thus at the conclusion of the executive meeting, the committee formed to draft the party's economic resolution comprised all shades of opinion—Murli Manohar Joshi as well as the members of the economic cell, Jay Dubashi and S C Agarwal, and party general secretary K N Govindacharya. It put forward eight demands, but concentrated on analysing the budget. Apart from saying that the budget was prepared under the shadow of GATT and calling for a complete ban on the entry of multinationals into the consumer goods sector, it focused on such issues as what it saw as a neglect of defence, the need for greater transparency in the disinvestment package for public sector, government spending, etc.

The party also sought to acknowledge the lessons of the UP debacle by introducing what is being termed 'mandalisation' in the party. What this means is that in the organisational structure there will be a greater effort to induct backward and scheduled caste members. However, in clear recognition of the fact that its major support base comes from the upper and middle castes, it has been emphatically stated at various fora that the BJP's programmes cannot afford to be caste-targeted but rather that they would have to be pro-poor. The RSS however will continue with its programme of yatras in the tribal areas and its campaign to enlarge the Hindutva fold.

What this will mean in concrete terms will only emerge after the the party's conclave at Sariska. But the party is clearly in a quandary about what kind of relative emphasis it must put on the various issues and it may well resort to an election programme which will allow for greater flexibility than so far.

THE BUDGET

Sinking under Interest Burden

ONE item of central government expenditure which has registered phenomenal escalation in recent years is interest payments. In the latest budget gross interest payments are projected to rise from Rs 37,500 crore in 1993-94 (RE) to Rs 46,000 crore in 1994-95, absorbing 53.4 per cent of the projected revenue receipts. Of course, the increase in gross interest liabilities of the government need not by itself be a matter of concern if either the interest receipts of the government were also increasing or the government's current revenues were registering a matching improvement. The concern arises because neither seems to be happening with the result that the proportion of the government's current revenue which has to be earmarked for meeting its interest liability goes up.

The government's interest receipts have been going down rather sharply in recent years; they were as high as 70 per cent of gross interest payments in 1980-81, whereas in 1994-95 they will have come down to under 35 per cent. At the same time, the government's current revenues as a multiple of gross interest payments have been on the decline—from a multiple of 9.4 in 1980-81, these have come down to 1.9. If a government wants to keep its interest liabilities relatively low, it must either see to it that interest recoveries keep pace with the increase in its liabilities on that score or ensure that its non-interest revenues register a growth rate sufficient to match the expansion in interest liabilities. Otherwise the situation is bound to reach a point when the proportion of current revenues left after meeting the interest liabilities will not be enough to meet the government's other current expenditure commitments. The situation becomes worse if these expenditure commitments cannot be contained. Rising revenue account deficits are a necessary consequence.

This is precisely what the present finance minister's budgetary exercises have resulted in. The revenue account deficit has been on the rise during his tenure; from Rs 16,261 crore in 1991-92, it will have gone up to Rs 34,058 crore in 1993-94. The budget for 1994-95 expects to bring it down to Rs 32,727 crore, but going by the experience of 1993-94, the apprehension that it will in fact be much higher cannot be easily dismissed. The problem with the ongoing budgetary exercises is that the philosophy underlying them does not call for additional revenue effort; if anything it calls for reduced taxes—revenues are assumed to increase automatically as tax rates are brought down—whereas expenditures, especially non-developmental expenditures, are found to be impossible to keep within bounds. In the circumstances, it should come as no surprise if at the end of the new financial year interest liabilities of the government require an even higher proportion of the government's current revenues than 53.4 per cent. The present finance minister is trying to have the cake and eat it too.

INTEREST BURDEN

Self-Inflicted Wound

THE most debilitating impact of the structural adjustment programme on government finances is to be seen in the galloping interest burden. Over 90 per cent of the increase in the interest burden is attributable to internal debt and other internal liabilities. Amongst the internal liabilities, interest rates on small savings and provident funds have remained unchanged during the period and the fiscal incentives attached to them have been reduced. As a result, accruals under small savings in particular have been declining. The bulk of the additional interest burden on the central budget has thus emanated from increases in

yield rates on market loans and treasury bills.

During the last two years, there has occurred a sharp change in the interest rate structure on market loans and various types of treasury bill borrowings (91-day, 182-day and 364-day). In the case of market loans, not only have yield rates been pushed up but the maturity period of the loans has been drastically narrowed from the erstwhile maximum of 20 years to 10 years in the case of both the state and central governments. The yield rates on central government securities were drastically pushed up from 10.75 per cent in 1991-92 (first tranche) to 13.5 per cent in 1993-94 for 10-year securities. In fact, 20-year securities had been issued in 1991-92 at a yield of 11.50 per cent. While these sharp increases were effected in yield rates, the spread as between different maturities starting from three years up to 10 years was kept at a minimum—12.75 per cent for three years, 13 per cent for five years, 13.25 per cent for seven years, 13.40 per cent for nine years and 13.50 per cent for 10 years. What is more, even for treasury bills inflated market expectations of high discount rates were stimulated and implicit cut-off yield rates in auctions of 91-day treasury bills ranged from 9 to 11 per cent and those on 364-day treasury bills from 11 to 11.5 per cent. Thus what seems to have weighed the most in the fixation of the level and term structure of rates is the ideological concern with pushing the yield rates as high as possible so that they would appear to be market-related, ignoring the sovereign and bulk nature of these assets for banks and other holders and, more importantly, not considering the fact that the loans are intended to finance social and economic development through the central budget. It is this insensitivity to considerations of cost for the central budget on the part of the bureaucracy which has been most appalling.

Even state governments whose finances are in a perilous state have been made to pay a yield rate of 13.5 per cent on their market loans. Apart from the higher interest rates on market loans, the states have also been made to pay increasingly higher interest rates on central loans to them. Thus on their small savings loans from the centre the states paid rates of interest of 12 per cent in 1989, 13 per cent in 1991, 14.5 per cent in 1992, 15 per cent in June 1993 and 14.5 per cent in September 1993. Even on their plan and non-plan loans they now pay to the centre a rate of interest of 12 per cent compared to 10.25 per cent in 1991. The payment of interest by the state governments to the centre has thus shot up from about Rs 5,592 crore in 1990-91 (RE) to Rs 11,162 crore in 1994-95 (BE). A substantial part of the rise has been due to increases in the average interest rate on such loans.

The increased interest burden arising from higher interest rates can be gauged from the central government budget. Despite drastically reduced dependence on market loans, the centre's interest outgo on such loans has shot up from Rs 6,300 crore in 1990-91 to Rs 10,380 crore in 1994-95—an increase of 65 per cent compared to a rise of only 46 per cent in outstanding market loans (excluding converted loans). Interest payments by the centre on treasury bills alone would work out to Rs 10,506 crore during 1994-95 as against Rs 3,406 crore in 1990-91.

Against this background and the fact that there is such massive liquidity available in the financial markets—and when four reductions have been affected in commercial banks' maximum lending rates—the reduction in coupon rates now offered by the Reserve Bank on 10-year and five-year securities for conversion of 364-day and 91-day treasury bills from 13.5 per cent to 12.5 per cent and from 13 per cent to 12 per cent, respectively, should be welcomed. In fact, there is scope for reducing the rates by another half a percentage point and for widening the spread between maturities.

CONTRACEPTIVES

Case for Public Enquiry

THIS week, Upjohn of USA, in collaboration with Max Pharma, launched in Bombay the injectable contraceptive Depo Provera (DP), a drug which has been controversial since 1960s when it was first introduced in the US. In fact the history of DP from the stage of its experimentation and clinical trials to its marketing is an excellent case study of the manner in which drug companies have managed to put unsafe products into the market and how third world country governments have been pressurised into accepting unethical products.

Depo Provera is a contraceptive injection which is meant to provide contraceptive protection for three months. Its greatest advantage, when it was first introduced, was that once injected a woman could be assured of protection for the duration. Or, in other words, the medical establishment especially in third world country population control programmes did not need to follow up on the women who had accepted the contraceptive, unlike for other birth control measures then available, such as the IUD or the pill. But such was the enthusiasm of the company which developed Depo Provera that it hastily sought to fool the US Food and Drug Authority into issuing it a licence by fudging data and providing insufficient information on the drug trials. The irony is that even before the US authority could register the drug, it was being used extensively in third world countries, or rather being 'tested' on large numbers of women.

All this generated such a groundswell of opinion against the injectable contraceptive that in 1984 the US FDA was forced to hold a public enquiry, only the second time in its history, to decide on whether the drug should be licensed. Its verdict held that there was insufficient material to show that the drug was safe. For instance, the company's claim that there were no long-term risks associated with the drug was not supported with sufficient data. The long-term consequences of the use of the drug on cancers especially of the breast and the uterus as well as osteoporosis and atherosclerosis had not been well-studied either in animals or in humans. The US FDA did not license DP for use as a contraceptive until 1990. And this was in the context of the resurgence of anxiety about the population explosion especially in the third world and the fact that the latter had increasingly become cautious about licensing a drug which had not been registered in the country of origin.

In India, the Indian Council of Medical Research began clinical testing of the drug in 1974 but soon abandoned the trial, reportedly because of the high dropout rate and the fact that there were too many doubts being expressed about the drug. Subsequently, several attempts were made to either start clinical trials of the drug or to make it available in the market. By the 1980s the women's and health movements in India as elsewhere had come to the conclusion that contraceptives which took away control from the woman, and which could not be withdrawn if the user so wanted should not be allowed to be introduced in state family planning programmes. A main reason was that there was insufficient infrastructural support for follow up or emergency care and that the drugs had not been proven to be safe. Health groups pointed to several areas where no studies had been conducted at all such as, for instance, the effect of long acting contraceptives on infants being breast-fed by women who were on these contraceptives, return to fertility of women who discontinued after some years of use, effect of continuous presence of the drug in the blood, etc. This stand was also applicable to such other long acting contraceptives as Net en (another injectable) and Norplant, an implant.

Late last year in a remarkable and questionable move, making a mockery of all the data gathered by women's and health groups all over the world, the Indian drug control authorities licensed DP for contraceptive use and in October, Upjohn signed a collaboration agreement with Max India to produce, market and sell the drug in India. This week's launch meant to educate doctors on DP was a logical outcome of this process.

What is extraordinary about all this is that the drug control authorities and the ICMR have seen it fit to allow a controversial drug into the market when it is neither necessary nor essential. And significantly, the material presented by Upjohn at the medical conference earlier this week does not appear to remove the doubts expressed by the US public enquiry of 1984. The drug will reportedly be sold on the market on prescription and the company has agreed to undertake post-marketing surveillance Since neither the ICMR nor the drug control authorities are equipped to participate in this surveillance, it is unlikely that a company with a long record of unethical practices will conduct an ethical and honest appraisal of the drug on its own

The company's argument is that since it is not offered through the family planning network but is sold at a price (reportedly, Rs 120 per dose), women will be able to make decisions on their own. Experience has shown that given the nexus between doctors and drug companies, there is very little room for independent decision-making especially on the part of women. Alternative information cannot compete with the onslaught of the highly visible marketing techniques used by MNC-backed drug companies

Moreover, there are reports that Net en, against the introduction of which women's groups have gone to the Supreme Court, may also be available on the market soon—German Remedies has recently placed an ad in newspapers to this effect. The case has not been disposed of as yet. Is it ethically correct, even if it is legally so, to allow the sales of Net en?

In the circumstances, there is an urgent need to press the authorities to institute a public enquiry on both these contraceptives which have been on the world market for so long and have proved to be controversial in every country they have been introduced in

UTTAR PRADESH

Targeting Dalits

THE recent violent clashes between the police and angry dalits that rocked Meerut are now being attributed to land-grabbers who wanted to seize land worth several lakhs of rupees behind the facade of installing a statue of Ambedkar. The violence was sparked off, according to the dalits, when the upper caste people prevented them from installing the statue on a vacant plot (reportedly belonging to a housing board or, according to another version, to a panchayat) and the police came out in support of the upper caste people.

Whatever might have been the reason for the violence, there are several important questions that arise from the way in which the administration dealt with the issue in Meerut. If we accept, for the sake of argument, that land-grabbers supported by a few dalit politicians looking for political mileage were behind the conflagration, it needs to be asked why the administration refuses to be equally prompt in suppressing similar land-grabbing indulged in by touts and politicians belonging to the majority community and the Hindu upper castes? It is an open secret that land-grabbers under the protection of politicians instigate riots to oust the original residents of certain areas (who usually belong to minority or dalit communities) and then seize their lands to begin the lucrative business of building residential or commercial accommodation there. This familiar pattern of provoking communal or caste riots, accompanied by arson and looting of the homes of the victims, forcing them to flee, and followed by the occupation of their land, could be observed in the riots in the wake of the Babri masjid demolition in certain areas of Bombay and Calcutta and Muslim-dominated localities in UP towns. Curiously enough, in these cases of communal riots, the administration chose to ignore the actual culprits—the land-grabbers and their political patrons—and decided instead to apprehend a few minor criminals as a show of its concern for 'law and order'. During the communal riots that rocked UP following the demolition of Babri masjid, there were few cases of the police firing upon rioters belonging to the majority community (who ruled the roost for quite some time even after the imposition of president's rule in the state).

Yet now under a government run by a shaky alliance of dalits and OBCs, we find the same police suddenly waking up to the land-grabbers-politicians axis and using that as an excuse to fire upon dalits, killing at least two and injuring scores. The lessons are clear. First, an upper-caste dominated administration in the highly surcharged communal and casteist environment in UP will invariably gun for the dalits when they violate the 'laws of the land' (the same laws which are allowed to be violated by the upper caste gentry by the same administrators) Secondly, while fighting against this discriminatory policy of the administration, dalit organisations should take care to ensure that they are not utilised by unscrupulous anti-social elements and politicians By borrowing the nefarious tactics of their enemies, dalits would only damage their own cause

SOUTH AFRICA

Minority Apprehensions

THE declaration of the emergency in Natal province and the despatch of troops to quell the spiralling violence and the ANC's support for the action are certainly a sign of the times in South Africa. In the past month the state's forces have been used twice to put down anti-election violence: once against Afrikaner right-wing groups and the Boputhatswana royalists and now against Zulu royalist-inspired violence in Natal. These events spell out more vividly than ever the problems that will confront the government after the elections.

The decision to impose the emergency has come after the failure of the talks with the Zulu king on the issue of self-governance of the tribal areas of Kwazulu. The summit meeting of president F W de Klerk, ANC chief Nelson Mandela, the Zulu king and his uncle, the leader of the Inkatha Freedom Party, collapsed after the carnage in Johannesburg early last week. At least 51 people were killed and over 173 wounded when a march in support of the Zulu king turned into a blood-bath. But even before that it was evident that the talks could have been only a face-saving measure for the Inkatha Party which has become isolated in the processes leading up to the elections later this month. In the meanwhile, violence has escalated in Natal and surrounding areas. Although the Inkatha has registered for the elections, it is evidently doing its best to regain some political clout before the event, in which it is unlikely to make an impact.

The disarray in the Zulu Party is likely to pose more, not less, of a problem for the new government. While the imposing of the emergency in the troubled province and the employing of troops to quell the violence may seem the logical solution, there is the larger issue of how such violence should be dealt with in future. Moreover, while the Inkatha's alliances with the pro-Nazi Afrikaner groups may have petered out temporarily, that there is the unresolved issue of self-governance in these areas cannot be forgotten. The Zulus fear that the ANC will wipe out Zulu culture and society and that fear cannot be brushed aside. The ANC has ruled out, on principle, the concept of self-governance. However, there have to mechanisms which ensure that adequate representation is provided in areas where because of majority interests, minorities will feel threatened. This issue cannot be dealt with in a spirit of vendetta: it has to be addressed and resolved. It is in this context that the fact that the de Klerk government has not come down heavily on the now revealed network that existed between the state's forces and the Inkatha is of concern. There are obviously sections of the state's forces who will resent the ANC's authority and unless means are found for the expression of sectional interests, they may find unconstitutional and undemocratic ways.

Rathi Ispat

BELONGING to the P C Rathi group of companies, Rathi Ispat is engaged in manufacturing alloy steel and stainless steel billets and steel castings. The company now has plans to undertake an expansion/modernisation/diversification programme with a total project outlay of Rs 27.4 crore which will enhance the present capacity from 60,000 to 1,50,000 tpa. IFCI which has appraised the project is participating in the project by way of term loans and equipment leasing finance to the tune of Rs 5.6 crore. To part finance the project the company plans to tap the capital market in the second week of May with a public-cum-rights issue of fully convertible debentures (FCDs) aggregating Rs 21 crore. FCDs in the rights issue will be convertible at a premium of Rs 20 per equity share while FCDs in the public issue will carry a premium of Rs 25 per equity share on conversion. With part of the project already completed the balance is expected to be completed by December 1994.

Neuland Laboratories

Promoted by Dr D R Rao, Neuland Laboratories is engaged in the production of salbutamol sulphate, an anti-asthmatic drug, labetalol hydrochloride, an anti-hypertension drug and ciprofloxacin, a quinolone antibiotic, at Medak district, Andhra Pradesh. The company now plans to set up installed capacities for manufacturing 8 tpa of ketorolac tromethamine, 1.5 tpa of enalapril maleate, 60 tpa of rantidine hyderothamine, 12 tpa of norfloxacin, 6 tpa of ofloxacin, 12 tpa of pefloxacin and 36 tpa of ciprofloxacin. ICICI which has appraised the project puts the project cost at Rs 15.7 crore. To part finance the project the company plans to tap the capital market with an issue of equity shares of Rs 10 each at a premium of Rs 35 per share aggregating Rs 8.7 crore. While equity shares have been reserved of firm allotment basis to UTI, ICICI, SCICI and Morgan Stanley (at the same premium), the public issue opens for subscription on April 18.

Pantaloon Textile

Pantaloon Textile Industries which is engaged in the manufacture of blended fabrics, primarily trousers and suitings material under the brand name 'Pantaloon Expression' is entering the capital market with a public issue aggregating Rs 3.6 crore. Promoted by Kishore Biyani, the company belongs to the Pantaloon Fashions group and sells its products to established names such as One Plus One Creations (Cliff), Nims Apparel (Double Bull), Impex Enterprises (Moustache) and Mayfair Knitting Industries in addition to the group flagship, Pantaloon Fashions. The company now plans to expand its capacity from 5.3 lakh metres of fabrics per annum to 30.4 lakh metres per annum at a total outlay of Rs 8.5 crore. The public issue which consists of equity shares of Rs 10 each at par is to part finance the expansion project and will open for subscription on April 18.

SB and T International

A Bombay-based profit-making company, SB and T International is a 100 per cent export-oriented unit promoted by S K Sethi for manufacturing diamonds and coloured stones, studded gold alloy and jewellery like rings, pendants, bracelets, ear-rings, etc. The company now plans to double its capacity from the existing 408 kgs to 816 kgs at a total cost of Rs 7.9 crore. It has entered into a technical and financial collaboration agreement with SB and T Gem Imports Inc, USA which has also agreed to buy-back 75 per cent of the company's production for a period of 20 years. The company expects to commence commercial production on the expanded capacity by May 1994 and the projected capacity utilisation for the first year of operations on expanded capacity, i e, 1994-95, is 60 per cent. To part finance the project the company will enter the capital market on April 18 with a public issue of equity shares of Rs 10 each at a premium of Rs 40 per share aggregating Rs 5.9 crore.

Apple Mutual Fund

Apple Mutual Fund which has been sponsored by Apple Industries is coming out with a close-ended scheme christened 'Apple Midas Fund—The Goldshare'. This is a five-year growth-oriented scheme which will consist of five crore units of Rs 10 each and will be listed on the Bombay, Calcutta, Delhi, Madras, Ahmedabad and Baroda stock exchanges. Around 85 per cent of the proceeds of the fund will be invested in equity and equity-related instruments while the rest will be invested in debt and money market instruments. The fund which will announce its net asset value on a weekly basis in addition to making a full disclosure of its portfolio annually will open for subscription on April 12.

Shoppers Investment

An existing listed company, Shoppers Investment and Finance Company is engaged in the business of hire purchase and consumer durable financing. Promoted by G Mohan, the company already has branches in Madras, Mylapore, Tanjore, Trichy, etc, and has entered into an agreement with Reliable Hire Purchase Company for the use of the brand name 'Ready Money'. The company now plans to expand its operations at a total cost of Rs 11.3 crore and also market small-scale industries' products under its brand name. To part finance its plans the company is offering to the public equity shares of Rs 10 each at a premium of Rs 2 per share aggregating Rs 6 crore in addition to a rights issue of Rs 3.3 crore and promoters' contribution of Rs 2 crore. The issue which will reduce the promoter's stake to 26 per cent will open for public subscription on April 15.

Bombay Offshore Supplies

Bombay Offshore Supplies and Services (BOSS), one of the few companies engaged in the highly specialised and strategic oil and gas industry, has been promoted by P V S Sawhney for providing and indigenising specialist services to the oil and gas industry. BOSS plans to tap the capital market on April 25 with a public issue of 180 lakh equity shares of Rs 10 each at par aggregating Rs 18 crore. The issue is to part finance the company's project which involves contract drilling by way of charger hire of the rig, BOSS Prithvi to oil explorating agencies/companies in India and/or abroad. The rig has undergone a comprehensive refurbishing at Dubai drydocks and will be placed on charter hire with oil and gas exploration companies' agencies in Indian waters by the end of 1994.

Pan India Drugs

Pan India Drugs and Chemicals commenced production of trimethoprim, norfloxacin and disclofenac sodium under phase I of its Rs 4.6 crore project in February this year. The company is now setting up production facilities for manufacturing 225 mtpa of ibuprofen under phase II of the project which is expected to be completed in this July. The company has already entered into an export tie-up with Panchsheel International, Bombay, for 100 per cent of its production under phase I and 150 mt of ibuprofen under phase II. Further, it has export orders worth $ 90,750 for 4,000 kgs of trimethoprim and disclofenac. To part finance the project the company plans to tap the capital market on April 18 with a public issue of equity shares of Rs 10 each at par aggregating Rs 2.8 crore.

The annual rise in WPI has almost touched double-digits and much of the increase has been in basic consumption goods and non-food primary articles. A majority of the infrastructure industries have shown some growth over the fiscal year, except hydel power, cement and fertiliser. Base money has been swelling continuously due to the RBI's market intervention in buying foreign exchange. The trade weighted exchange rate of the rupee has risen over the previous year, particularly in real terms. There was a substantial decline in tourist arrivals in 1993-94. There was also a reduction in net aid inflow. Foreign exchange reserves have crossed the $ 15 billion mark.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1980-81=100)	Weights	Mar 19, 1994	Variation (Per Cent): Point-to-Point Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1993-94	Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	256.0	0.9	9.9	7.1	9.8	7.0	7.0	13.6	12.1	9.1
Primary Articles	32.3	258.4	1.2	11.2	2.5	11.3	3.1	3.0	15.3	17.1	6.4
Food Articles	17.4	281.6	–0.4	4.8	5.1	4.9	5.5	7.5	20.9	18.9	2.1
Non-Food Articles	10.1	276.2	4.4	23.1	–2.5	23.1	–1.4	–1.4	8.1	19.3	13.4
Fuel, Power, Light and Lubricants	10.7	276.4	0.4	12.4	15.2	12.4	15.2	15.2	13.2	14.4	6.3
Manufactured Products	57.0	250.8	0.9	8.6	8.3	8.5	7.8	7.9	12.6	8.9	11.1
Food Products	10.1	250.7	1.0	11.7	6.4	11.7	6.8	6.8	10.2	13.2	12.9
Food Index (computed)	27.5	270.3	0.1	7.0	5.5	7.1	5.9	5.8	17.2	16.8	5.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1993-94	Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90
Industrial Workers (1982=100)	263[1]	–0.4	9.1	5.7	8.2	5.2	6.1	13.9	13.6	6.6
Urban Non-Man Emp (1984-85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1166[1]	nil	9.4	5.0	10.7	1.9	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Mar 4, 1994	Variation (Per Cent) Over Month	Fiscal Year So Far 1993-94	Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91
Money Supply (M3)	428828	6808 (1.6)	62003 (16.9)	46535 (14.7)	45184 (14.2)	51653 (19.4)	35517 (15.4)
Currency with the Public	82402	2083 (2.6)	14129 (20.7)	7856 (12.9)	7414 (12.4)	8050 (15.2)	6419 (13.8)
Deposits with Banks	343159	3116 (0.9)	45920 (15.4)	38380 (15.0)	37152 (14.5)	43392 (20.5)	29252 (16.0)
Net Bank Credit to Govt	204632	–1497 (–0.7)	28394 (16.1)	15947 (10.1)	17826 (11.3)	18070 (12.9)	23569 (20.0)
Bank Credit to Comml Sector	234171	1046 (0.4)	14036 (6.4)	29736 (15.8)	28380 (15.1)	16225 (9.4)	21205 (14.1)
Net foreign exchange assets of the banking sector	49690	9224 (22.8)	24738 (99.1)	–1804 (–8.5)	25014 (18.0)	21205 (100.4)	10581 (59.1)
Reserve Money (Mar 11, 94)	136778	3374 (2.5)	25999 (23.5)	7631 (7.7)	11438 (11.5)	11726 (12.4)	14577 (1.2)
Net RBI Credit to Centre (Mar 11, 94)	100576	–2579 (–2.5)	4053 (4.2)	4665 (4.9)	2175 (2.3)	5904 (6.7)	15864 (21.8)
Scheduled Commercial Banks (Mar 18, 94)							
Deposits	313814	4191 (1.4)	45242 (16.8)	37814 (16.4)	37814 (16.4)	38216 (19.8)	25583 (15.3)
Advances	163622	1075 (0.7)	11640 (7.7)	26390 (21.0)	26390 (21.0)	9291 (8.0)	14848 (14.6)
Non-food advances	152715	1338 (0.9)	7476 (5.1)	24317 (20.1)	145239 (20.1)	120922 (8.2)	111795 (12.4)
Investments	132393	3788 (2.9)	26737 (25.3)	15460 (17.1)	15460 (17.1)	15131 (20.2)	10696 (16.6)

Index Numbers of Industrial Production (1980-81=100)	Weights	Nov 1993	Average for Fiscal Year So Far 1993-94	Average for Fiscal Year So Far 1992-93	Variation (Per Cent): Fiscal Year Averages 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	219.9	211.1 (1.9)	207.2 (4.0)	1.6	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	227.5	208.3 (–0.2)	208.7 (2.4)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	209.1	201.1 (1.1)	198.9 (4.2)	0.9	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	285.6	281.8 (7.4)	262.3 (4.5)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	Apr 7, 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
BSE Sensitive Index	3836	3745	2409	2037	3455	2281	4285	1168	781	714	398
(1978-79=100)	(59.2)		(–43.8)*			(–46.8)	(266.9)	(49.6)	(9.4)	(79.4)	
National Index	1868	1804	1070	934	1659	1021	1968	589	421	372	211
(1983-84=100)	(74.6)		(–45.6)*			(–48.1)	(234.1)	(39.9)	(13.2)	(76.3)	

* Over March 31, 1992.

External Sector	Feb 1994	Cumulative for Fiscal Year So Far 1993-94	Cumulative for Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90
Exports: Rs crore	6356	62181 (31.6)	47234 (21.3)	53351 (21.1)	44042 (35.3)	32553 (17.6)	27681 (36.8)
US $ mn	2035	19825 (20.6)	16441 (2.8)	18421 (3.1)	17866 (–1.5)	18143 (9.1)	16626 (19.0)
Imports: Rs crore	6131	63780 (11.3)	57302 (33.5)	62923 (31.5)	47851 (10.8)	43193 (22.0)	35416 (25.4)
US $ mn	1955	20335 (2.0)	19945 (13.1)	21726 (11.9)	19411 (–19.4)	24073 (13.2)	21272 (9.1)
Balance of Trade: Rs crore	225	–1599	–10068	–9,572	–3,809	–10,640	–7,735
US $ mn	80	–510	–3504	–3,305	–1,545	–5,930	–4,646

Foreign Exchange Reserves	Mar 25, 1994	Variation Over Month	Year	Fiscal Year So Far 1993-94	Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90	1988-89
Rs crore	47276	6362	28290	27080	4174	5385	10223	–1383	–795	–647
US $ mn	15095	2013	9073	8643	301	,731	3383	–1137	–854	–1386

External Sector

Exchange Rates of the Rupee	Nov 1993	Nov 1992	March TWER 1993	1992	1991	1990	1989	1988	1987	1986
36-Country TWER (1985=100) :										
Official Rates										
(Based on FEDAI Rates within brackets)										
Nominal	(46.85)	(45.5) 51.17	(45.11)	(43.87) 49.89	64.08	75.52	73.43	79.82	82.19	92.01
Real	(65.11)	(60.04) 68.29	(59.37)	(56.53) 64.24	74.69	78.70	77.52	84.56	84.73	92.13

	March 25, 1994	Month Ago	Year Ago	Mar 31, 1993	Mar 31, 1992	Monthly Average Rates March 1993	March 1992	Annual Average Rates 1992-93 (Apr-Feb)	1991-92	1990-91
Official/RBI Reference Rate/Rs per US $	31.37	31.37	31.43	31.23	25.89	31.37	25.89	25.97	24.47	17.94
Market/FEDAI Rate (Rs per US $)	31.37	31.37	31.42	31.22	25.89	31.53	29.46	—	—	—

Foreign Direct Investment	Foreign Collaboration Approvals 1993 (up to Dec)	1992	1991	1990	Approvals Involving Foreign Investment 1993	1992	1991	1990
Number	1476	1520	950	666	785	692	289	194

	Amount of Foreign Investment Approved 1993	1992	1991	1990	Actual Flow of FDI 1993-94*	1992-93	1991-92	Actual Flow of Portfolio Investment 1993-94*	1992-93
Rs Crore	8860	3890	530	120	1882	1694	365	7529	701
US $ million	2852	1386	215	67	600	585	148	2400	242
* Expected by government									

Foreign Aid (Rs Crore)	April-Jan 94	April-Jan 93	1994-95 (Budget)	1993-94 (RE)	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Net Aid Receipts	1575	2405	4279	3837	5319	5421	3181	2595	2460	2893
Net Aid Inflows	–1910	–973	118	–38	1514	2717	1347	1101	1218	1916

	Cumulative for Fiscal Year So Far 1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985*
Tourist Arrivals (000)	1700.0	1820.8	1820.8	1781.9	1613.7	1765	1619.3	1513.5	1491.9	836.9
	(–6.6)	(–)	(2.2)	(10.4)	(–8.6)	(9.0)	(7.0)	(1.4)	—	—

Bullion

Bullion Prices	April 5, 1994	Month Ago	Year Ago	Mar 1993	Mar 1992	Mar 1991	Mar 1990	Mar 1989	Mar 1988	Mar 1987
Bombay Gold (Rs/10gm)	4628	4589	4160	4082	4443	3440	3140	3140	3140	2580
London Gold ($/Oz)	387.35	377.30	340.30	330.34	344.64	363.39	393.66	390.27	443.49	408.85
Spread over London (Per Cent)	18.5	20.6	21.4	21.9	36.1	53.4	44.8	61.3	69.6	53.6
Bombay Silver (Rs/Kg)	7232	6884	5546	5492	8050	6663	6464	6755	6136	4780
New York Silver ($/Oz)	5.64	5.24	3.99	3.63	4.50	3.97	5.07	5.79	6.41	5.69
Spread over New York (Per Cent)	27.1	30.3	30.1	49.1	88.9	171.8	131.5	133.9	129.4	104.4

Estimated Imports (Official/ Clandestine; Tonnes)	1993 Q1	Q2	Q3	Q4	Total	1992	1991	1990	1989	1988
Gold	65	38	56	71	230.0	259.0	150.0	170.0	172.5	135.0
Silver	806	875	842	1097	3620.0	1750.0	1360.0	1300.0	650.0	250.0

Industrial Production

Infrastructure Industries	Jan 94	Variation Over Month	Year	Cumulative for Fiscal Year So Far 1993-94	1992-93	1992-93	1991-92	1990-91
Coal (mn tns)	25.3	1.3 (5.4)	0.6 (2.4)	190.9 (4.4)	182.9 (2.7)	238 (3.9)	229 (8.3)	212 (5.4)
Electricity Generation (mn kwh)	28749	768 (2.7)	1379 (5.0)	266516 (7.1)	248794 (4.9)	300989 (5.0)	286700 (8.5)	264300 (7.7)
Hydel (mn kwh)	5035	–44 (–0.9)	–283 (–5.3)	60102 (0.9)	59575 (–3.4)	69776 (–3.8)	72550 (1.4)	71530 (15.2)
Thermal (incl nuclear) (mn kwh)	23714	812 (3.5)	1662 (7.5)	206414 (9.1)	189219 (7.9)	231213 (8.0)	214150 (11.1)	192700 (5.1)
Crude Petroleum (000 tns)	2332	25 (1.1)	83 (3.7)	22330 (–1.6)	22694 (–10.7)	26945 (–11.2)	30340 (–8.2)	33020 (–3.1)
Petroleum Products (000 tns)	4831	347 (7.7)	530 (12.3)	45243 (0.8)	44878 (6.3)	53487 (10.6)	48350 (–0.4)	48560 (–0.3)
Saleable Steel (000 tns)	1091	72 (7.1)	39 (3.7)	9698 (4.5)	9279 (–4.6)	10454 (–1.1)	10570 (13.3)	9330 (1.3)
Cement (000 tns)	4836	683 (16.4)	–397 (–7.6)	46894 (6.2)	44175 (0.6)	54140 (–5.2)	57100 (4.0)	54900 (–0.9)
Fertilisers (N) (000 tns)	679	95 (16.3)	26 (4.0)	5966 (–2.8)	6139 (–11.1)	7431 (1.2)	7300 (4.4)	6990 (3.7)
Fertilisers (P_2O_5) (000 tns)	170	5 (3.0)	–41 (–19.4)	1407 (–29.3)	1991 (–9.1)	2292 (–10.5)	2560 (24.9)	2050 (14.5)
Revenue Earning Goods Traffic on Railways (mn tns)	32.4	0.9 (2.9)	0.8 (2.5)	290.6 (1.5)	286.2 (3.7)	350 (3.4)	338 (6.2)	318 (2.7)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) – means not available. * Calendar year.

PRAKASH INDUSTRIES

Diversification into Steel

THE first picture tube company in the country to get ISO 9002 recognition, Prakash Industries (PI) which declared a 1:2 bonus issue last year, has further improved over its performance in 1992-93. A multi product multi-divisional company, PI manufactures rigid pvc pipes profiles, fittings and moulded fittings, black and white TV picture tubes, magnetic tapes for video cassettes, blank video cassettes and glass shell for black and white TV picture tubes but draws a major part of its income from the former three items.

For the year 1992 93 the company's net sales rose by 13 per cent and gross profit and net profit registered an increase of 12.6 per cent and 39 per cent respectively. The company's picture tube division showed marked improvement, producing 7,68,770 picture tubes (pts) as against 7,50,000 pts produced in the previous year. Sales rose from 7,47,041 pts to 7,69,185 pts while realisation and profitability improved considerably. The company's pvc pipe division in Madhya Pradesh is a major supplier of pvc pipes to government departments in north India. Though production and sale of pvc pipes improved to 14,596 mt (14,320 mt) and 14,640 mt (14,339 mt) respectively, sale realisation suffered with the division's turnover falling from Rs 51.8 crore to Rs 47.8 crore The video tape division saw a 100 per cent increase in export earnings while the company's total export earnings rose by 56.9 per cent over the previous year

The company's 1,50,000 tpa sponge iron plant in Madhya Pradesh was commissioned in November 1993 and is reportedly operating at over 120 per cent capacity utilisation within a short span of five months from the date of commissioning. The plant is based on SL/RN technology of Lurgi, Germany, and was implemented in a record 31 months. It has already achieved metallisation of over 92 per cent as compared to an industry average of about 86-88 per cent. The company has also embarked on a diversification project for manufacture of rolled steel products and an iron-ore mining project. The company's power co-generation plant which converts hot gases emanating from the sponge iron kiln and generates up to 10 MW of power will also partly cater to the proposed steel plant in addition to meeting the entire power requirements of the sponge iron plant. The power co-generation plant is the first of its kind in the country and has been designed by Lurgi. It has started generation of power. The proposed steel plant at the sponge iron site will produce rolled steel products like structurals, joists, channels, angles and alloy constructional steel of various sizes and grades which will find application in power plants, dams and bridges, transportation, heavy industrial projects and seamless pipes manufacturing units. With the commissioning of the diversification project the company's sponge iron plant will be the first integrated steel complex through the sponge iron route in the country

The company's pvc pipe division has secured deemed export orders for supply of pvc pipes to World Bank aided projects of West Bengal and Bihar governments and the division has also commissioned one unit for manufacturing rigid pvc pipes to cater to the vast demand for pvc pipe in Punjab and Haryana.

For the first half of 1993-94 the company has further improved its performance. Net sales rose from Rs 65.8 crore in the corresponding period last year to Rs 68.6 crore and net profit rose from Rs 4.8 crore to Rs 5.1 crore.

GUJARAT STEEL TUBES

Victim of Recession

The drastic reduction in the government's purchases coupled with the other anti-inflationary measures led to severe recessionary trends in the domestic market. With the sharp fall in selling prices in the second half of 1992-93 following acute slackness in demand, Gujarat Steel Tubes (GST) suffered a net loss for the third year in succession. The adverse conditions prevailing were aptly reflected in the fact that SAIL for the first time offered clean credit to its buyers. This was necessary as the market could not absorb the 25 per cent higher prices of HR coils and CR coils with the result that GST's margins came under severe pressure. Further the recession in the automobile industry affected the output of the precision tube division with production of welded black, galvanised and precision steel pipes and tubes falling from 68,588 mt in 1991-92 to 67,213 mt. Sales were also lower at 54,119 mt (59,802 mt) of pipes/tubes and 8,356 mt (8,087 mt) of precision tubes and despatches were badly affected by the disturbances in Gujarat and Maharashtra in December 1992 and January 1993.

For 1992-93 the company's total income increased by 12.4 per cent, but a sharp rise in operating expenses led to a drastic fall of 81.2 per cent in operating profit. A 14.5 per cent rise in interest charges (despite a fall in total term loans) added to the company's woes and net profit fell by a phenomenal 245.7 per cent over the previous year. A 12 per cent rise in the GST's exports and a 20 per cent rise in FOB value of exports acted as a silver lining with the company restarting exports to Kuwait and also entering a new market, namely, Zambia. GST received the EEPC All-India Award for Export Excellence for the year 1991-92.

With the government refunding the balance of excess customs duty of Rs 2 crore, the company has received the entire refund of Rs 6.1 crore. The continuing liberalisation on the economic front has resulted in easy availability of the company's main raw material, HR coils and CR coils. With this the company will be able to better utilise its capacity. During the year under review the company revalued its land at villages Kali and Chenpur and the net surplus of Rs 7.2 crore was credited to revaluation reserves.

For the first six months of 1993-94 the company suffered a net loss of Rs 3.6 crore on a net sale of Rs 61.5 crore.

SURAJ VANASPATI

Lower Profit

Keen competition in the market and consequent sharp fall in selling prices led to a fall in the profitability of Suraj Vanaspati, a UP-based company, in 1992-93. The company's gross profit fell by 18.5 per cent and net profit fell by 37.9 per cent over 1991-92. Despite an increase in production and sale of vanaspati from 30,332 mt and 30,858 mt in 1991-92 to 36,593 mt and 36,258 mt in 1992-93, respectively, sale realisation fell drastically leading to severe pressure on margins. A more than proportionate increase in operating expenses and a sharp rise in tax provision also contributed to the fall in net profit. The company achieved a capacity utilisation of 111 per cent on an installed capacity of 33,000 mtpa. However, net value added fell 21.4 per cent with the proportion of net value added to value of production falling from 6.2 per cent last year to 4.6 per cent. Despite the fall in profit the company raised the dividend rate from last year's maiden 12 per cent to 20 per cent.

(Rs lakh)

Financial Indicators	Prakash Industries March 1993	Prakash Industries March 1992	Gujarat Steel Tubes March 1993	Gujarat Steel Tubes March 1992	Suraj Vanaspati March 1993	Suraj Vanaspati March 1992	Orissa Synthetics March 1993	Orissa Synthetics March 1992	Priyadarshini Cement March 1993	Priyadarshini Cement March 1992
Income/appropriations										
1 Net sales	12597	11139	13598	13122	12453	11838	8666	5491	10025	9020
2 Value of production	12098	11242	14075	12516	12426	11715	9188	5133	10040	8956
3 *Total income*	12153	11291	14107	12555	12461	11741	9264	5177	10057	8992
4 Raw materials/stores and spares consumed	7513	8119	12040	10163	10132	9958	6593	3806	699	420
5 Other manufacturing expenses	1278	209	299	275	282	189	580	370	2638	2166
6 Remuneration to employees	317	262	705	649	127	83	306	205	209	172
7 Other expenses	854	690	960	919	1387	991	832	565	3266	2998
8 *Operating profit*	2191	2011	103	549	536	520	953	231	3245	3236
9 Interest	990	995	609	532	119	120	3461	1745	1166	1283
10 *Gross profit*	1200	1066	–317	24	410	503	–2508	1514	2074	1971
11 Depreciation	244	288	167	164	100	93	1	0	666	661
12 *Profit before tax*	956	778	–484	–140	310	410	2509	1514	157	273
13 Tax provision	0	90	0	0	87	51	0	0	0	0
14 *Profit after tax*	956	688	–484	–140	223	359	–2509	1514	157	273
15 Dividends	380	183	0	0	110	66	0	0	0	0
16 Retained profit	576	505	–484	–140	113	293	2509	1514	157	273
Liabilities/assets										
17 Paid-up capital	1817	678	734	729	550	549	4799	4798	2003	2002
18 Reserves and surplus	4217	2541	1418	1244	464	350	8947	6291	2142	–2299
19 Long term loans	12923	9074	924	979	488	605	24450	20437	7615	8322
20 Short term loans	7136	2570	2541	2778	603	146	618	548	60	0
21 Of which bank borrowings	2632	2378	2373	2277	603	146	0	0	0	0
22 Gross fixed assets	21939	10268	5136	4380	1438	1222	18744	18087	7749	7674
23 Accumulated depreciation	1985	1750	2252	2034	252	152	1	1	3372	2705
24 Inventories	3038	3096	2713	3140	551	546	2485	1683	1361	1073
25 Total assets/liabilities	29195	16874	8872	8460	2459	1936	23474	21559	8406	8592
Miscellaneous items										
26 Excise duty	396	576	274	0	317	279	4191	1004	2335	1662
27 Gross value added	2617	2362	1198	1222	671	819	1260	439	2476	2517
28 Total foreign exchange income	1233	786	975	814	0	0	0	196	0	0
29 Total foreign exchange outgo	4807	2852	812	819	4	1	1578	3280	47	1
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	43 1	66 0	153 3	155 1	506 4	611 5	36 9	25 5	119 3	105 0
31 Sales to total net assets (%)	48 3	74 9	242 1	229 0	591 6	717 5	41 4	28 2	133 0	112 4
32 Gross value added to gross fixed assets (%)	11 9	23 0	23 3	27 9	46 7	67 0	6 7	2 4	32 0	32 8
33 Return on investment (gross profit to total assets) (%)	4 1	6 3	-3 6	0 3	16 7	26 0	10 7	–7 0	24 7	22 9
34 Gross profit to sales (gross margin) (%)	9.5	9 6	–2 3	0 2	3 3	4 2	28 9	–27 6	20 7	21 9
35 Operating profit to sales (%)	17.4	18 1	0 8	4 2	4 3	4 4	11 0	4 2	32 4	35 9
36 Profit before tax to sales (%)	7 6	7 0	-3 6	–1 1	2 5	3 5	29 0	-27 6	1 6	3 0
37 Tax provision to profit before tax (%)	0 0	11 6	0 0	0 0	28 1	12 4	0 0	0 0	0 0	0 0
38 Profit after tax to net worth (return on equity) (%)	15 8	21 4	–22 5	–7 1	22 0	39 9	60 5	101 4	–112 9	–91 9
39 Dividend (%)	25 0	27 0	0 0	0 0	20 0	12 0	0 0	0 0	0 0	0 0
40 Earning per share (Rs)	5 26	10 15	–6 59	–1 92	4 05	6 54	–5 23	–3 16	0 78	1 36
41 Book value per share (Rs)	33 21	47 48	25 56	20 04	18 44	16 38	–8 64	–3 11	–0 69	–1 48
42 P/E ratio (based on latest and corresponding last year's price)	8.4	4.1	–1 5	–7.8	4 3	3 6	2 3	2 9	15 3	9 7
43 Debt-equity ratio (adjusted for revaluation) (%)	214.2	281.9	49 3	67 0	48 1	67.3	-589 4	–1368 9	–5478 4	-2802 0
44 Short term bank borrowings to inventories (%)	86.6	76 8	87 5	72 5	109 4	26 7	0 0	0 0	0 0	0 0
45 Sundry creditors to sundry debtors (%)	65.1	45 6	131 5	126 8	450 0	1020 0	162 9	151 6	35 4	31 9
46 Total remuneration to employees to gross value added (%)	12.1	11 1	58 8	53 1	18 9	10 1	24 3	46 7	8 4	6 8
47 Total remuneration to employees to value of production (%)	2.6	2 3	5 0	5 2	1 0	0 7	3 3	4 0	2 1	1 9
48 Gross fixed assets formation (%)	113 7	95 6	1 1	2 2	17 7	—	3 6	59 1	1 0	0 6
49 Growth in inventories (%)	–1 9	8.7	–13 6	–0 4	0.9	--	47 7	22 2	26 8	10 5

Launched last year, the company's expansion plan will increase the plant production capacity by 50 per cent from the existing 33,000 mt. Commercial production was expected to commence in 1993-94. The company has also invested Rs 1 crore in a new company, namely, Suraj Industries, which is being set up in the assisted sector with HPSIDC. The new company is setting up a vanaspati and refined oil manufacturing unit in Himachal Pradesh.

With excess capacity and poor realisations putting pressure on the vanaspati industry's margins, the company has performed poorly in the first half of the current year. Net sales fell from Rs 65.9 crore in the corresponding period last year to Rs 55.4 crore and net profit fell from Rs 1.3 crore to Rs 0.7 crore.

ORISSA SYNTHETICS

Reconstruction Scheme

Orissa Synthetics, a sick company belonging to the B H Singhania group, slumped deeper into the red with a net loss of Rs 25 crore during the year ended March 1993. Referred to the Board for Industrial and Financial Reconstruction (BIFR) for rehabilitation, the company is being merged with its parent company, Straw Products, as per the proposals of its operating agency, IDBI. The merger, which will be with retrospective effect from February 1, 1992, will enable the company to turn around and restructure its liabilities through reliefs, concessions and exemptions provided by financial institutions, banks and the Orissa government. The BIFR order has also provided tax reliefs to the company under Section 72A of the Income Tax Act, 1961.

During 1992-93, the company's net sales increased by 57 per cent in spite of severe competition in the PSF market. The increase in turnover is attributable mainly to full utilisation of its new polyester filament yarn (PFY) plant and higher capacity utilisation of the polyester staple fibre (PSF) unit. Since production of PSF increased to 10,201 MT during the year from 8,428 MT, the company was able to increase its demand exports and offset the setback to direct exports because of imposition of anti-dumping duties in European markets and general international recession. Overall, exports declined by 69.4 per cent.

With the budget for 1994-95 having accorded sops to the man-made fibre industry and reduced the duties on PSF as well as its raw materials, the company should be able to do well in the coming years. Moreover, the merger with Straw Products envisages that the latter, besides altering the product mix, would provide additional funds to meet Orissa Synthetics' requirements for deferred capital expenditure, upgradation of existing facilities and addition of high value products.

To consolidate its presence in the market, the company, through research and development efforts, has developed new value added products, improved product quality and is trying to optimise process parameters to achieve overall optimisation of production. The company spent 0.6 per cent of its turnover on R and D during the year.

For the first half of 1993-94, the company has posted a net loss of Rs 12.2 crore on sales of Rs 91.3 crore.

PRIYADARSHINI CEMENT

Rise in Costs

A Hyderabad-based company, Priyadarshini Cement has not been able to post a commensurate increase in profitability along with its turnover in 1992-93. Though operating and gross profits improved by 0.3 and 5 per cent, respectively, on a 11 per cent increase in net sales, profit after tax declined by 42.5 per cent.

The company has attributed the decline in net profit to increase in coal costs, power tariffs and the royalty payable on limestone. Further, sluggish market conditions due to lack of demand from state and central governments resulted in stagnant sales realisation and affected margins. Thus, while the gross profit to net sales ratio improved, net profit margin halved and the return on equity deteriorated further. The company's inventories to sales ratio also moved up. However, remuneration to employees as a percentage of both gross value added and value of production improved. Because of accumulated losses of the previous years, the company has yet again missed the dividend list.

During the year, the company achieved a capacity utilisation of 119 per cent, the highest achieved by it thus far. As a result, production of cement increased by five per cent from 6,80,706 mt to 7,14,432 mt. The company's manufacturing process is based on know-how from Onoda Engineering Consulting Company, Japan.

For the fist six months of 1993-94, Priyadarshini Cement has posted a marginal net loss of Rs 0.3 crore on net sales of Rs 43.8 crore.

Industrial Sickness and Corporate Restructuring

Bagaram Tulpule

Sweeping generalisations, such as offered by the Committee on Industrial Sickness and Corporate Restructuring, do not help in correct diagnosis and treatment of the malaise of industrial sickness.

WHAT the report of the Onkar Goswami Committee on Industrial Sickness and Corporate Restructuring says is just what the finance ministry must have liked to hear. Nor would this be a coincidence. In the preface to the report, the committee tells us how it came to be constituted. A group of economists and lawyers was invited to make a presentation on various aspects of industrial sickness and corporate restructuring 'for the benefit of the finance minister'. After the presentation, the minister requested the same group to constitute itself into a committee. Thus, the views of the committee were already known to the ministry and the committee took no more than three months to give them the formal shape of a report. Besides, three of the seven members of the committee including the chairman were associated with a project on industrial sickness initiated by Rakesh Mohan of the finance ministry over two years earlier. Thus, the committee's report and recommendations could not contain much that was not already known to the ministry. Perhaps it was felt in the ministry that calling the group a 'Committee' would give greater weight to its views!

Unlike usual practice, the report does not include the terms of reference given to the committee by the ministry. Perhaps formal terms of reference were not deemed necessary the way the committee came to be constituted.

The committee sets out its credo almost at the beginning of the introduction itself and it deserves to be reproduced at some length: "The prospects of industrial growth and investment depend upon the signals that India gives to the rest of the world as well as to her own entrepreneurs. The reforms initiated in July 1991 have already started sending positive signals. People realise that there has been a serious attempt at macro-economic management, reducing the fiscal deficit, cutting unwarranted subsidies, reorienting the import regime away from quotas to tariffs, introducing floating exchange rates on trade account, eliminating a number of hitherto sacred barriers to entry and at restructuring the fiscal system to gradually bring import duties in line with competing developing nations." Further, "It requires giving signals to potential entrepreneurs... about the scope of operational flexibility--in the choice of output, of markets and in the use of labour and capital... and reutilising the land and labour thus freed in the best possible manner." The various barriers to restructuring, the committee unanimously holds, "...serve no economic goal, choke off future growth opportunities and foster an uncompetitive environment which rapidly leads to gross and pervasive industrial sickness... These barriers are anti-labour... result in a systematic drain on scarce public funds... barriers to restructuring have only one overriding purpose: they maintain an army of inefficient promoters and managers... who justify their incompetent existence on the ground that their firms 'protect' employment." This credo is clearly on the same wave-length as the thinking of the present economic policy-makers and is stated in a forceful and sweeping style

The committee has discussed at length the extent of sickness in the private and public sectors and presented an analysis of the financial aspect of sickness highlighting the unsustainably high fixed costs, especially interest and labour costs of sick units. It has also dealt exhaustively with the working of the Sick Industrial Companies (Special Provisions) Act,1985 (SICA) and with the powers and procedures of the Board of Industrial and Financial Reconstruction (BIFR) set up under the act. In the committee's opinion, the present definition of a 'sick' unit results in sickness being identified too late and hence rehabilitation being much more difficult. In fact, the committee takes the view that rehabilitation is not the primary role of SICA and BIFR and wants that words closely associated with rehabilitation—'preventive', 'ameliorative' and 'remedial'—should be omitted from SICA. "We shall not proceed very far in industrial restructuring unless we radically alter the form, content and scope of SICA", the committee asserts (paras 3.4.9 and 3.4.10) and presents an alternative draft of SICA. The committee is strongly critical of the exceedingly slow working and procedures of the BIFR. Few will disagree with this last criticism.

'Barriers to restructuring' come up again and again in the report and the committee clearly regards these as the principal culprits both in "rapidly leading to gross and pervasive sickness" and in thwarting restructuring of viable units and withdrawal (the word 'exit' is scrupulously avoided) of the non viable ones Techno-commercial and managerial factors which are the real causes of industrial sickness are hardly discussed anywhere in the report which focuses almost exclusively on the financial aspects of the malaise which really are not the cause but the consequences of techno-commercial and managerial failures.

According to figures given by the committee, the number of large and medium sick firms in the year 1989 was 2,269 and the bank credit locked up in them was Rs 6,926 crore. While it talks of 'pervasive sickness', it has not placed the above figures in the context of the total number of large and medium firms in the country and the total bank credit outstanding in them. According to ASI data for the relevant year, the number of factories employing capital of over Rs 35 lakh was 10,750. If non manufacturing large and medium firms are added to this figure the proportion of sick firms to the total may be of the order of 20 per cent. Similarly, assuming that a bank credit limit of Rs 10 lakh and more would apply to large and medium firms, the total outstanding bank credit to such firms in June 1989 was Rs 44,299 crore. Thus outstanding bank credit in sick large and medium industries at that time was about 15.6 per cent of the total credit outstanding in all such firms.

These percentages of number of sick units and outstanding bank credits in large and medium segment are, no doubt, large. The question, however, is: do these percentages indicate 'pervasive' industrial sickness resulting from the very system which places 'barriers' in the way of restructuring? A related question is, if there were no so-called barriers to restructuring or where they do not exist, do no industrial units go sick and is the proportion of such sick units significantly lower? Even where sick units are allowed to die out, or withdraw, which is the preferred term, how much of the outstanding bank credit, the 'scarce public funds', are recovered from them?

This is not to trivialise the problem of industrial sickness but to caution against losing perspective and a sense of proportion. Sweeping generalisations do not help in proper diagnosis and treatment of the malaise of industrial sickness.

The committee, as mentioned above, makes no effort whatever to go into the real causes of industrial sickness which are mostly techno-commercial and managerial and sometimes government trade and tariff policies. Financial troubles like high fixed costs, continuing cash losses, high debt-equity ratio, negative net worth and default in payment of bank and labour dues are consequences and indications but not the causes of sickness. The recommendations of the committee which relate exclusively to the financial factors, therefore, cannot forestall sickness. Even if all the precautions recommended are taken by the banks and financing institutions, if the real causes of sickness persist, sickness will not be pre-empted; only timely 'withdrawal' of firms will be achieved.

Understandably, the most important remedy in tackling sickness which recurs frequently in the report is speedy winding up of a non-viable unit, sale of its assets, mainly land and paying off secured creditors and labour to the extent possible. The committee does talk about 'reutilising' the labour 'thus freed' (read 'thrown out of jobs') in the best possible manner. It cannot be unaware that in the present environment and government policies, vacancies for productive reutilising of displaced workers just do not come up. So, 'carefully computed drafts' on the so called National Renewal Fund (NRF) are all the relief that the displaced workers can look forward to.

As mentioned above, barriers are viewed by the committee both as factors leading to pervasive sickness and as thwarting remedial action. There is a whole chapter in the report titled 'Barriers to Restructuring'. Section 5.1 of this chapter is titled 'What Are Barriers to Restructuring'. This section has three paras but one reads them in vain so far as discovering what barriers the committee has in mind. Further on, the chapter does deal with difficulties in securing change of erring management, selling excess land, converting debt to equity, amalgamations and, of course, winding up. But all these come up after a unit has gone sick, not before. What the barriers are that cause a unit to go sick in the first place is nowhere clearly brought out. Faulty project appraisal and failure to detect tainted accounts in time by banks, amounting debt-equity ratios and net worth turning negative, generally failure of banks to detect incipient sickness in time, which the committee speaks of, can hardly be called barriers to restructuring. They are simply failures of banks and managements to properly discharge their normal functions. There is nothing in the prevailing system that stands in the way of their performing their functions properly, no barriers in the proper sense of the term.

Provisions of the present SICA prevail over those of all other laws with the exception of the Urban Land (Ceiling and Regulation) Act and the FERA. The committee is strongly against SICA not prevailing over FERA and concludes that this is due to what it calls the 'archaic fear' of foreigners taking over our national industries. As if archaic was not a strong enough epithet, it calls the fear 'xenophobia'. Actually, it is doubtful if there is anything in SICA which precludes a FERA company from making a bid for taking over a sick unit. Besides, with a number of large and reputed companies and products already going under the control of foreign companies and MNCs, the fear about foreigners taking over our national industries can hardly be described as archaic, it is very contemporary and real.

The committee insists that there should be no mandatory obligation on the firm itself to go to BIFR when it becomes sick, that is, when it makes cash losses for two consecutive years and its net worth turns negative. Besides, the committee wants the criterion of sickness to be default for 180 days in the payment of dues to secured creditors. The obligation of formulating a rehabilitation scheme should, according to the committee, be on the sick firm and not on the banks or the state. Finally, the committee recommends that if the firm, given two chances over a period of 120 days, is unable to produce a scheme to the satisfaction of the secured creditors, it should be deemed non-viable, be speedily wound up, its assets sold and the proceeds handed over to the appropriate high court for distribution among creditors. If a scheme satisfactory to the creditors is put forward by the firm, the BIFR has merely to endorse it. Thus, under the committee's alternative proposals the BIFR is left with only two functions: sanction an agreed scheme or wind up the firm. In neither function does the BIFR have any judgment to exercise.

In fact, the committee's proposals taken together will have the effect of rendering both SICA and BIFR superfluous. If a firm has the will and the capability to produce a scheme acceptable to the creditors, would the firm not use that will and capability to prevent itself from going sick in the first place? And even if such a scheme is framed after the firm goes sick, if the scheme is acceptable to the creditors, what is there to prevent the firm and the creditors from implementing the scheme without going to the BIFR at all? For, according to the committee, the firm should have no obligation to go to the BIFR. Indeed, the committee is fully aware of this possible result of its proposal. It observes, in para 3.4.11 that "it will give freedom to the firm and the secured creditors to work out a reorganisation package outside of BIFR if they so choose..."

Having thus rendered SICA and BIFR *functus officio* one wonders why the committee goes to the trouble of proposing an elaborate alternative draft for SICA. If winding up a firm when a scheme acceptable to the creditors is not put forward by the firm is the only job left to BIFR, that job could as well be entrusted to the existing judiciary with appropriate amendments to the existing law to make winding up easier and speedier.

The committee lays great emphasis on the need for reform of the financial sector. It also insists that in any reorganisation package, the projections of future sales should not be over-optimistic, that future cash flows should be calculated using market rates of interest for discounting, that the opportunity cost of further commitment of funds to revive the firm should be taken into account, that the concept of 'sacrifices' by the parties concerned should be done away with in formulating rehabilitation schemes, that past debts should not be written off but converted into equity and so on. The committee also discusses at length how sale of land belonging to sick firms, especially sick textile mills and engineering companies, offers a highly fruitful device for both rehabilitating viable sick units and paying maximum shares of their dues to labour and secured creditors in the shortest possible time in the case of non-viable units.

One serious implication of the recommendations of the committee needs to be taken special note of. Since drawing up of rehabilitation schemes is sought to be made the concern of the sick firm itself subject to acceptance by the secured creditors, the possibility of employees taking over a sick firm and running it through their co-operatives is effectively ruled out. It has become clear in any number of cases that existing private owners of firms are strongly resistant to any proposals for take-over by workers' co-operatives. They would rather let their firms die out than let them be taken over by workers. If the possibility of easy sale of their land is opened up before them, their resistance to workers' take-over will harden. Even otherwise, the firm and the creditors acting together will hardly ever countenance workers' take-over as an acceptable mode of restructuring a sick firm, even an apparently terminally sick one.

It is perhaps ironical that the enthusiastic recommendations of the committee may remain in the limbo eventually. The most recent pronouncements of the policy-makers show a distinctly reduced enthusiasm for implementing any drastic exit policy by whatever name called. They also show somewhat greater concern for the deteriorating employment scenario in organised industry. Such a change of stance, possibly a sign of the 'middle path' mooted by the prime minister, if genuine and not merely calculated to confuse, can hardly accommodate the drastic remedies recommended by the committee.

Communal Violence and Role of Police

Asghar Ali Engineer

The police together with other law enforcement machinery, such as the local administration and judiciary, play a crucial role in communal riots. Greater attention needs to be paid to their training and education so that they may act impartially, following the law of the land.

THE role of the police in communal riots has always been a highly controversial issue. Riot victims generally complain that: (1) The police did not come to their rescue; (2) police forces were themselves instrumental in the killing; (3) they led the mob in looting and burning; (4) arrested innocent persons and tortured them inside the lock-up and put false charges against the arrested persons, and (5) encouraged the culprits to do whatever they liked by preventing the members of one community to come out during the curfew and allowing members of another community to do so with impunity. These and some other grave charges are made against the police after every communal riot. During the Bombay riots in December 1992 and January 1993, serious allegations were made against police officials, high and low. Here we examine a few cases of major communal riots after independence and throw some light on the role of the police during these riots.

It should be borne in mind that the entire law and order machinery cannot be and should not be damned. By the entire law and order machinery I mean all those who are involved in restoring peace which include the political leaders, bureaucracy and administrative machinery and various organs of those who actually restore order in the field, ie, the local police, the Border Security Force (BSF), the Central Reserve Police Force (CRPF), and the army. The politicians, the administrative machinery, the police and the CRPF, army, etc, play different roles either at the same time or in different phases. It is, therefore, more informative and useful to examine the role of the entire law and order machinery in communal riots. We will try to throw light in some detail on various organs of the law and order machinery in communal riots. We will try to throw light in some detail on various organs of the law and order machinery during a riot. It should be borne in mind that the most damned of all these is the police as it comes in direct contact with the victims and is the most visible part of it as far as general public is concerned and hence it is the police which is condemned most by the people. Before we proceed with the discussion of the role of the law and order machinery in controlling a riot, it would be useful to discuss some general aspects of riot engineering.

A riot is generally supposed to be a spontaneous outburst of violence between the two communities. However, it is rarely so. In pre-independence period some major riots belonged to this category. Most of the riots then and almost all the riots now are meticulously planned and executed. It is necessary to make this distinction as the role of the law and order machinery depends very much on whether the riot is planned or is a spontaneous outburst. If it is spontaneous, it is easier to control but if it is well-planned, it assumes a different character and requires more motivation and determination on the part of the police to control it.

As pointed out earlier most of the riots today are pre- planned. This planning is done usually by some political party or the other or even by some anti-social elements these days either to serve their own interests or those of their political patrons. When a riot is pre-planned, an 'appropriate atmosphere' needs to be created and this is often done with a view to raising the communal temperature by spreading some atrocious rumour. This greatly helps in spreading communal violence and also in justifying it. In other words, the violence acquires legitimacy in the eyes of people of the community which is aggressing against the other. In such a situation it is much more difficult to control violence as it acquires legitimacy and has thus motivated the people. And this much more so when the issue involved is religious or historical deeply embedded in the people's emotions. In such cases even those people get involved in violence who otherwise have no previous criminal record as violence appears quite justified to them *vis-a-vis* the other community. Thus a study of the Bhivandi riots of 1970 by a high police official Suresh Khopade clearly shows that more than 70 per cent of the people involved in committing violence were those who had no previous communal record. The apparent issue involved in these riots was the celebration of the birthday of Shivaji and the route of the procession which is highly emotive. In such a case it becomes more difficult to control the situation as it also creates political problems apart from law and order problem.

More often than not, riots are planned to serve a political purpose and hence a political party is invariably involved. At times two political parties or one of the sections of (ruling) party in collusion with the other party engineer communal violence for their own political purposes. The role of the administration and the police in such cases becomes much more complex and even difficult. The police officials cannot normally ignore the instructions from their ruling political bosses. It is not always true that the police has a free hand to deal with a situation. It has to face several constraints if the political bosses themselves do not have clean hand. In this respect I would like to cite the example of 1984 Bombay-Bhivandi riots. It is alleged that these riots started with a subtle understanding between the Shiv Sena chief Bal Thackeray and the then chief minister Vasant Dada Patil. Patil was facing a severe problem from the Congress dissidents and was finding it difficult to get his candidates elected to the Rajya Sabha without the help of the Shiv Sena MLAs. Bal Thackeray, on the other hand, was creating the Hindutva platform to revive his sinking fortunes. Thus the Vasant Dada Patil group and the Shiv Sena allegedly came together to serve their own respective political ends. The Sena created 'appropriate atmosphere' for the riots and the riot broke out in May 1984 in Bhivandi and soon spread to various parts of Bombay. Rebeiro was the police commissioner who was known for his integrity and efficiency. Yet the riots could not be controlled easily as his hands were not free. The Shiv Sainiks were roaming around freely wielding swords killing and threatening members of the minority community. The shakha 'pramukhs' were not touched. But when the riots were likely to break out again, in the second phase on *Jumat-ul-wada*, ie, the last Friday of the holy month of Ramadan, it became embarrassing for the chief minister and he allowed free hand to Rebeiro to handle the situation. Rebeiro ordered the immediate arrest of those shakha pramukhs in whose jurisdiction communal violence was likely to break out and he also sent out a circular to all the police stations in Bombay city that the inspector in whose jurisdiction communal violence breaks out will be suspended. Nothing happened due to these stringent measures and the city remained quiet on that fateful day. The police can act much better if there is political will.

Political Pressure

Thus politicians, administrators and the police all play their roles in the event of an outbreak of communal violence. If the ruling politicians are determined to prevent violence, the administrative and the police machinery can act with much greater determination and efficiency. We can also give here the example of the West Bengal government. The Left Front government in West Bengal is least interested in having communal trouble. It has thus issued strict instructions to the police authorities not to allow the outbreak of communal violence and, in the event of its break out in exceptional circumstances, to control it with speed and determination. Any laxity will be severely punished. A high police official of the government of Bengal told me about this circular. Not only this, the Left parties in West Bengal continue to work to counter communal propaganda and hold rallies to promote communal harmony if there is any danger of outbreak of communal violence. No wonder than that when Bombay was burning in December 1992, violence in Calcutta could be brought under control much more speedily. Chief minister Jyoti Basu personally supervised the operations. Similarly when communal violence broke out in Sitamarhi in early 1992, Laloo Prasad Yadav immediately reached the town and took command and brought the situation under control, though many lives were lost by then. Had Laloo Prasad Yadav not taken the control, much more damage would have been inflicted.

Contrast this with other similar situations in other places. The 1987 riot in Meerut, for example. Not only that did the police miserably fail in controlling the riots but the PAC pulled out 34 young Muslims from their houses in Hashimpura, loaded them on a truck, drove off to a canal, shot them dead and threw their bodies into it. The then chief minister of UP Bir Bahadur Singh came to Meerut and stayed there for two days, May 20 and 21 and yet showed no determination to control the riots. On the other hand the rioting intensified during those two fateful days and the Hashimpura incident occurred just one day after he left Meerut. Some people even alleged that it was done at the instance of Bir Bahadur Singh. However, no clear proof can be given for such allegations.

Again the then Bihar chief minister Dube showed no political will to control the riots in Bhagalpur which wrought absolute havoc. Around a thousand lives were lost. The police openly colluded with the culprits. Similarly when Bombay was burning in December 1992 and January 1993 Sudhakar Nayak, the then chief minister gave an impression of total helplessness. The police shot down about 200 people and colluded with the Sena during the January phase. Many more such examples can be given which clearly show that political will is as necessary to control communal violence as the administrative efficiency and the police determination. Without political backing both the administrative machinery and the police will collapse and riots will inflict much greater damage in terms of life and property. During the Bombay riots of December 1992-January 1993 had Nayak shown determination as Jyoti Basu of West Bengal did, Bombay would not have suffered such unprecedented agony.

Role of Other Law Enforcement Agencies

We have to take into account the role of the different organs of the law enforcement machinery as well the role of police. We have already discussed the role of political leadership, particularly of the ruling political leadership. We must also throw some light on the role of the bureaucracy. The district magistrate can also play a very crucial role in controlling the riots. In fact it requires a team spirit between the DM and the SP. But the DM certainly has an upper hand. It has been observed by me while investigating various communal riots that the DM plays a very crucial role but one rarely comes across a DM who shows courage and acts independently. More often than not, he looks up to his political bosses and acts according to their will rather than according to well laid down rules and regulations for such situations or according to his constitutional duty. And if he does, he is transferred in no time.

It needs no elaboration that most of the bureaucrats look up to the chief ministers for their plum posting and no DM normally would like to displease his/her political boss. This was brought out during interviews with some of the DMs. The DM of the Sitamarhi district was accused of laxity by many people in Sitamarhi. If he had reached the site of communal riot in time much damage could have been prevented. But he remained indifferent to the apprehension of breaking out of communal violence. The SP was even accused of being patron of one of the *'akharas'* of Sitamarhi which played active role in provoking communal violence. Similarly the role of DM Kashyap in the Meerut riots of 1987 was far from satisfactory. Most of the victims complained that he did not take effective steps to control the riots. There was, on the other hand, no such complaint against the district magistrate of Bhagalpur when the riots broke out there in October 1989. It has also been observed quite often that if the DM is honest and efficient and wants to control the riots effectively, the communal elements in the town put pressure on the home minister or the chief minister and get him transferred. Thus even a non-communal officer sometimes finds himself in a deep water.

One must also take into account the role of the intelligence agencies. Often I have heard people say during investigation of riots that the intelligence agencies did not gather their intelligence properly and hence proper action could not be taken

in time. This is so in many cases but not in all. When we contact the intelligence agencies we hear a different tale. Often they too complain that they had done their best and the information that trouble is likely to break-out was passed on to the appropriate authorities. However, no action was taken in time. For example, in case of the Bhagalpur riots, the intelligence agencies had played their role properly. However, the administration did not act on the information. It was so in case of the Sitamarhi riots also. The administration was found to be slack. This was found to be so in case of the Bhivandi riots of 1970. The Madan Commission Report has also commented on it.

It is also true that intelligence gathering is no easy job. Information is difficult to come by. It requires highly efficient and motivated staff. But the intelligence department hardly has such a staff. In fact it is well known that the staff not required elsewhere is posted in the intelligence department. It is often suggested that most competent persons be posted for the intelligence gathering but no one takes such suggestions with the seriousness it deserves with the result that proper intelligence is not forthcoming on such occasions. There is another factor also which must be taken into account. Like the administrators, policemen, and others the intelligence people also have their own perceptions which affect the intelligence gathering. As Muslims are often seen as aggressors, intelligence people feel that it is Muslims who are preparing for the riots. Their defensive preparations are seen as aggressive preparations and the majority community's aggressive preparations are seen as defensive ones. Here we are not suggesting that the minority community does not ever take aggressive postures. On many an occasion it does. We are only talking about the perceptions of the intelligence gathers here. The intelligence officers need to be given proper reorientation training to make intelligence gathering a more reliable operation.

Apart from the local police, we have PAC, SRP, CRPF, BSF and the army. The local police and the SRP and the PAC in UP and the BMP in Bihar has acquired notoriety in the eyes of minorities. In most riots, the PAC and BMP have behaved violently and even killed many innocent people. The case of Meerut riots of 1987 is most notorious. As pointed out before, the PAC constables under the command of Tripathi, pulled out 34 young boys from Hashimpura and shot them dead by the side of a canal. Also, on May 23 they shot dead about 67 Muslims coming out of the mosque after the Friday prayer in a village called Malyana six km from Meerut city. No one was punished for this heinous crime. Tripathi was temporarily suspended but reinstated soon thereafter. I have not found any satisfactory answer to this so far as to why Tripathi shot so many innocent people dead and yet got away with it. In Los Angeles one black man was beaten up by a white policeman and there was hue and cry and Los Angeles was rocked with violence. The guilty police official was arrested and when the jury set him free there were protests and he was tried again and held guilty. Such a thing is unthinkable in India. Scores of people are killed in riots, most of whom happen to be innocent and yet no action is taken against the guilty officers. This is a grim tragedy. In the 1982 Meerut riots almost several innocent persons were shot dead by the PAC. One Shabbir's only son was shot dead before his eyes and again at gun point he was made to load his son's body on the police van. Later on his dispensary was ransacked completely and all bottles of medicine were broken to pieces. The eminent jurist Justice Krishna Iyer was so shocked by these brutal incidents that he wrote an angry letter to the then prime minister Indira Gandhi denouncing these incidents and demanding strong action against the culprits. But nothing came out of that. Similarly in the Moradabad riot of 1980 the PAC fired ruthlessly on the innocent people in the Idgah maidan and hundreds fell dead. No police officer was punished for these deadly crimes. Such a callous attitude naturally emboldens the PAC to act more ruthlessly in later riots.

The record of BMP is equally notorious. In the Bhagalpur riots of 1989 its record was much more shameful than that of the PAC. It became a marauding force. In one case about a hundred people took refuge in a house in a village called Chanderi near Bhagalpur. The army gave them protection but as Major Wirk who had taken charge of the house had to go elsewhere, he asked the BMP men to take charge and protect the helpless people inside. The BMP, however, brought these people out on assurance of safe conduct to their homes and allowed them to be butchered by the goons. And all this was done with the full backing of the police. All major newspapers had reported this incident at that time. The whole incident would have gone unnoticed but for alertness of Major Wirk. He saw a human leg jutting out of the lake. He pulled out the body to discover to his horror that it was of a woman who was assaulted and her body was thrown out into the lake thinking she was dead. Fortunately she was alive and she told the whole story. Similarly in Logain village entire Muslim population of more than 100 souls was wiped out and buried in a field over which cabbage were grown. Around 1,000 persons perished in Bhagalpur riots. In Bhagalpur town also the police was openly on the side of the miscreants.

In the Baroda riots of 1983 the role of the police was far from desirable. One of the police officials was allegedly being bribed by Shiva Kahai, one of the main culprits in those riots along with some Muslim bootleggers. This police official had allegedly constructed for himself a posh bungalow which was not possible for his salary. He openly sided with Shiva Kahar in the riots and lot of innocent Muslims lost their lives and suffered loss of property. In all subsequent riots in Baroda the role of the police has been no better—peaceful communities like the Bohras, Khojas and Memons have suffered greatly.

Ahmedabad has become the most sensitive place as far as communal violence is concerned. The largest and most catastrophic communal riot after independence was in Ahmedabad in 1969. This riot had shaken the entire country. More than 1,000 persons had perished in this riot. The loss of property was even more staggering. To the best of my knowledge it was for the first time that electoral rolls were systematically used in this riot to mark the Muslim houses and voters. Such a staggering loss of lives and properties would not have occurred without the connivance of the police force. The then government of Gujarat had appointed the Justice Jaganmohan Reddy Commission to inquire into the causes of communal violence. *The Reddy Commission Report* while commenting on the police role says:

> We have already mentioned in another Chapter suggestions made in cross-examinations against Hindu officers that because they were Hindus, they showed anti-Muslim attitude; to officers other than Hindus or Muslims the suggestions were that because they wanted to please the government, they showed anti-Muslim attitude. It is, in our view, not unnatural for the Muslim community which has suffered a great loss in life and property in the riots and felt helpless in most cases in not obtaining relief and protection in time, to view the matter, with a sense of suspicion, grievance and frustration and feel that everything that could have been done had not been done because the officers and men, majority of whom were Hindus were partial. Similarly it was suggested to Muslims officers, particularly to Ismail A Shaikh by the *Hullad Pidit Sahayta Samiti* that he was partial to Muslims by trying to cover up cases and in which Muslims were involved either by not disclosing that fact or by showing that Hindus were involved. To what extent there is justification in these allegations must be examined because if the feeling in the minority community is justified, the government and the police force has failed in their most fundamental duty to afford protection to its citizens to whichever community they may belong as is expected

from a civilised government and a well disciplined force.

Further on the report goes on to say,

> If, however, there is no justification for these allegations and suggestions, it is equally essential that it should be stated in no uncertain terms in order to assure the citizens at large particularly the minorities and give confidence to the police force. (See *The Reddy Commission Report*, p 191).

The report also says,

> We find it also necessary to advert to another allegation of the Muslim organisations that a great number of Muslim religious places which were near the police chowkeys and police stations were damaged by communal-minded police officers and men. It is true that these places which were near the police stations and chowkeys were damaged as pointed out in Chapter XV on the 'Toll of Disturbances'. The explanation given by police officers was that at that time there may not be sufficient policemen at the chowkeys and police stations or they may be engaged elsewhere but there is no satisfactory explanation of this nor is there any evidence contrary that this was allowed to be done deliberately. We have, however, an impression that though the whole of the police force may not be communally involved, there may be some instances where the police were affected by the Jagannath temple incidence. We have elsewhere in the chapter on 'communal atmosphere' occasion to point out that the communal virus is such that it is likely to affect even policemen who are not apart from society which is so affected though in our view the training, the discipline and the traditions that they are protectors and preservers of public peace and tranquillity should keep them free from such inhibitions. It is therefore in the larger interest of the police force itself and the confidence that the force must inspire in all sections of the community, that an inquiry by some competent officer of the rank of not less than a secretary to the government should be held and the report published to inspire that confidence.

In subsequent riots in Ahmedabad also we hear many cases of either indifference on the part of the policemen or dereliction of duty on their part. There also have been instances of direct collusion. We were told during our investigation of Ahmedabad riots of 1985 that in one of the labour areas of Ahmedabad a section of which is almost exclusively a Muslim area, a police inspector gave petrol from his motorcycle to set afire Muslim houses there. The officer concerned of course denied the charge. But the way houses were burnt in that part of the city there is no doubt that the police was indifferent and inefficient if not downright communal. During our investigation of these riots in Ahmedabad we heard from the victims number of stories in relation to the 'communal attitude' of the city police. However, there were no such complaints against the army by the Muslims.

Also there were bitter complaints against the police during the Bhivandi riots of 1970. The Madan Commission Report also passed severe stricture on the role of police in Bhivandi riots of that year. The commission even found that the police diaries were forged by the concerned police officers to involve one Ibrahim Maddu and others in the conspiracy to engineer riots. Maddu and others were later on exonerated by the court. It was also alleged by many Muslims that they were not only beaten up in police station but also police constables urinated in their mouth when they asked for water. The Bhivandi riots in 1970 had spread to Jalgaon also. There one Muslim lady alleged that her son was shot dead inside her house by a sub-inspector of the Jalgaon police. She went right up to Indira Gandhi with her complaint. However, nothing much seems to have come out of it. In Bhivandi riots of 1984 also we heard number of complaints against the alleged indifference in collusion or the excesses committed by the police. There also has been a general allegation that whenever curfew is declared it is imposed in one sided manner, ie, it is strictly imposed in the Muslim areas whereas it is quite lax in the Hindu areas and often we have also heard complaint during our investigations that the Hindu mobs are allowed to loot and commit arson during the curfew hours and when the Muslims come out to put out fire, they are fired upon. Such allegations were made by number of people during the Meerut riots of 1987. It was also alleged that the police in Meerut beat up 10 persons to death in police custody. Any number of such examples can be given to show that there has been a general complaint against the behaviour of the police by the members of the minority communities. It should also be mentioned here that the dalits have also made such allegations against the police. We investigated the caste riots in Ahmedabad in 1981. Most of the dalit victims alleged that the SRP and the police looted their houses and beat up their womenfolk. In 1985 too dalits were affected as for about a week; the riots had caste character. Many dalit houses were also burnt. Many dalits made similar allegations in 1985 also.

Bombay Riots

The December-January riots last year were a great disaster for the country. During these riots Muslims bitterly complained about the police role. In the first phase, ie, in December 1992, most of the Muslims were killed in police firing. In fact the post-mortem reports showed that out of about 250 deaths, 192 persons died in police firing and out of those more than 95 per cent people had sustained injuries above abdomen which shows that the police fired to kill and not to maim or injure. During our investigations in Govandi during December many women told us that their sons or husbands were dragged out of their respective houses and shot dead. The police, it appeared, had gone berserk. There were serious allegations against one inspector who, a police source admitted, should have been dismissed. The concerned deputy commissioner of police of that area transferred him after repeated complaints against him. However, it was too late and more than 50 lives were already lost by then. There were also allegations that some people were shot dead in their houses on first or second floor. For example, one young Muslim lady was hit on her neck near Underia Street off Maulana Shaukat Ali Road when she was in the balcony of her apartment on second floor. She died on the spot. Thus Justices H Suresh and S M Daud observe in their report *The People's Verdict*

> ...The police are also guilty of being partisan in these riots. Many witnesses have stated before us that they were attacked in the presence of the police and the police did nothing. In many cases, the police openly supported the rioters and accompanied them in the attack. When the victims went to the police station they were driven away without recording their com-

plaints. In some cases, the FIRs have been recorded but no further investigation has been undertaken. Several houses and shops were looted and the police could have prevented this or, in any case, have made no efforts to recover the looted articles.

The two retired judges of the Bombay High Court further observe,

What is regrettable is that in their frenzy to support a particular community, as against the other, the police had become indifferent to human misery. In particular, we would like to mention the cases of molestation of women and of rape and gang-rape... Still worse is the case of Ms F S ...from Sewri, where the police were themselves involved in gang-rape. The victim now has no faith in the police and in the administration of justice. (See *The People's Verdict*, pp 103-05.)

Both the justices also felt that the police did not prevent recurrence of riots after the December phase. It goes on to say,

After the first bout of riots in December, the police ought to have seen that the riots did not erupt again. The police and the government should have taken care to see that no tension was allowed to be built up. Instead, the police and the government gave permission to the Shiv Sena and the BJP to perform *Maha Aratis*. The evidence clearly indicates that *Maha Aratis* were one of the main causes for building up of tension leading to a riot, as happened in January 1993. In our view, permitting such *Maha Aratis* in different parts of the city during the said interregnum and thereafter, was a gross dereliction of duty on the part of the police. Whosoever had taken the decision to grant such permission should be answerable to the people of Bombay (p 105).

It has been seen during investigation of riots that the role of paramilitary forces like the BSF, CRPF, etc, and the army is such that often the minorities plead for retention of these forces in order to better protect their lives. During investigation of Bhivandi riots in 1984 many Muslim ladies desperately pleaded with me to use my influence with the authorities to retain the army at least for a month. They said that but for army they would have suffered much greater losses in terms of life and property. Not only this, in Ahmedabad riots of 1985 too, many persons told us that the role of army was commendable. This clearly indicates that the victims and their relatives and friends do not approve of the role of the local police and the armed constabulary like the SRP, PAC and BMP. It is important to probe why is it so.

A police source maintained that the local police is often influenced by the local factors whereas the paramilitary forces are not involved in day-to-day affairs of the civil society. Moreover, the local police is also subject to various local pressures as it is in day-to-day touch with the people of the concerned city or town. They develop even intimate contacts with one section of the society or the other. The police is often found in league with criminal elements also and specially those who have been politicised. These criminal elements are often involved in these riots on one side or the other. For example, in Bhagalpur riot, the criminal gangs openly participated in the riots and these gangs were divided on communal lines and also some criminal elements from amongst the Muslims had sought to seek revenge on some police officers taking advantage of the situation. The paramilitary forces, it is obvious, are not exposed to such local power equations. Thus they are able to behave more impartially. They take action only against the real offenders. As for the brutal behaviour of the PAC and SRP my findings show that though they are an isolated lot (away, like the paramilitary forces from local influences), their very training is to brutally attack in order to restore law and order. Secondly, like other police people, they do not get chance to be appointed on lucrative posts and on such occasions they see a chance to make some money by participating in the loot.

During Ahmedabad caste riots many dalit women told us that the SRP forces snatched away their '*mangalsutra*' and other gold ornaments along with the cash. Similarly in Jabalpur riot of 1961 we heard similar complaint about SRP from the Muslim women. Their *mangalsutras* and gold ornaments were also snatched away by the SRP men. This of course explains their brutality and greed but not their communal attitude. What could be the explanation for that. One reason could be that they function in riot situation in close co-ordination with the local police. But this seems to be a partial explanation. Lack of proper secular orientation in training also seems to be the other factor. The police constabulary also suffers from lack of such training.

It would be unfair to condemn the whole force as communal. The police does have communal elements within its fold but also have secular elements among them. I have found that the top officers are often much more secular than the lower constabulary. Of course, one can find communal elements among top officers too, but it is not as rampant as among the lower ranks. In fact we find some very committed officers who tackle the communal situation very honestly and with a sense of integrity. It is a different thing that they may not succeed for host of other factors, one among them being political. Such officers are even transferred for their secular orientation and sense of duty. I have personally known many such officers. Among them too there are two types: those who fight for their convictions and even suffer and those who surrender to the whims of political bosses. It goes without saying that there are always very few people who are prepared to pay the price for their convictions.

The picture radically changes when it comes to lower officers and the constabulary. They are much communalised. It should also be said that they behave harshly with all weaker sections of society including poor of the upper castes and, of course, dalits. There is something fundamentally lacking in their training. It is also partly because of the whole corrupt political atmosphere in the country. There is no value of human life and specially for weaker sections of society. And it is constabulary which actually matters in the field. Thus those who shot innocent people in Govandi during the December 1992 riots were of the level of inspector and below. But the deputy commissioner of police Y C Pawar saved the situation. We should also acknowledge that some higher officers in Bhivandi showed great sense of commitment and maintained peace by forming mohalla committees and keeping undesirable elements in check. In fact, all other police officials must learn a lot from them. It is, therefore, these lower officers who need greater sense of discipline and reorientation training. But it is regrettable that various police training centres impart training to higher, rather than these lower grade officers.

It is also important to understand some of the problems of the lower officers and constabulary also. They are terribly overworked during communal disturbances. They are often required to perform round-the-clock duty on such occasion. They hardly have time to go home. Also, they perceive danger to their life. It is not easy to work in such conditions. Such tension makes them highly inflammable and they tend to overreact to any situation. They take revenge on innocent persons. Also, they are deeply affected by communal propaganda like any other human beings. Their perceptions about Muslims are formed by such political progaganda. They also think that all Muslims are aggressors, violent and fanatic and that they are mainly responsible for starting the riots. One or two selective incidents which come to their notice reinforces their perception. For example, some Muslims (mostly anti-social elements) attacked policemen and even killed few of them during December 1992 riots in Bombay. Also some Muslim youth attacked government properties and Hindu shops, temples, etc, on the morning of December 7. In Govandi area too, two police constables were done to death and two temples were damaged. This is bound to anger the

policemen, specially at lower levels. A high police official told me that news of attack on police constables had angered all policemen, including top officers. Despite this some top officials did not lose their cool. Though one constable was done to death on December 7 in Bhindi Bazar area and two temples were attacked the assistant commissioner of police Zende did a good job of restoring order in Dongri area and saving many Muslim lives. Some Muslims from that area told me that but for Zende, many more Muslims would have been killed. Thus some incidents do reinforce the police perception about the Muslims. In fact one of the causes of excessive firing during December riots by the police was their perception that Muslims are fanatics and aggressors and unless dealt with severely, they cannot be controlled. Such perceptions can be changed only through intensive training and reorientation of their attitudes towards minority communities.

One also has to take into account the role of the rumours even on the minds of the police. Many rumours deliberately spread by the miscreants to engineer riots affect the police mind as well. Sometimes even high officials get affected by these rumours. When I was investigating the Nelli riots in Assam, I questioned the district magistrate about the main cause of the riot and I was horrified to learn that even he is victim of the rumour that the Bengali Muslims cut off the breasts of some Hindu women and displayed them in the Hindu areas to show their prowess. This is unbelievable but true. One can imagine that havoc rumours can play in the riot situation. It is generally believed by the police men also that Pakistani weapons are coming to be used during the riots and that ISI is behind these riots. During December riots a police source had claimed that near Minara masjid there was firing from Ak-47 which was totally false. No proof was subsequently submitted for this claim. The rumours were so strong that even the then governor of Maharashtra C Subramaniam was carried away by it and he made a press statement that there was 'foreign hand' behind these riots and that he would prove it. He never submitted any 'such proof'.

We have to take into account the general political atmosphere at the time of the riots. In last few years the communal forces have highly vitiated the whole atmosphere. The Ram Janmabhoomi-Babri masjid controversy played havoc with communal peace in the country. Even highly educated middle and upper class people were affected by the communal wave which swept the country in last five years. The policemen can hardly remain unaffected. They are as human beings as vulnerable to communal propaganda as any other human being. In such an atmosphere one requires highly motivated police officers to handle the situation objectively and dispassionately. Even such highly motivated officers would require full political backing. The ruling politicians themselves had surrendered themselves to the communal forces; it came to be termed as 'soft communalism' by some journalists. The role of the prime minister himself came under shadow of doubt. He watched helplessly when the Babri masjid was being demolished. Such political behaviour certainly sends wrong signals to the police and other officers. Before Ahmedabad riots of 1969 too the whole political atmosphere was vitiated with communal poison. Very few police officials can maintain their poise in such communally surcharged atmosphere.

It would require extraordinary political will to fight this communal poison. But our country's unity and integrity very much depends on strengthening secularism and pluralism. This message has to go repeatedly to the police also. Every communal riot is a serious blow to our unity.

GATT and Patenting of Micro Organisms

Suman Sahal

Vital economic sectors linked to micro organisms—agriculture, pharmaceuticals and industrial biotechnology, to name just the most important—will be severely affected by the acceptance of patents on micro organisms.

WHILE opposing Intellectual Property Rights on living organisms because they were detrimental for India; Gene Campaign had in the public focused more on the consequences of seed patents. This was because it was a more direct issue to peg a campaign on than micro organisms. We have however consistently fought against patents on micro organisms as well.

During our consultations with the commerce ministry, Gene Campaign had pressed the case that India should refuse to accept patents on micro organisms for a variety of reasons. At best it could grant protection on products derived from such organisms, that too for a specific use, but under no circumstances, should it accept patents on the organism itself. This position was not defended and we will now have to change the Indian Patent Act of 1970, to include life forms as a patentable category. This is a dangerous precedent as the American experience will show.

Micro organisms refer, as their name implies, to very small forms of life. In this category are included such living creatures as bacteria, virus, fungus, algae (the green scum that grows near water), small plants and animals and, according to the lexicon of corporate biotechnology, even genes.

The overhaul of the American patent laws began in 1980 with the grant of a patent on a micro organism to Anand Chakravorty of the University of Chicago. The patent was granted for a strain of bacteria that could metabolise oil and other complex hydrocarbons into harmless products and was seen as a promising agent for cleaning up oil spills.

This historic decision set the ball rolling for patents on higher and still higher forms of life. In 1985, the American law-makers awarded patents on plants and in 1988, a patent on a mouse which is a mammal, the same category of life forms to which humans belong. There are strong ethical objections to patents on life and in our case there is the danger that the juggernaut of patents will be harder to stop once we have conceded the first step.

The acceptance of patents on micro organisms makes complete nonsense of the government rhetoric that India will not accept patents on naturally occurring genes. All the genes of bacteria and fungii and other micro organisms that have been patented are natural. And while we are on the subject, let it be known that there is no such thing as an artificial gene as yet. All the genes that are being used in agriculture and biotechnology today, the genes of corporate interest, are genes that exist already, they are natural genes.

With the tools of genetic engineering it is now possible to shift genes from micro organisms to plants and animals and vice versa. When genes from micro organisms are transferred into higher plants and animals to make what are called 'transgenic' plants and animals, that is plants and animals containing diverse foreign genes from various sources, patents will have to be given for the transgenic construct which in fact will work like a patent on the plants and animals themselves.

That is not all. There is a concerted effort on the part of the multinationals involved in biotechnology to push for changes in the definition itself of micro organisms. Micro organisms should now, according to corporate philosophy, include such new categories as cell lines and genes. This will greatly enhance the scope of patents under the micro organism label since many cell lines are from plants and animals and even humans. The inclusion of genes as micro organisms means that a patent granted on a transgenic construct will automatically translate into a patent on that particular plant or animal

The patenting however of the classical micro organism alone will wreak sufficient damage for us to have every reason to reject it outright, does not matter what the government says. There are vital economic sectors that are linked to micro organisms. To name just the most important: agriculture, pharmaceuticals and industrial biotechnology will be severely hit by these patents.

In the field of agriculture, the future belongs to bio fertilisers and bio pesticides. International experience with intensive agriculture patterns has shown that the current level of agrochemical use is not ecologically sustainable and will poison our land and water. There is therefore a great effort to seek benign substitutes for chemical fertilisers and pesticides. These bio substitutes are based to a large extent on micro organisms.

The world of microbes or micro organisms promises ever increasing opportunities for improving plant nutrition and warding off pests. Biofertilisers are preparations containing a mix of cells which can provide nutrition, chiefly the major nutrients nitrogen and phosphate, to plants. India, China and other rice growing countries have successfully begun to use microbe-based biocultures to supplement chemical fertiliser in paddy cultivation. Biofertiliser use is now being extended to other crops with very good results.

Although traditional farmers were well versed in the use of certain kinds of biopesticides to control diseases and pests, intensive microbe based weed and pest control strategy has been refined in the last few decades. The capabilities of various fungi, bacteria and viruses are being tested to control insects and plant pests that compete for energy and nutrition and so damage crop plants.

The most promising of the new approaches has been the bacterium Bacillus thuringensis whose toxic properties have been used effectively as a biopesticide in several kinds of crops. Incorporating the toxic gene into crop plants by genetic engineering reduces the use of chemical pesticides. Now the toxic genes of tiny bugs and mites are also being tested for genes that could be built into plants to create transgenics that would carry their own biopesticide.

According to estimates, India could with an investment of Rs 30 crore in biopesticides, replace at least Rs 200 crore worth of imported plant protection chemicals. Although we have indigenous know-how, our efforts at translating this into market-viable products will need a gestation period.

With India having accepted patents on microbes, foreign companies can now obtain and start operating patents on products they already have, and get a head start on developing new categories of biofertilisers and biopesticides.

It cannot be repeated often enough that opening to unequal competition before we have geared ourselves for facing that competition will mean severe setbacks for the Indian scientific community and for Indian industry. We should follow the example of industrialised countries in this regard. They have tailored their Intellectual Property Rights to the stage of their technological development. A G-7 nation like Italy agreed to product patents in the drug sector as late as 1982 and Spain even later in 1987.

Biofertilisers and biopesticides will be of increasing importance to Indian agriculture as pressure mounts from environment lobbies to move away from agrochemicals. Seeing the growing nexus between trade and environment, this is to be expected. It also cannot be ruled out that similar to the trade-environment manipulation, this area can also be manipulated in favour of those in the market already by demanding early phase-out deadlines for agrochemicals. India may find herself in a situation where the new brand of pesticides and fertilisers are to a significant extent under foreign patents.

Many people do not realise that several kinds of drugs are derived from micro organisms. The patenting of life forms will strike at the very foundation of indigenous manufacture of these categories of drugs. If, for example, a particular multinational like Sandoz patents the fungus that produces penicillin, then no other company will have the right to manufacture penicillin, since Sandoz will have acquired absolute rights over that particular fungus

A country like India will therefore be forced to buy penicillin from Sandoz, paying the absurdly huge sums of money that Sandoz in its monopoly position will decide to fix. The Indian drug industry will lose potential profits and the Indian consumer will have to pay very high prices for drugs that are manufactured from patented and therefore exclusively owned organisms

Recently a Baroda-based pharmaceutical company has succeeded in developing indigenous technology for the manufacture of Roxythromycin, a highly effective antibiotic against respiratory, skin, and urinary-genital infections, and therefore of special relevance to India

Once patenting of life forms becomes operative, such developments will become impossible Even in the case of Roxythromycin, an American company has so far a monopoly on the drug, but since the micro organism that synthesises the drug is not yet patentable, the Indians could develop their own technology to produce the antibiotic.

With the advent of recombinant DNA technology, or what is popularly called genetic engineering, the last decade has seen a revolution in the methods of manufacture of those drugs that were originally obtained from animal and human tissues Now, the genes that direct the synthesis of such compounds like insulin or clotting factor VIII have been identified and located.

With the tools of genetic engineering it has become possible to cut out the gene for, let us say, insulin synthesis, normally found in the pancreas of animals and transfer it into a strain of bacteria Once planted inside the bacteria, the gene for insulin continues to do in the bacteria what it did in the pancreas of the pig, namely, produce insulin

The advantages of this approach are many Since bacteria grow very fast and quite easily in the laboratory, the quantities of insulin or any other drug they produce is several times that extracted from the pancreas, or other tissues of animals. And it works out much cheaper.

This kind of genetic manipulation has become so well established as to have become a routine method of production since 1982, when the first biotechnologically-produced insulin was released on the market. The bacterial strain found most suited to act as a 'bio factory' for drug production is Eschericia coli, bacteria that are normally found in the intestines

What is being done with insulin is also being done with human growth hormone which is used to treat dwarfs and Interferon which is a sort of wonder drug promising cures for conditions as diverse as cancer and viral inflammations. And this is only the beginning. Many more drugs are in the pipeline waiting for approval from drug regulating agencies that are rightly cautious about releasing genetically altered products

Not just bacteria, other micro organisms like yeast have also been deployed as bio factories. The most notable product from the yeast factory is the serum to counter the chronic liver inflammation brought about by infection with Hepatitis B, which produces a more virulent and dangerous version of jaundice. This is a special problem of developing countries, being the cause of two million deaths per year.

Since the Hepatitis B virus has refused to grow under laboratory conditions, it has been very difficult to produce a vaccine against it. Vaccines could only be produced from the blood sera of infected patients, an obviously limited and extremely expensive exercise. Yeast factories producing vaccine sera since 1986 have saved the lives of many infected with this dangerous disease.

Just like bacteria and yeast, cultures of single cells from animals like guinea pigs and hamsters can function as units that manufacture pharmaceutical compounds. Hamster cell cultures now churn out alpha 1 Antitrypsin (AAT), a front runner in the treatment of emphysema and other degenerative lung disorders. Also obtained from animal cell cultures is tissue Plasminogen Activator (t PA), a revolutionary drug that dissolves blood clots speedily and saves patients suffering from acute heart attacks, who were not surviving before.

Till genetic engineering came along, t PA was not commercially available. It is found in such low concentrations in the arteries that it would require 20 tons of human tissue to extract one single gram of t PA—clearly an impossible approach. With recombinant DNA technology, t PA, although expensive, has become available for heart patients.

Another drug which has become possible because of these modern methods is Interferon. Showing great promise in the treatment of certain cancers, viral infections and chronic tissue inflammations, Interferon was quite simply unaffordable ten years ago. Today it is possible to produce it in kilos, thanks to bacteria called Eschericia coli.

What would happen if some company patented the strains of Eschericia coli that accept the genes for insulin, t PA or Interferon, and synthesise these drugs? What would happen to the cost of medical care in poor countries that would be denied the opportunity of manufacturing these drugs themselves and be forced to buy from the patent-holding company who had a monopoly in the world market?

With respect to the field of industrial biotechnology, it is estimated that in the coming two to three decades, 60 to 70 per cent of the global economy would rest on biotechnology, because this is perhaps the most versatile of all the technologies that we have seen so far. Biotechnology will contribute not only to food and drugs but also to the fields of energy, mining, feedstock chemicals, pollution control and water treatment. Several of the products that were derived from chemical processes can now be derived from biotechnological methods which are much more environment-friendly since they produce less pollution.

Biotechnology today produces several classes of compounds like antibiotics, mycotoxins and pigments. The fermentation technique produces energy in the form of biogas which can be converted to other forms like alcohol-based fuels. Feedstock chemicals like polysaccharides, citric and amino acids, nutrients like vitamins and proteins, organic solvents like acetone are all being produced through micro organisms.

Micro organisms have become important in mining where cultures of specific bacteria can 'feed' on ores to extract the metal. This is of special importance in recovery from low grade ores that are not economically feasible by classical methods. Special strains of bacteria are being used to extract metal from poor quality iron ores, from low grade gold and silver ores and for harnessing gold from waste water. Microbial cultures to break down pyritic sulphur from coal are being used to reduce sulphur dioxide emission during coal combustion.

Micro organisms are being increasingly used in cleaning industrial wastes and purifying effluent waters. Microbes that can extract heavy metals from effluents, degrade plastic waste and clean up oil slicks have found a prominent place in pollution control and are being traded under patents. India will have to contend with foreign companies offering patented microbes and capturing the market before Indian efforts in this direction are able to take off.

All this is particularly galling since for a variety of reasons. India could emerge as a global player in biotechnology if it was not hamstrung by an inequitable patent system totally out of touch with its requirements. I suspect part of the reason why we find ourselves in this unenviable position is that the bureaucrats who are sent to defend India's position are simply not educated to handle negotiations in highly complex areas.

On the negotiating teams of industrialised countries, representatives of industry, technical experts, lawyers and others who understand the subject matter are prominently represented. Let us learn from those who have succeeded in defending the interests of their countries far more competently than we have been able to.

Redefining Gandhi

A Relevant Exercise

Sanjoy Ghose

There is much in the Gandhian movement which needs to be preserved and redefined in the modern context. Can the movement rise to the challenge?

IT was an historic occasion. Four teams had set out on foot on December 25, from the four corners of Rajasthan, and were all congregating in Pushkar on February 12. Their mission was to take the message of Gandhi's 'Gram Swarajya' to the people, to realise Gandhi's vision of a humane society. A social framework built on values of caring, and sacrifice—without the violence of the class struggle inherent in Marxism or the violence of the free market, where profit and money have destroyed the carefully nurtured sense of community.

Sidhraj Dhadha, the flagbearer of Gandhian thought in Rajasthan over the last three decades (by coincidence it was his 80th birthday, the day of the reunion at Pushkar), was one of the marchers. The other teams were led by senior workers from the khadi 'jamaat' from different parts of the state. Perhaps the one exception was Savai Singh, the 30-something secretary of the Sarva Seva Sangh. A product of the JP-inspired Chattra Yuva Sangharsh Vahini, Savai who speaks the language of mobilisation, and conscientisation, and power to the people, represents the new hope for the future of Gandhian action in Rajasthan, drawing on the other-isms to enrich this middle path

The Sammelan itself, the culmination of the 50-day 'padyatras', was well attended. There must have been close to 400 people. The Gandhians and the khadi institutions were there in force, but there was a healthy sprinkling of the 'NGO types' as well. There was Rajendra Singh, who has been fighting the mining lobby in Alwar, Tyagiji from Jodhpur, Narendra Gupta from Chittorgadh, Kishore Saint from Udaipur—almost like a Who's Who of voluntary action.

Another constituency that was represented was the 'Gramdaan' villages. Gramdaan villages are those that have organised themselves under the Gramdaan Act. The provisions are unique. Every adult is entitled to be a voting member of the gram sabha, where all major decisions are taken, by consensus. Every family puts aside 5 per cent of their production into a village fund, and all the landed people have to agree to part with 5 per cent of their land to redistribute to the landless in the village. All the records are kept in the village, and private ownership rights are transferred to the community. It is almost a utopian concept, in this modern age, but there are 213 of these villages in Rajasthan, and several of the chairmen of the gram sabhas were there at the Sammelan.

The sections that were conspicuous by their absence were politicians, and the government. Also overall there were hardly any women. They were absent from the stage certainly, from where all the speeches were being made. Shashi Tyagi and Mamta Jaitley, as token representatives spoke of the need to broad base the movement and involve women with a sense of their empowerment, but coming as they did sandwiched between speakers, it did not seem quite so serious.

The first day was recollections of the yatras, and most of the teams spoke of the warmth, and the hospitality from the 'people'. Some common threads emerged from all the presentations: as societies have progressed, and 'developed', there has been an increase in alcoholism, and violence. Now the audio-visual medium has reached its tentacles into virtually every household, and 'dhani'—it is difficult to find people that have not come under the influence of the medium—which most people felt was the main reason values have changed so fast. Some people spoke of the sense of powerlessness that villages experience, being part of the state apparatus, with no control over their land, water and forests, unlike in the past. All the padyatris had similar feedback on peoples' attitudes to political parties, and the way that the democratic system had established itself. "It's a mess, but what choice do we have?" was a frequently heard refrain.

What seemed noticeably absent was a differentiated view of society. It was almost as if everywhere "the people said", which is hardly the way it is. The perspective of women, and the poor tends to get subsumed in this homogeneous notion of community, and village. It is this lack of differentiation that one is very uncomfortable with, in the notion of Gram Swarajya as one understood from the 'yatris', and the Sammelan. At one level, there is fierce opposition to the terms of the now infamous Dunkel Draft, on the ground that we need to protect our interests from the vultures of international capitalism: yet we accept the blood sucking of the moneylenders and the vicious barriers of caste as if these were minor aberrations in the way of an 'ideal' society.

On the second day of the Sammelan, there was a meeting of a small group of representatives of the various constituencies attending the meeting. I was also a privy to the discussions, that were conducted in a remarkably open spirit. There was a genuine attempt to arrive at a common understanding of the issues, and then draw up an action plan. The meeting was being co-ordinated by Sidhrajji, and kept referring back to Thakurdas Bang, who seemed to be playing the role of patron, and oracle, pronouncing judgment as issues kept being tabled. Again, the discussion veered around to the Dunkel Draft, and the need to oppose it: when someone pointed out the small window it offered in terms of providing employment through access to overseas markets for handspun and handwoven fabric, the proposition was accepted with disbelief, almost heresy. So also the fact that the television medium needed to be understood, and mastered, rather than opposed. But nonetheless, the tone of the small group meeting augured well for the larger general meeting later

But alas, that was not to be. One after the other speakers came up and tried to explain the cause of today's misery: from the silting of Pushkar, to the arrangements made for Sidhrajji during the padyatra, everything featured for a while. And the irony was that throughout the proceedings the language was Hindi (which many of the tribal villagers there did not understand), and all the speakers were representatives of institutions, none of whom were either from villages, or actually living in the villages they so much wanted to liberate.

Except for a small interruption, that enlivened the event. A man called Gopal camp up and introduced himself as one of the padyatris, and said that instead of all this talking, how maby people were willing to dedicate themselves to the cause of Gram Swarajya? He said he would start with himself, and pledged to work in 10 villages till the cause had been achieved. There was much clapping all around.

At the end, the organisers were really pressured for time. Everybody wanted to speak, and the harassed co-ordinator kept

appealing to people to take back their slips (on which they had written their names, and requested time to speak), so that the chief guest could enlighten the gathered audience on the subject, and so it was. Bang dwelt on the philosophy of Gram Swarajya for an hour, and exhorted all to beware of the Dunkel Draft, and the ominous portents that it had for village society.

I came away with a sense of emptiness, because one feels the need to redefine Gandhi in a modern context: preserve the values, but come to terms with the changes. To my mind, there are some areas that need to be explored and understood to come up with an alternative framework.

Participation: The earlier context of Gandhi may have been the 'guru-sishya parampara', with the notion of teacher and learner, but the pace of change means that we must be prepared to stand this notion on its head For instance, the stand on Dunkel seems to have a mandate from the people. But does it? Has there been a process of dialogue, with information, and allowing people to make up their own minds, before deciding on a strategy, or policy? It is true that the roots of trusteeship, and Gramdaan are participatory—but before we start asking people to participate in their own development, we need to examine the state of our own institutions. Who is the leadership accountable to now, and how participatory is decision-making? How far have we been able to keep the character of 'membership' organisations that Gandhiji so respected? Are these organisations listening to people, and feeling the pulse that Gandhi knew so well? He had a vision for this, and perhaps that is why in his autobiography he mentions how he is against the concept of 'permanent' funds for institutions, and how they need to keep going to the public.

Gender: A much abused word and concept, but unless the Gandhian movement can mainstream the idea that women have equal status, and are equally competent, rhetoric will only keep the presence of women as token. The involvement of women needs to be seen in a new perspective—perhaps they can get empowered through the movement, but the converse is equally true. They can empower the movement, and make it more relevant to people. In the Gram Swarajya Sammelan, Mamta made a valid point: there are thousands of women linked to the khadi institutions as spinners, but has anyone even once questioned why they are so poorly paid compared to the male weavers?

These are the kind of issues that need to be taken up, recognising women as economic producers, and heads of households, not merely as supplementary income earners, crutches, or a "service" cadre. The immediate implications for the institutions are that women must be given positions of leadership and authority, and allowed to determine their own agenda.

A clear strategic direction: There must be a clear message for people—the cadres, and the membership, to identify with. Within this direction, within this message, there must be symbols that will capture the imagination of people, in the way that the salt satyagraha, and the bonfires of imported clothing did a generation ago. If this appears cold-blooded, and pre-planned, with all the baggage of manipulation, so be the appearances. But if the method stands the test of Gandhi—truthful, non-violent, a concern for the poorest, it should pass muster.

An example of how the form this direction could take is in the reaction to liberalisation. If the Gandhian institutions can take a clear stand on fighting to save what remains of our social infrastructure—health, education, housing, public distribution system, rural credit, they would bring to the forefront the injustices on the poor, and prick the conscience of a nation, in much the same way that Gandhi touched the hearts of the world almost 40 years ago.

Mass media: The gut reaction is to close the windows on a cultural invasion, but that again is to fly in the face of public opinion. If the media could be understood as exactly that—a medium—devoid of the baggage of liberalisation, and the images of 'Bold and Beautiful' and Michael Jackson, which have come to symbolise the New Age—one could develop a strategic approach, give people alternative information and messages that would help them act, and change their lives and those of the community around them, in the spirit of Gandhi. Gandhi was not against technology *per se*, merely the idea of machine being the father of man, rather than within people's control.

The fact that television empires are built on viewership and advertising should not make one shun it on the grounds of ideological impurity. Unless there is sufficient organisation to get the message out, in a form that people can understand, and want to accept, it will only be a choice between the pervasive influence of television broadcasting into homes, countered with a cyclostyled alternative in the form of *Sarvodaya Jagat*, or such magazines. The metaphor is not wholly apt, but illustrative. Of course the media needs to be controlled. There are the censor boards, the ban on cigarette and alcohol advertising (and perhaps soon baby food). But that has had a marginal impact, compared to the many sources that reinforce the stereotype. If there are examples of Gramdaan that have empowered poor communities, and that represent alternative values and lifestyles, cannot they be made part of the armoury to change society in a different direction?

People are searching for a more meaningful way of living, and given the disillusionment with the state of affairs in the world around, circumstances might propel people in this direction—provided that it takes a form that is understandable and appropriate, in the modern context.

The market: This is perhaps the most difficult to come to terms with. Seen as inherently exploitative, the Gandhian stance is ambivalent. On the one hand, we accept the end of the barter economy (albeit with regret), but the market has come to be associated with the profit motive, which is linked to crass commercialism, and the emergence of the selfish instinct in man.

It is true that market forces have often (almost invariably) disenfranchised the poorest, given that their initial conditions hardly make for 'free' or 'perfect' markets, but it is also true that markets present opportunities to break out of old patterns of dependence and patronage. In the west we have had the emergence (and decline) of the green parties, a burgeoning market for the concept of recycling, and the interest in organic farming. There is a growing market for handspun, handwoven, vegetable-dyed khadi, not only because it is attractive in itself, but because of the alternative lifestyle and ethos that it represents.

All aid is now tied to 'sustainable' development projects—and it is only a matter of time before the definition veers from being entirely production-based to being consumption-linked as well. Questions need to be asked about how much is being consumed by whom, in addition to the question of production. There is a very rich debate on the issue in the environmental field, in the assessment of the costs of pollution. The rhetoric on the other side of the population debate draws on the Gandhian concept of there is enough for everyone's need, but not for everyone's greed.

Of course, all these are still very much on the fringe, but have the possibility of becoming part of a mainstream transformation, provided that the Gandhian movement can address these issues sensitively, and take the opportunities that present themselves.

Village Industry: Struggling to Survive

Jaya Jaitly

The deteriorating condition of village industry, the result of long neglect made worse by the recent economic reforms, is an ominous sign.

POLICY attitudes towards the producers of handcrafted or handwoven items has been clearly coloured by colonial perceptions. The formal description of 'handicrafts', makes no differentiation between skilled handwork and artistic handwork. In India artistic manufacture whether for community occasions such as festivals or for daily use in domestic or farm life is an integral part of living, but this was at variance with the compulsions of the western industrialised world which partitioned craft and industry into compartments. Village industry was idealistic, romantic, a fading relic of a past age, while capital-intensive industry was the hub of the financial world across the globe. A 'man's' world of practicality corporate images, centralised control, economies of scale, stock exchanges and global strategies to capture markets.

This western thought process was readily adopted by our policy-makers who, while claiming to be influenced by Mahatma Gandhi handed over the daily business of administration to a bureaucracy that still spoke in clipped British accents, wore three-piece suits and followed all the laws and procedures established by the erstwhile rulers. Handicrafts and handlooms were viewed as elitist objects for exhibitions and export rather than as an integral part of rural industry with its tremendous potential for employment and markets in the domestic arena. It was always the commerce ministry or culture departments that dealt with exports, museums, festivals and "culture" at its most highbrow that also administered the traditional industries. For a brief interval handicrafts and handlooms were brought together with the rest of village industry and received support from the newly created district industries centres, massive handloom promotion expos all over the country and, most importantly, protection for 817 items in the cottage tiny and small scale sector through reservations so that village industries would not be smothered by large industry. Village crafts, whether it was the ordinary leather 'chappal' or earthen 'kulladh' were to receive support along with the more fancy products made for upper class drawing rooms. These seemed a harmonious way of dealing with industries, both hand and machine varieties. Unfortunately, a change in government and a reversion to earlier attitudes prevailed and in 1980, handicrafts and handlooms were shifted back to the commerce ministry and then to the newly created ministry of textiles. Artistic, i c, Elitist handicrafts are supported here while common crafts remain under the ministry of industry to be obliterated by the powerful lobbies of industrial tycoons who dominate policy formulation.

Take the policy of financial allocations for the Khadi and Village Industries sector. It is well known that apart from some advancements in the technology of the spinning wheel and the loom, in village industries such as rope making, mat weaving, paper making, oil extraction, soap and match-making and so on, there has been almost no new technological input. It was not even necessary in certain areas since the local, traditional technology was adequate, simple and appropriate. However, while the network of KVIC is vast, its employment potential immense, its marketing outlets far outnumbering outlets boasted of by multinational hamburger joints like MacDonalds, the outlays for the KVIC have dwindled over the various five-year plans (see the table). In the Eighth Plan KVIC has been told to go to the banks and borrow money at commercial rates of interest for any investment in development work. The outlay for industry and minerals is Rs 46,922 crore. Out of this Rs 6,334 crore is the total outlay for the entire village and small industries sector or a mere 7.4 per cent.

While earlier at least the public sector did not challenge village industry by producing competing items for sale, and concentrated inside on producing coal, steel, aluminium and wrist-watches or operating services like rail, air and road transport, the present economic policy will allow the import of all consumer items from anywhere in the world, dealing a final blow to our village products in the market place.

What happens to those village industries that do not come into anyone's portfolio? Among these are hundreds of thousands of basket makers, rope makers, potters, metalsmiths, leatherworkers, who, if they do not produce anything that catches the eye of the patrons of art and culture are left on the roadside both literally and figuratively, across the length and breadth of this land. There are no appropriate technologies, modified tools, or simple processes for access to quality raw material and finally, no market development to demonstrate that they have a right to be part of the great world of market economies. All of these areas of intervention are left to struggling Gandhians, voluntary organisations and low profile public sector institutions. The khadi sector has been a major victim of this neglect for, with a wide network of outlets it is still sustained only through a system of high rebates as an incentive to customers, and its products are not found on shop shelves where they would be expected. For instance, KVIC soap and match boxes are not on chemist's shelves or available at the corner panwala's kiosk.

How then with policies balanced against them, have village industries survived at all? It is the all pervading and rigid caste system of the Indian social fabric that has kept the traditional village producer tightly bound within his caste hierarchy, unable to reject his inherited skills and profession, and unable to receive the benefits of any progressive policies that may have lightened his load or created alternative employment. A potter therefore remained a potter, a basket weaver continues as such. Illiterate yet knowledgeable, handicapped yet productive, trapped within their social status and traditional profession which, if rendered obsolete forced them to move downwards to become part of the manual labour workforce or a migrant on city pavements. Today village artisans find their place amongst the lowest income groups. According to the 1989-90 study of the Operations Research Group, 69 per cent of total artisan households earn up to Rs 750 per month. With an average of five members per family this works out to Rs 150 per head or a mere Rs 5 per day to cover the cost of food, clothes, transport, medicines and schooling. Most are landless. They have to make a choice between basic necessities or the purchase of raw materials, fuel or equipment for carrying out their work--little wonder they become bonded labour or sell their souls to exploitative loan sharks or middlemen. The condition of 29.6 per cent of these households are even more pitiable as they earn only an average of Rs 350 per month, which works out to an unbelievable Rs 2.30 per head each day. Is survival possible? Certainly not. What happens then? Let me illustrate with cases that are within firsthand knowledge.

Struggle to Survive

The story of Kodungallur in Kerala involves over 20,000 women engaged in weaving mats made of screwpine leaves. Their husbands are fisherfolk displaced by the advent of the air-conditioned high technology fishing trawlers which are now appropriating more and more of our 8,000 kilometre coastline. Having become breadwinners of the family, they purchased raw materials for Rs 6 per bundle with money borrowed at 28 per cent interest, wove a mat in two days; selling it for Rs 10, and earning Rs 2 per day for their labour. Unable to feed their family and repay the loans two women committed suicide. Sustained work in forming first a union, and then a co-operative

society, persuading local banks and the IDBI to provide small loans, seeking local support and doing all those things that only self-sacrificing souls can persevere with against political, bureaucratic and social odds, today they earn over Rs 10 per day and have a feeling of being participants in building an unified organisation which brings their present and future back within their own control.

In Andhra Pradesh the mass starvation deaths and suicide were covered in all the newspapers Handloom weavers, according to the handloom census of 1987 states that 14.32 lakh weavers earn Rs 501 and above per month, 13.34 earn between Rs 201 and Rs 500 per month, and 2.04 lakh weavers earn Rs 200 a month which is less than a rupee a day.

Just before the announcement of the 1985 textile policy production figures for mills, handlooms and powerlooms were calculated by government. The production in mills rose from 3,132 million metres in 1982-83 to 3,515 in 1983-84 but declined to 3,338 million metres in 1984-85. Whereas the production in handloom sector grew from 2,788 million metres in 1982-83 to 2,294 in 1983-84 It increased to 3,131 million metres in 1984-85. The powerloom sector saw an increase in production from 4,694 to 5,355 million metres in 1984 85. Of the three sectors, handloom provides employment for 57 lakh people as compared to 32 lakhs in powerloom and 8 84 lakhs in the mills. The budgetary allocation for the textile sector in 1991-92 was Rs 942 crore and reduced to Rs 848 crore in the revised estimates. The budgetary allocation for 1992-93 is Rs 861 crore The handloom sector which was allocated Rs 257 crore in 1991-92 found the amount reduced to Rs 216 crore in revised estimates. In 1992-93 the handloom sector was allocated Rs 249 crore. So much for our past policies

In a small village in Kerala 80 out of 100 families of potters turned to depending on their womenfolk's earnings from prostitution to help them survive the tragedy of the loss of their traditional markets. Today a revival programme has been undertaken to make their skills relevant and encourage society to create markets for their products.

Here we should divert our attention to the situation of rising unemployment in the technologically developed countries, and relating it to our current policies of industrial development which seek to globalise by imitating their technologies or replacing our goods with theirs.

Global Village

At the Euro summit held in October 1993 there were serious apprehensions raised among the 12 members of the European Community about labour unrest in France and Germany this winter. There is increasing talk of a four-day week to enable workers to share work while companies reduce their pay rolls and cut costs to remain competitive. The EC desperately needs to create 20 million jobs if the unemployment rate is to be halved from its current 10 per cent plus. Asahi Bank in Japan estimated in a report in October that Japan's true unemployment rate is 6.5 per cent if 'hidden unemployment' is also taken. Haruo Shimada, professor of economics at Keio University says "Life time employment as an ideology will always continue to exist because Japan will always consider human resources to be important". His concern is that Japan should invest in new industries that will create new job opportunities before it is too late. In Italy as of August 1993 there has been a 26 per cent increase in the number of workers laid off from government schemes, and Confindustria, an employers body, has warned of an impending loss of 7,50,000 jobs over the coming months. The Italian government is worried that this may erupt into rioting and that the Mafia in southern Italy will take advantage of the situation too. An OECD report of its 24 member countries puts unemployment figures at 36 million, in the G-7 countries 7.2 per cent of the workforce is unemployed. Average unemployment among youth is 30 per cent in Spain, 20 per cent in France, Italy, Finland and Ireland. In the US it is 7 per cent. In Mongolia only 1/3rd of its people constitute the workforce. In Germany 10.3 per cent of the workforce is unemployed. Ever since the industrial revolution dovetailed into the technology revolution in the 1980s more and more machines replaced human labour and effort. The result today is this frightening recession. If people cannot work, they cannot earn, if they cannot earn they cannot purchase. So now we have the G-7 nations desperately protecting their industrial capacity by promoting the products of their multinational corporations in the third world, while president Clinton has announced the holding of a job summit in the US next year.

Unemployment figures in India are constantly high and would now be nearer 130 million people. As with death and deprivation, we have become insensitive to their sufferings and refuse to connect social and economic problems with joblessness. The mass of the workforce in India is still in the unorganised sector with those engaged in village industries second only to those engaged in agriculture. According to the Alternative Economic Survey of 1992-93 the unorganised sector absorbed about 90.3 per cent of the total workforce in 1971 and its share increased to 91 per cent by 1990, which includes underemployed or seasonally employed persons. The relative share of the unorganised sector in the total GDP has also declined over the period. The share of this sector in the GDP declined first from 72.5 per cent in 1970-71 to 66.7 per cent in 1980-81 and further declined to 60 per cent in 1989-90. A rise in the share of persons dependent on and a decline in its share of the GDP indicate a deterioration in the per capita earning of the persons engaged in the unorganised sector.

Analysed in plain terms we seem to be consciously killing our own golden geese. What happened in slow motion over the past 150 years is now being rushed through within two years—the current economic reform—which is in effect market reform and not reform that will bring prosperity to the poor. The new words in vogue are not 'people' and 'politics' which in its essence means the involvement of people in the creation of a humane and just society, but 'markets' and 'consumers' in which money power decides who has the right to occupy democratic space. With the rapid and facilitated entry of multinational corporations and financial institutions, allocation of farm land, bank credit, access to raw material, priority in transport facility—all these are being handed over to serve those who have the most economic power. Co-operative banks and rural credit which were the beacons of hope for those like our women of Kodungallur will no longer be available to serve the weak. They are already being forced back into the hands of loan sharks and unscrupulous local moneylenders. And when foreign products in every sphere of consumer need is brought to every village and small town shop, convincing the deprived that Coke and Pepsi is better than drinking water, and hi-tech cookware is more progressive than earthenware pots, our women in more than one village will have to return to prostitution.

In Thailand which is held up as an example of a successful structurally adjusted country, you can get Levi Jeans, Pepsi-Coke, Pierre Cardin T-Shirts and Reebok

Table

Plan Period	Outlay on Public Sector (Rs Crore)	Outlay on KVIC (Rs Crore)	Actually Received by KVIC (Rs Crore)	Col 3 as a Percentage of Col 2
First	1,960	15.00	11.58	0.8
Second	4,672	83.78	78.71	1.8
Third	8,577	92.40	86.90	1.1
Fourth	16,160	111.00	97.73	0.7
Fifth	37,250	180.00	118.24	0.06
Sixth	97,500	480.00	521.72	0.51
Seventh	1,80,000	540.00	611.21	0.21

shoes, but the resultant impoverishment of its rural industry has resulted in 95 per cent of all Thai men having slept with prostitutes; 5,00,000 Thais, i e, almost 1 per cent of its population are affected with AIDS. This is spreading through Cambodia and Laos via Burma to the north-east of India and, as a part of other types of global linkages will soon join up with the scores of villages in India. Projections for the year 2000 show AIDS being reduced from 17 per cent to 10 per cent in industrialised nations but increasing from 5 per cent to 25 per cent in south and south-east Asia. Let it be clearly and unequivocally understood that as a result of these policies, unemployment and AIDS will go hand in hand as the most deadly diseases of the next decade. It is by no means far-fetched to assert that this has a direct link with the rapid destruction of the productive, employment-oriented industries of rural India and will force our rural people to prostitution, starvation or suicide. A grim choice indeed in a world where multinational consumerism claims to offer the consumer a greater freedom of choice.

OIKOS means the economics of home management. A home encompasses the concept of people being a harmonious part of nature—one with its soil, water forests and clean air. This concept of the sentient being is common to all traditional agricultural societies of South America, India, Japan Thailand, China and Africa, but we cannot talk of eco-friendly products without making them people-friendly too. These products if made by industrial conglomerates that do away with jobs cannot be considered eco-friendly if they destroy the lives of traditional producers. Our choice of the earthen 'matka' as the Eco Mark logo is particularly ironic since steel and aluminium are wiping out the potters who make the matka. It is only if the principle of causing the minimum harm is used rather than of maximum profit and humans who produce goods and services are not marginalised and alienated from their skill, that the product would be genuinely eco-friendly.

It is here that we may turn to strategies for the future because we are poised at the very precipice of a situation where we can make the right choice for ourselves, or lose in a trice the collective wisdom of centuries. Let us look a little deeper at what is happening in the economically powerful countries today. Which are the words that are gaining currency amidst the aberrations of their culture? 'Organic', 'sustainable', 'eco-friendly'. Through Star TV viewers are asked to knit sweaters to keep warm rather than turn up the thermostat in central heating which wastes precious energy and depletes nature's resources. 'Health' foods like sprouted beans, yogurt, whole wheat, leafy greens without chemical pesticides are promoted. Natural fibres like cotton, silk and wool are far preferred to skin-clogging synthetics even by the working class for their uniforms. By working on a home computer people have brought work back as a home-based activity. Herbal extracts and oils are preferred by the cosmetic industry, fruit and vegetable extracts are part of exclusive, expensive soaps. Detergent factories with high chemical effluents are being penalised, and in Japan those parts of the production process that are not eco-friendly are being identified as inefficient and the corrective process is being applied. Anybody who is anybody boasts of using recycled paper. We have had these skills for centuries yet we are adopting alien obsolete technology with their obsolete development paradigm while we could be on par or, indeed, even ahead of 'developed' nations by taking the short cut back to our own rich resource of knowledge and skill which through traditional production methods protects the environment while sustaining employment.

Our traditional village industry uses local resources, the depletion and regeneration of which is the immediate concern of the local inhabitants. Transport costs involved in pre-marketing processes are minimum. The skills of a vast traditional reservoir are present. It requires minimum infrastructure if cottage based, home-based activity sustains the unity and integrity of the family unit and economies of scale are maintained Both costs and benefits are tangible to the producer. Most importantly it does not put people out of work We clearly have in our hands the only relevant technology for the future well-being of humankind

'Third Force' in South Africa

Ninan Koshy

The Goldstone Commission's report confirms the widespread belief about the existence of a 'third force' in South Africa organised or supported by the security forces. President de Klerk's decision to constitute yet another enquiry team will only be treated with derision.

THE recent report by the Goldstone Commission has only confirmed the widespread belief about active involvement and complicity of the South African security forces, including the police, in fomenting political violence mainly against the African National Congress (ANC) For the last three years evidence has been accumulating about the existence of a 'third force' in South Africa organised and or supported by the security forces to destabilise the transition towards democracy. It was just natural that the main target of the 'third force' was the African National Congress and the main beneficiary the Inkatha Freedom Party (IFP) Most of the actions listed by Goldstone, including the supply of weapons and fuelling of violence on trains and in migrant worker hostels were directed at helping the IFP the main black rivals of the ANC. The commissioner stated that he had prima facie evidence that the deputy police commissioner, general Basie Smit, was among those involved in dirty tricks

From the time that the state president F W de Klerk announced a programme for transition to democracy in South Africa in February 1990 it was known that a critical factor in the process would be the security system. There was fear that the security services trained, equipped and oriented to protect the apartheid system could destabilise the process. A similar problem was met in Namibia by a UN force. Domestic military elements, police and liberation armies alike were prevented from operation during the transition.

In South Africa, far from providing a non-partisan umbrella of stability, the security services have the legacy of fiercely partisan involvement in implementing P W Botha's 'total strategy'. Despite president de Klerk's repeated claims that the security services were fully under his control, the system did not change with the change of policies of the National Party. The incumbent regime assumed and claimed that simply because it precipitated a transition and publicly committed itself to a democratic outcome, that the state security system was serviceable as a neutral instrument in the process.

It is well known that the South African security forces were trained and deployed to defend apartheid and to wage war against the ANC and its members. Yet no programme has been implemented to retrain the security forces to serve a democratic society. Notwithstanding the known orientation of the security forces and the cases where the police officers have admitted in court that they were simply continuing the war against the ANC they had been instructed to wage, the government continued to insist that investigations of police complicity in violence must be conducted by the police themselves.

It was the Boipatang massacre of June 17, 1992 that sharply raised questions once again about the role of the security forces in violence. In addition to a number of non-governmental enquiries having pointed to the existence of a 'third force' the Goldstone Commission which by that time had published two interim reports had cited in-

stances of police and defence forces' involvement in violence including assassinations mostly of ANC member and supporters.

The Boipatang massacre brought to a halt the negotiations for democratic transformation under the 'Convention for a Democratic South Africa' (CODESA) with the ANC refusing to return to negotiations unless the government took credible steps to deal with the problem of violence. The ANC president Nelson Mandela in his letter to president de Klerk on June 26, 1992, spelling out conditions for resumption of negotiations, specifically raised the question of the involvement of security forces in fomenting violence. He publicly accused the de Klerk government of being responsible for political killings.

The massacre and the consequent collapse of CODESA drew renewed international attention to South Africa and the Security Council of the UN met to discuss the situation. This resulted in heightened international support for the ANC and a limited UN presence in South Africa to monitor violence.

While conceding that "the appalling events on June 17, 1992 have once again shown that the situation in South Africa is highly volatile and accompanied by a spiral of violence and counter-violence", president de Klerk maintained in his reply of July 2, 1992 to Mandela that "Contrary to ANC"s accusations, the government has not and will not plan, conduct, orchestrate or sponsor violence in any form whatsoever against any political organisation or community". He added, "The lie that the government is sponsoring and promoting violence remains a lie no matter how often it is repeated. Where elements in state structure in this regard, the government will not hesitate to take appropriate steps."

The president said that it was to cover up its own direct and indirect involvement in the creation of a climate of violence, that the ANC blamed the government and the security forces for the violence. In his reply of July 9, 1992 Nelson Mandela exposed the false claims by the government and gave further evidence to substantiate the charges. The latest report of the Goldstone Commission is a clear vindication of the position taken by the ANC already in July 1992.

While the government was always quick to condemn the ANC for violence, it as a rule refrained from any condemnation of Inkatha, even when there were numerous cases of leading members of the IFP planning, directing and instigating violence on a mass scale. Instead there were persistent reports of government protection of IFP warlords by the security forces. In case after case investigation concerning the involvement of the members of the security forces have been found to be inadequate and tardy,

The involvement of the security forces in incidents of violence has been already established through exposures in the press, in the course of some trials and in Commissions of Inquiry. The government has tried to deny its responsibility by claiming that individual members of the security forces had acted outside the law and their institutions and that such cases as were established had led to criminal persecution. This was not true as in the majority of such cases the government did not institute any action. On a number of occasions police officers involved in violence or in cover-ups have been identified by Commissions of Inquiry or in court judgments The government never took action in such cases. And so the 'third force' continued with vigour. There were a number of instances where the security forces not only failed in their duties but played an active and determining role in the fomenting and escalation of violence.

One case that revealed the involvement of the police in violence was the Trust Feed Case. On April 23, 1992 captain Mitchell and four constables were found guilty in the Natal Supreme Court of the murder of 11 persons at an area called Trust Feed in the Natal Midlands. The persons murdered were ANC supporters and at the time of the incidents, the violence was perceived as being the result of Inkatha ANC rivalry. In his judgment Justice Wilson referred to police complicity in the crime and stated "a disturbing feature of this case is that as the evidence went on it became clear that the evidence of senior police officials could not be accepted and official records produced form files were also subject to suspicion and shown to be completely inaccurate". It further emerged that captain Mitchell viewed the actions he had taken and the context in which they were taken as being a war situation against the ANC. In addition, the judge called for an investigation into the alleged cover-up of the investigations and the involvement of policemen in "counter-revolutionary strategy".

At Trust Feed a community was deliberately destabilised and hostility created between ANC and Inkatha supporters, leading to the establishment of Inkatha control over the community. The court heard from the policeman responsible that the police had previously assisted Inkatha by unlawful means to take over areas.

Revelations about hit squads had come already in 1990 through the Harms Commission. The Commission began its investigations in Pretoria in February of 1990 into the existence of hit-squads operating within the ranks of the South African Police, specifically at Vlakplaas, as well as within the ranks of the South African Defence Force, specifically the Civilian Co-operation Bureau (CBB). The report of the commission in December 1990 confirmed that a number of illegal acts were found to have taken place which were committed by both the South African police squad operating from Vlakplaas as well as the CBB. Such acts included attacks upon prominent anti-apartheid activists; attacks upon the premises of anti-apartheid organisations and included the bombing of Athlone House in Cape Town. No action was taken by the South African government against those involved and there was evidence that some of the squads continued to exist.

All these have to be seen against the background of the support given to Inkatha by the South African government and several of its agencies. Secret financial support from the South African government in the form of funding of rallies was exposed by the press in 1990. The South African government had to acknowledge this. Even though F W de Klerk stated in July 1991 that all secret funding to the Inkatha had ended in March 1990, there is evidence of funding to Inkatha rallies in 1991 and 1992.

At least 200 Inkatha members received military training from South African security forces in the Caprivi strip in late 1986 and early 1987. As in the case of other kinds of support from the government to Inkatha, this was exposed by the media and at first denied by the government. There is evidence of other training courses also held for Inkatha members. Several of those who have been identified as receiving such training have subsequently been involved in violent activities including participation in hit-squads activities. There were also well-substantiated reports of Inkatha's links with South African military intelligence.

The Kwazulu Police (KZP), a force under Inkatha control and membership of which effectively requires Inkatha membership, are trained and in many cases receive logistic support from the South African Police. The political partisanship of the KZP in their operations has been established by monitoring groups and in court cases.

The latest report by the Goldstone Commission has now given the final indictment against the South African security forces about their collusion with and support for Inkatha. The Commission has given all the evidence that is required for action by the government. F W de Klerk's embarrassment is understandable. His claim of the security forces being fully under his control is exposed unless of course he knew all along what had been going on. His announcement that the government would appoint an international enquiry team will be treated with derision. What more evidence does he need or the people want than what is given by Goldstone who has named the people involved? At the other end is chief Buthelezi claiming that he has been unaware of any help from the security forces to Inkatha. At a time when Buthelezi does not know what to do next and his political options are running out the Goldstone report has shown conclusively the sinister nature of Inkatha's collaboration.

Managing India's Nepal Policy
The Raj and After

Parshotam Mehra

Demands for a review of Indo-Nepalese relations and suggestions that an Indian initiative is essential for giving a "positive tone" to these relations in future need to be viewed against the backdrop of how the relationship between the two countries evolved over century and a half of British colonial rule.

A RECENT analysis on 'Managing Nepal's India Policy?' makes interesting reading.[1] Sadly, for its author, the breath-taking changes that have come over the political landscape in the Himalayan kingdom in the wake of the end of Panchayati raj and the holding of largely free, and fair, general elections (May 1991) under the multiple party system[2] have ushered in a major systemic restructuring of Kathmandu's policies, both at home and abroad. In the event, some of the assumptions on which the thesis rests would appear to have lost validity. And yet they are deserving of close scrutiny.

While reviewing a bunch of recent studies on Nepal a few years ago, the present writer drew attention to some important facets which may serve as a necessary backdrop to an understanding of Nepal's India's policy.[3] To start with, over the centuries, the country has maintained 'a cautious equidistance' between its two powerful, and populous, neighbours towards the north and in the south; its strategy for survival revolving largely around keeping that equidistance. Again, two major landmarks in Nepal's historical evolution over the past couple of hundred years and more have been the advent of Gurkha rule (1767) and the rise (c 1849) and fall (1950) of the Rana stranglehold. Finally, the 1960 coup of King Mahendra (r 1954-72) in dismissing a popularly elected government and the sharp deterioration of the economic situation in its wake. Followed by a well nigh complete turn around by his son and successor who, 30 years later, was made to opt for a return to democratic norms (April 1990). It would be interesting, as no doubt instructive, to relate these events to India's own record of managing its Nepal policy both under the Raj and, more importantly, in the decades since.

In the cluster of the three Himalayan states, Nepal occupies an important, nay almost pivotal, place. And this not only by reason of its size and population. For Sikkim is tiny by comparison and Bhutan, though larger in area, is yet small in numbers. More, of the three, Nepal's relations with Tibet and China were perhaps better defined and, in the Indian context, more relevant. Another factor may bear mention. The relatively small indigenous population of Lepchas in Sikkim and of the Bhotias in neighbouring Bhutan find themselves outnumbered, if not completely swamped, as in Sikkim, by the Gurkhas. Creating in their wake grave problems of ethnic imbalances that bid fair to threaten their fragile polities. And from which India's own north-east is not immune either—viz, the politics of Gorkhaland and of incorporating Nepali/Gorkhali as a separate language in the 8th schedule of the Constitution.

Hazy Beginnings

The Raj's relations with the Gurkha kingdom may be said to have their hazy beginnings at a time when the John Company was mounting a big effort to explore trade prospects in the north. This became especially urgent in the wake of a series of famines in Bengal in the last decades of the 18th century synchronising with the emergence of Prithvinarayan Shah as the undisputed master of the Himalayan kingdom. Nor was Nepal the sole quarry; British efforts were part of a larger design that embraced the missions of George Bogle and Samuel Turner to the neighbouring land of Tibet. That the company could not make much headway in either direction was not for want of trying.

Nepal's bout of hostilities with Tibet (1788-89) inflicted a veritable body blow on the latter and soon invited a war with China (1791-93). For the resurgent Gurkhas who for some time now had carried all before them, it was a humiliating reverse. The more galling in that Chinese armies had marched virtually unchecked to the outskirts of Kathmandu. Rebuffed in the north, the Gurkhas turned their depredations towards neighbouring Garhwal a[nd] Kumaon and in so doing came head- into conflict with the John Company t[hat] engaged in more or less simi[lar] operations—expanding and consolidati[ng] its dominion in the hills.

Happily, the first Anglo-Nepalese (1814-15) was also to prove the la[st.] Though worsted in battle, the Gurkhas demonstrated a fighting capability a[nd] power of resilience that won them t[he] enemy's respect, a fact amply demo[n]strated in the ensuing treaty of peace. F[or] barring some territorial acquisitions to saf[e]guard their position in the north, the Briti[sh] left Nepal more or less to its own device[s].

The immediate post-war political lan[d]scape in Kathmandu was one of unce[r]tainty and relative confusion—until t[he] emergence of the Ranas. Who from position of mere non-entities in the 183[0s] assumed an almost unchallenged hold ov[er] the apparatus of government by the 185[0s]. All the while their leader Jang Bahad[ur] graduated from the days of 'active host[il]ity' of Bhimsen Thapa to a position 'restricted intercourse' with, and 'friend[ly] isolation' towards, his powerful southe[rn] neighbour. A measure of his growing clo[ut] was the recall of the ever-nosey Briti[sh] resident, Brian Hodgson (1843), who outer facade of fostering trade and com[]merce concealed a determined bid to e[x]tend the British hold. The recall itself d[id] much to allay Jang Bahadur's mounti[ng] fears of British motives while happily f[or] him Hodgson's successor ruled that t[he] armed threat card had been over-playe[d]. For Gurkha military power, he confided [to] his political masters, was "an utter nullity".

By the time the two Shamshers, Bir a[nd] Chandra, emerged (1885), the Ranas h[ad] consolidated their hold over the land whi[le] the Ranas had consolidated their hold ov[er] the land while the British had come to re[ly] increasingly on Gurkha recruitment f[or] their armed forces. In the event, B[ir] Shamsher's visit to Calcutta (1893) t[o] meet governor general Lansdowne under[]lined the contours of the new relationshi[p]. The Raj promised a 'reasonable' supply [of] arms in return for an assurance that the[re] were no clandestine deals with other (Eu[]ropean) Powers and no arms exports t[o] Tibet. And while Kathmandu may no doub[t] have been disappointed in its expectatio[n] of 'one rifle for one Gurkha recruit', th[e] British broadly kept to their pledge of a[n] uninterrupted supply, conscious that th[e] Nepalese rulers could spoil their muc[h] valued Gurkha recruitment.

The opening years of the century sa[w] the British entangled in Tibet over wh[at] appeared a virtual non-issue. Ostensibl[y]

objective was to foster unhindered le with the land of the lama; in reality, was to pre-empt the Russians in their gedly nefarious designs on the coun- Characteristically, Whitehall seriously ated the possibility of using Nepal to e a proxy war Chandra Shamsher, ly too willing' to ingratiate himself, game. With Beijing in no position to rvene, he yearned for an opportunity eat the lamas and purloin some cov- l territory.

adly for him, Curzon, the overbearing consul, overruled his political mas- at home and assigned Chandra msher a secondary, if relatively unim- tant, role. In the event, Young-hus- d could draw upon Nepal for his much- ded supply of yaks for transport and its sa agent Jit Bahadur's good offices to wbeat the lamas. But the Sahibs must unt their own expedition and pocket accruing gains.

ot that Nepal's help was of no mo- nt. To the contrary. For not only during negotiations leading to the conclusion e Lhasa convention (September 1904) also in the lean post-Curzon period followed. More specifically, the palese envoy played a crucial role in years of Chinese ascendancy (1905 and much more its decline (1912) Jit adur helped carry out the evacuation e rabble of a Chinese soldiery who, in aftermath of the October 1911 revolu- on the mainland threatened peace in et. This made possible the return of the Dalai Lama from his years of exile in ia to his own land (1912) and laid the is for the convening of the tri-partite la Conference (1913-14)

Treaty of 1923

vents leading to the 1923 treaty gnising Nepal's independence, "both rnal and external", underline the grow- importance the Raj attached to hmandu in its relations with the ai Lama and the government in Beijing. e, Charles Bell's mission to Lhasa 21-22) to help it with a modest supply rms and the Treaty of Rawalpindi 21) marking the end of British tutelage Kabul must be viewed as essential kdrops. Between Nepal and Tibet as a delicate balancing act, for any ly of arms to the Lama's government, eby adding to its strength, was anath- to Nepal's rulers who viewed their hbouring land as a veritable colony re they flaunted their extra-territorial ts and privileges. As to Beijing, the as had by 1912 dropped all pretence of nferior or subordinate status; the last quennial mission of tribute to the Son Heaven was despatched in 1908.

As one draws to the close of British rule in India, two points need to be heavily underlined. One, in mapping out the contours of their relations with the Gurkhas, the British had the advantage of dealing with a relatively stable, if notoriously regressive regime in Kathmandu. For the Rana oligarchy despite its internecine squabbles, managed to remain in the saddle, if partly because the Raj turned its face sternly against fishing in its troubled waters. As for itself, no sooner did it discover the excellent fighting qualities of the Gurkha soldier—in many ways a cut above John Tommy—than it was only took keen to make use of this great human resource to fight its battles. And not in the subcontinent alone, but in the remotest corners of the empire. More so in that they were mercenary soldiers who in return for their pittances remained steadfastly loyal to their masters.

In the bargain, the Raj lent a helping hand, within well-defined limits, in arming and equipping the Nepalese forces And perpetuating the Rana stranglehold. Nor did it fancy having an interest in breaching Kathmandu's sedulously guarded isolation. In the result, such international status as the country enjoyed in the wake of the Anglo-Nepalese treaty of 1923 was largely through the courtesy of Whitehall or its Indian adjunct. Nor was Kathmandu under the Ranas overly enamoured of the outer frills and trappings of a sovereign state.

Nothing much changed in the few decades that the Raj now endured. In 1933, the post of British Resident at Kathmandu, the nomenclature of which had already, in deference to Nepalese sensibilities, been changed was formally recognised as one of His Majesty's ministers while a Nepalese Legation in London obtained recognition as a juridically independent state. It was nonetheless 'a very special' treaty relationship for not only did Nepal supply a large contingent of regular troops to the Indian army but it was also dependent on India for an important part of its annual revenue in the shape of subsidy. More, barring a Nepalese representative at Lhasa, it had not established diplomatic relations with other Powers. The country was dependent for her trade on transit through India, receiving a refund of Indian customs duty on all imports (via India). The British were equally clear that the Gurkha source of recruitment must be maintained at all costs and that the Raj could not tolerate another less friendly regime south of the Himalayas.

In the Imperial pattern then obtaining, Nepal's position may bear comparison to that of Muscat in the Persian Gulf: a juridically independent state in treaty relations not only with Britain but also with other Powers and whose independence it was an essential British interest to defend. And over which therefore HMG was bound to maintain an unobtrusive guardianship.

It may be useful at this stage to recall the late Olaf Caroe's 'India and the Mongolian Fringe' which may be rated the Raj's swan song in terms of its definitive policy framework *vis-a-vis* the entire north-eastern frontier, *including* Nepal.[4] It was a 'Note' by India's then foreign secretary widely circulated for comment among officials in Assam and along the eastern frontiers—not a 'Memorandum to the British Foreign Office'. Again, the date it bore was January 18, 1940, *not* 1946.[5]

And finally, Olaf did not suggest, as has been averred, that the Himalayan states "should be integrated irrevocably with India through economic measures".[6] All that he did was to say that "the whole of this frontier and not only Tibet is regarded by China as irredenta". In the event, it was "an elementary precaution to take steps to fasten in the Indian orbit all that Mongolian fringe" from Nepal to the farthest tribal areas of Assam. How precisely was the fastening to be achieved remained undefined but, for the record, there is not a word on economic measures, much less on integrating the area irrevocably with India.

On Nepal, the 'Note' made two significant comments which may be of some contemporary relevance. One, "her [Nepal's] connection with China is often forgotten, but never by the Chinese". Two, the Nepalese are 'a philoprogenitive race' who had spread widely into Sikkim and Bhutan—and in Assam. This tendency towards expansion was "in different degrees feared and hated by other states". Above all, by the Tibetans who "dislike and fear" Nepalese encroachments.

Post-Raj Scenario

A word on the post-Raj scenario. On the morrow of Indian independence (1947), the Ranas, increasingly shaky at home, were keen to clinch a deal with New Delhi as a modicum of assurance against overt interference. India may have delayed matters—and, as a matter of fact, did—but its hands were forced by developments across the border in Tibet where the new Chinese communist regime threatened 'liberation'. To no one's surprise therefore, the 1950 treaty with Nepal was at best a holding operation resting squarely, with a few minor, almost cosmetic, modifications, on the earlier treaty of 1923. Not long after, a revolt in Kathmandu brought about by long-simmering discontent at home and overt, as well as covert, help from across the border spelt the doom of the long-decrepit Rana rule. Understand-

ably, the old monarchy, now restored to full authority, sought an assurance of New Delhi's goodwill.

Even as it did so, India's emphasis on its 'special relationship' with Kathmandu provoked hostile reactions and was anathema to the hypersensitive political elite in the Nepalese capital because of its presumed denigration of the country's national sovereignty. Independent, democratic India began to be viewed as a greater challenge than the alien if autocratic Raj it had replaced. In the event, King Mahendra's magic formula of "non-alignment with equal friendship for all" and "diversification" found, to start with at any rate, wide, popular acceptance. The idea was to effect a careful balancing so as to obtain greater freedom of manoeuvre and a cautious tacking back and forth between Nepal's two great neighbours as circumstances might necessitate. Despite its high-sounding rhetoric, this could best be a tactic, not a policy. And one with severe limitations on its utility.

Kathmandu's growing emphasis on its historical role as a link, a channel of communication, between the civilisations of south and east Asia was to underline its own independence. For New Delhi it was to be a non-aligned nation, not a compliant ally; its new stance helped by the glaring exposure of India's vulnerability, and weakness, in the 1962 border war with China. Not long thereafter, Nepal under King Birendra formulated its zone of peace proposal (1975) which, by implication, would take the country out of its security obligations with India and place its relations with New Delhi and Beijing on the same footing. With China's active support the proposal was pushed with such zeal that by 1990 it had been endorsed by as many as 115 nations.

Crisis in Relations

The recent crisis in Indo-Nepalese relations starting with New Delhi's decision not to renew the trade and transit treaties in March 1989 and its preference for a single treaty to replace the previous arrangement may be briefly reviewed. The 1978 treaties for trade and transit expired on March 23, 1989. Earlier, in 1950, 1960 and 1971, a single treaty had regulated both trade and transit and New Delhi now insisted that the former practice be revived. Its line of reasoning was unexceptional—if Kathmandu desired a special economic relationship, it would have to give way on a special security relationship. With the treaties expiring, New Delhi closed down 13 of its 15 transit points on the India-Nepal border, allowing the two at Raxaul and Jogbani to cater to essential goods. As a supplementary fuel agreement expired on the last day of March, Kathmandu faced a severe fuel as well as goods crunch. To no one's surprise it cried 'foul' and denounced the 'blockade'. New Delhi stoutly repudiated the charge, pointing out that the Nepalese had dilly-dallied on negotiations.

In the ensuing parleys, India maintained that trade could not be treated to the exclusion of other matters and suggested a comprehensive review of the entire gamut of relations between the two countries. All this while, non-renewal of the treaties choked major channels of communication and inflicted severe economic damage on the Himalayan kingdom. And in its wake precipitated a major political upheaval. For its part, Kathmandu presently discovered that however warm foreign sympathies and fervid aid commitments, they offered no panacea. Short-time palliatives at best, they spelt out no long-term solution. More to the point, China's much-touted enduring support notwithstanding, its real commitment to Nepal's economic sustenance remained as fragile and cautious as ever.

It has been argued that the Nepalese monarchy's pro-China stance was a result of its fundamentally autocratic character. Even the Ranas' reception of the 1950 treaty, a respectable Nepalese academic has suggested, was motivated in that it was "expected to provide a durable guarantee" to their shaky regime. Later King Mahendra's policies "supposed to have been guided by nationalism and far-sightedness" were, in reality, expedients" geared to serve only the ruler's interest". So also his zone of peace proposal which was a "bundle of contradictions" launched "without any homework". In sum, the monarchy was guided "more by short-term strategies of regime survival than by genuine national interest".[7]

More explicitly, both King Mahendra and later his son, King Birendra, were hostile to India and wanted to minimise Indian influence largely because they saw it as supportive of pro-democracy forces in the kingdom or, at the very least, those drawing inspiration from India. China for its part saw nothing objectionable in an autocratic regime and was more than willing to lend support, should it serve its specific foreign policy objectives *vis-a-vis* India. By stirring up hostile sentiments, a supposedly anti-India, pro-Chinese monarchy could divert its people's attention from their miserable economic plight and at the same time stall if not deny a democratisation of the country's political system.

A major irritant in Indo-Nepalese relations is said to have been New Delhi's umbrage on Chinese arms sales to Kathmandu of which the first instalment worth £ 20 million arrived in June 1988.[8] India viewed the deal with a measure of concern. A substantial military relationship between Beijing and Kathmandu, it must have argued, would upset the military status quo in the Himalayas. More, it was clearly violative of the letter and spirit of the 1950 treaty and the secret letters exchanged on the occasion. The latter clearly stipulating that "neither government shall tolerate any threat to the security of the other by a foreign aggressor. To deal with any such threat, the two governments shall co-ordinate measures".[9]

Specifically on the question of arms, in 1965 India had modified its 15-year earlier commitment to "agree to underwrite as far as possible the entire requirements of the Nepalese army". US and British assistance was to be sought only when New Delhi was "not in a position" to meet Kathmandu's requirements; such shortfalls, however, were to be "militarily co-ordinated" by New Delhi.[10]

Pro-Democracy Movement

A word on the pro-democracy movement launched in February 1990 and the repression unleashed to suppress it. Both in India and the world outside, the movement elicited widespread sympathy and support. Not unexpectedly, the king had sought an assurance of Chinese backing as he manoeuvred to a head-on collision with the massive opposition to his partyless panchayati raj regime. Sadly for him, Beijing's sympathies remained proforma; in the light of the fallout from its own holocaust at Tiananmen Square (June 1889) there could possibly have been no meaningful support to contain the upheaval in Kathmandu.

The interim government installed in April 1990, after the Maharaja's surrender to pro-democracy forces, was not unresponsive to Indian sensibilities. Nor was New Delhi for that matter wanting in reciprocity. Briefly, in less than four weeks—and on the eve of his visit to New Delhi—the new prime minister announced a postponement, and later cancellation, of the final consignment of Chinese munitions. A bare 10 per cent of the total purchase, it was slated for delivery in May 1990.

New Delhi for its part had clearly underlined that it was "not against" China or anyone else; only that it claimed a modicum of sensitivity to its security requirements. As it was, India's mounting concern with a whole range of Chinese activities—road-building, exchanges between military establishments, participation in sensitive development projects—had been ignored. Kathmandu backtracked only when Beijing's inability to act as an effective

counterweight stood starkly exposed. For when push came to shove, the Chinese discovered that they were unable to do much. An additional factor that must have weighted heavily in their calculations has been briefly alluded to, the Tiananmen Square massacre. For in its wake relations with the west deteriorated fast. Besides, Beijing had by now (1988-89) begun to mend its fences with New Delhi and, in the event, could hardly risk trouble.

India was not remiss in responding generously to friendly overtures. For during the Nepalese prime minister Koirala's visit (December 1991), New Delhi yielded to his pressure to de-link trade from transit. In the event, two, not one, separate treaties were concluded. In return, Kathmandu has adopted a more positive attitude in sharing water resources, promised not to buy arms from China and endorsed New Delhi's position on a nuclear weapons free zone in south Asia. Hopefully, SAARC should no longer be a forum for small countries to gang up against India.

The Indian prime minister Narasimha Rao's return visit to Kathmandu (October 1992) served only to reinforce New Delhi's friendly stance: simplification of the system for export of goods to India; increase in standby credit; liberalised guidelines for investment and co-operation in the field of water resources; an agreement on the modernisation of the Nepalese army.

Earlier, a goodwill visit of prime minister Koirala to Beijing (March 1992) would appear to confirm the shift in his country's policy. Overtly at any rate, the Chinese have taken no umbrage on Kathmandu's closer ties with New Delhi. The fact that India finds no mention, even by implication, in the joint communique at the end of the visit would, at its minimal, suggest an acceptance of the new turn in India-Nepal relations. If at all, Beijing's over-riding concern—as during Li Peng's visit to New Delhi (December 1991)—would appear to be a hyper-sensitivity on Tibet.[11]

One last word, Earlier diatribes against New Delhi's so-called "tunnel vision of security in the north" and Kathmandu's insistencethat "economic issues must be separated from issues raised by Nepal's geostrategic situation and Indian security sensitivities".[12] Or, its more recent formulation that bilateral relations "deserve to be reviewed" and an Indian "initiative" could alone "set a positive tone for better" ties in the future,[13] need to be viewed against the backdrop of how the relationship evolved over a century and a half of the Raj. Here too Olaf Caroe's 'Note' of 1940 comes handy. While recalling the "old spirit of active co-operation" that embraced economic as no doubt political relations, it underlined that "the independence of Nepal, if ever threatened, is a vital British interest". 'Tunnel vision, or otherwise, one half wonders if today, a little over half a century later, the earlier perspective or perception holds and is valid for the Raj's political legatees. Or has New Delhi's 'vital interest' ceased to be less vital or even less relevant?

Notes

1 Dhruba Kumar, 'Managing Nepal's India Policy?', *Asian Survey*, XXX, 7, July 1990, pp 697-710

2 Fred Gaige and John Scholz, 'The 1991 Parliamentary Elections and Nepal: Political Freedom and Stability', *Asian Survey*, XXXI, 11, November 1991, pp 1040-60 offers a critical analysis of the background against which the elections were held—'after three decades of oppression and underground opposition'.

3 Parshotam Mehra, 'Nepal in Some Recent Studies: An Overview', *Indian Historical Review* (New Delhi), VIII, 1-2, pp[95-107

4 'India and the Mongolian Fringe, Note by Foreign Secretary', January 18, 1940, *India Office Records*, L/P and S/12/36/23, Part I. The 'Note' has been reproduced in Parshotam Mehra, *The North-Eastern Frontier: A Documentary Study of the Internecine Rivalry between India, Tibet and China*, 2 Vols, (I, 1906-14, II, 1914-54), Oxford University Press, 1979, 1980, II, pp 111-24. Olaf Kirkpatrick Caroe (1892-1981) entered the Indian Civil Service in 1919 and was Foreign Secretary to the Government of India (1939-45) and later Governor, NWFP (1946-47). His *The Pathans 550 BC - AD 1957* has been rated a definitive study on the subject.

5 Dhruba Kumar, op cit. A detailed rejoinder to Caroe's 'Note' was sent by Sir Basil Gould, then India's Political Officer in Sikkim. For the text, Gould to India, *IOR*, L/P and S/12/36/23, Part I. As a general rule most of the correspondence in the Foreign Department was endorsed to India Office in London; the latter routed it, in due course, to the Foreign Office

6 Dhruba Kumar, op cit.

7 Lok Raj Baral, 'India-Nepal Relations: Continuity and Change' *Asian Survey*, XXXII, 9, September 1992, pp 815-29.*

8 John W Garver, 'India-China Rivalry in Nepal: The Clash over Chinese Arms Sales', *Asian Survey*, XXXI, 10, October 1991, pp 956-75.

9 For the text of the letters exchanged, which were kept under the wraps until 1959, see S D Muni, *Foreign Policy of Nepal*, 1973, appendix 5, pp 286-87.

10 A full text of the 'secret' document was published in the *Statesman* (New Delhi), May 27, 1989. See also Leo E Rose, *Strategy for Survival*, 1973, p 273

11 The *Times of India* (New Delhi), March 23, 1992 *Inter alia*, Nepal affirmed that 'it had not allowed and would not allow' Tibetans in Nepal to engage in any anti-Chinese political activities on her soil.

12 Dhruba Kumar, op cit

13 Lok Raj Baral, op cit.

Economics and the Indian Diaspora

Binod Khadria

Migration, Remittances and Capital Flows: The Indian Experience by Deepak Nayyar; Oxford University Press, Delhi, 1994; pp x + 134, Rs 220.

THIS new book by Deepak Nayyar is a refreshing break in the area of international migration. It focuses on workforce migration from India in the latter half of this century, building up a comprehensive profile of migration both of 'workers' to the oil-rich 'Middle East' (i e, west Asia) and of 'professionals' to the capital-rich industrialised countries of the west, mainly UK, Canada and the US. The book is remarkably insightful in its macro-economic analysis of the flow of financial resources which have been categorised as *remittances* (to families through banking channels) originating mainly from west Asia and *capital flows* (in the form of non-resident bank deposits in India) originating mainly from the industrialised west. Nayyar's study would be a valuable acquisition for researchers as well as policy-makers because of the topicality of not merely the west-based NRI interest in India but also the revived interest of the POI (i e, person or people of Indian origin) now living (and, in some cases, even ruling) in erstwhile colonies of the imperial era, e g, as reflected through the recent visit of the president of Guyana, Chedi Jagan, who himself would fall in that category.

Nayyar's presentation is neatly divided into six logically well-demarcated chapters: The Approach, Migration Flows, Financial Flows, Macro-Economic Impact, Policies and Problems, and Some Conclusions. Having set the framework of discussion in chapter 1 the author has tried to sketch a data profile of international migration from India in chapters 2 and 3. It is implied that such a profile has not been available so far. While the implication is probably valid in the case of financial flow data, many might question the proposition in the case of data about migration flows. But even so, what must certainly be granted is that it is nearly impossible to find a comparable compilation of data for UK, Canada and the US for recent years at one place and Nayyar's book supplies this need excellently till 1990-91. Of course, the author's credit is partly undermined, so to say, by the long gestation periods that characterise the output of all good publishing houses in India; otherwise the laurels would have been all his

Chapter 4, the core of the book, provides the macro-economic implications and consequences of the two flows—migration and financial—respectively in terms of the impact on output and employment on the one hand and on savings and investment on the other. In this chapter the overall impact on the balance of payments has been analysed in depth. Chapter 5 deals separately with policies of labour export, remittances and capital flows. Finally, chapter 6, concludes the book with a summary and a number of prescriptions for what the author calls "maximisation and the socialisation of benefits" (of migration) for economic development as contrasted to privatisation of benefits and socialisation of costs (of higher education) through migration On the whole, Nayyar's work is rich in terms of analysis as well as explanations. Some of his prescriptions, e g, like the setting up of a public sector corporation for short-duration labour exports (mainly to west Asia) to give competition to small unscrupulous private recruitment firms, or to phase out as quickly as possible the excessively expensive and at the same time unsecured dependence on NRI deposits for foreign exchange, etc—for the purpose of achieving the ultimate objective of 'socialisation of benefits'—deserve immediate attention of the policy-makers.

From a researcher's point of view, however, a few minor omissions and generalisations in the book would be noticed, and these could have been avoided For example, in chapter 2 the analysis misses out on the nuances of temporary migration to the US particularly (numbering at present in the range of 1,50,000 persons per annum as compared to 30,000 in the permanent category). While asserting that migration to the industrialised countries is made up almost entirely of permanent migration insofar as the proportion of emigrants who return to India after a limited period is almost negligible, the author could have specified that non-return is significant only in some categories, like students, temporary workers and trainees—the human-capital-endowed categories—but not all. In other categories, e g, exchange visitors or business visitors, he could have clarified that the phenomenon is numerically stable or permanent in the sense that the total numbers do not go down even if the actual persons involved change. These numbers naturally generate corresponding figures of remittances and capital flows to India. Sometimes these remittances from temporary migrants are large because the families are in India.

Similarly, from the socio-economic point of view, Nayyar's proposition that a large proportion of professionals, technical and qualified migrants would be at the upper end of the spectrum of incomes in India even before emigration perhaps needs to be qualified: They are relatively more from the upper end of the income groups when compared with those migrating to west Asia; otherwise they are more likely to have come from the middle spectrum of India's overall income distribution and there too some also on the lower side of the middle spectrum. What is of greater significance is that many such migrants have successfully lifted their respective families back in India from the clutches of deprivation once they were themselves well-settled in the west; and then by the time members of such a family migrated to join them later; the family looked like 'belonging' to the upper end of the spectrum of incomes. In this context, the author could have rather highlighted the irony of the fact that these migrants do largely belong to the upper-strata of degree-holders in India, i e, of the *human capital* distribution—which does not show a strong correlation with the distribution of personal or family incomes (or wealth) in India. In fact this is one micro-economic cause of brain drain from India.

The author's presumption that there is "no information whatever on professionals, such as engineers, doctors, architects, design engineers, bankers, teachers, chartered accountants, lawyers or management executives" in west Asia (p 29) is also not wholly accurate for all categories. Whereas for some categories of independent professions like for chartered accountants, lawyers or management executives the numbers themselves are negligibly small, information on doctors, engineers, architects, etc, is available for migrants from particular Indian states like Kerala. Moreover, in the case of Kerala particularly, even the author's other assertion about information being non-existent on return migration from the west Asia (p 33) is not well founded. It is only an unfortunate lack of interest of economists in general in India in international migration that probably explains why, apart from some other studies on migration, the published results of an important survey on migrants returning from the Arab world to Kerala—the state which sends half of total Indian migrants to west Asia—have remained largely unnoticed. Nayyar alone obviously cannot be blamed for such omissions. In fact, the author shows implicit awareness of the problem when he says, "The phenomenon of international labour migration has received far more attention from historians and sociologists than from the economists in the Indian context. The literature on the subject, in the sphere of economics, is limited in scope and narrow in focus" (p 3).

Keeping all this in mind, Nayyar should feel amply rewarded if the minor lacunae here and there of the study provoke some Indian economists sufficiently to look at the literature again. This apart, his effort would be doubly rewarded if other social scientists—historians and sociologists in turn—start to pick up some new facets of their interest in the overall macro perspective that this book helps so successfully to build. That would certainly further the cause of serious multi-disciplinary research in international migration.

Notions of Justice

S P Sathe

Law, Power and Justice by Vasudha Dhagamwar; Sage Publications, New Delhi, 1992; Rs 150, pp 392.

DHAGAMWAR's book recreates the environment of the early colonial period and the efforts of the colonial government to stabilise its rule over India. She gives a graphic description of how utilitarians like James Mill and Macaulay who accepted adult franchise in principle were opposed to a representative government for India; how they opposed colonisation in principle but justified Company rule in India. Mill was in favour of universal adult male suffrage (for men above 40) and against votes for women; on the other hand, Macaulay favoured votes for women but was against universal adult male suffrage (p 47). He favoured property qualifications. The author brings out the contradictions in the men who made law for British India during the initial years of colonial rule. This book on legal history is unlike other books on this subject by Indian authors. Instead of giving a chronology of events or of the Governors-General, it lays bare, very subtly, the interaction between the English lawmakers and the Indian society and the English people's perception of India. What was good for England was not necessarily considered good for India and vice versa. Dhagamwar's book tells the story of how law was made essentially to subserve power resulting in the denial of justice to the disadvantaged Indians such as the slaves, the lower castes and the women.

While the book very competently catches the ethos of colonial law-making and the perceptions which the law-makers had of India and the Indians, it does not deal with how Indians perceived the new law and the system. Colonial rule had doubtless provided space for social reformers who welcomed legal interventions for bringing about social change. These social reformers were opposed by the status quoists and a heated debate on the role of law, and particularly colonial law, *vis-a-vis* the Indian tradition was generated. The debates on the Consent Bill as well as on Rakhamabai's litigation are well known examples. The value of the book would have been enhanced if these aspects also had been covered. However, this omission does not reduce the research value of the book. What the author succeeds in doing is to project very articulately the attitudes reflecting the class and gender bias of the law-makers and the judges. She does this through an analysis of the writings in two leading English periodicals, namely, the *Edinburgh Review* and the *Westminster Review* and the judicial decisions of the early 20s and the 30s. She brings out that the patriarchal bias of the judges is to be seen not only in the judicial decisions of the 30s but also of the 70s. The Indian judges who still entertain the Blackstonian model of judicial neutrality would vehemently oppose any suggestion to be gender sensitive. They would say that they are not gender-biased and decide strictly according to the law. But the decisions given here clearly show how decisions 'according to the law' could be gender- and class-biased. The author examines generally the attitudes of the judges as well as the law-makers towards women. They expect rape victims to fight physically against their assailants and, simultaneously also remember each little detail of the act of rape. If the victim cannot evidence marks of physical injury resulting from resistance, she is disbelieved and if she wavers from her initial statement "even by a hair's breadth" (p 251) her testimony is discredited.

The book also deals with legal efforts to abolish slavery. The gender aspect of slavery has been very well brought out. The author shows how women are sold. The instances from Gwalior and analysis of *dharischa* documents show how the law in action varies from the normative law. The courts as well as the bureaucrats have taken a complacent attitude and termed these as matters of choice. This chapter draws exclusively upon a Marathi book written by leftist activist Godavari Parulekar *Jenva Manus Jaga Hoto*. In another chapter she analyses the experience regarding the dacoits in Chambal based on a book by her mother and famous Marathi writer-activist Geeta Sane. Here the author tells us how the higher castes, offended by the policy of egalitarianism, took to dacoity and how they were perceived as being legitimate not only by the people of their class but also by those who were to benefit by their marginalisation. One gets extremely enriching insights into the interaction of power, law and partisan notions of justice.

This book had already received recognition in academic circles in its first edition. The present edition is an improvement in content as well as in production. It would be of great use to all those who are interested in studying the interaction between law and society and particularly on the use of law as an instrument of social change.

Bonded by Blood: Matrilateral Kin in Tamil Kinship

Karin Kapadia

The steady fall in status of women in upwardly mobile groups in rural Tamil Nadu and growing anti-female bia in such 'progressive' groups that are benefiting from rural development, is closely linked to the change in marriag system, within these groups, from bride-price to dowry, which in turn has greatly weakened the importance of the matrilateral affinal kin in Tamil kinship. It is the matrilateral kin who to a large degree guaranteed a woman's securit and welfare and that their marginalisation is a major reason why women in upwardly mobile groups are increasingly at risk.

McGILVRAY, writing about matrilineal, non-brahmin Tamils in Batticaloa in Sri Lanka, observes that these Batticaloa Tamils are very different from south Indian Tamils because they have a matrilineal kinship system. He contrasts these matrilineal Tamils with "practically all of Tamil Nadu in south India... (which) is patrilineal in emphasis, giving greater salience to brahminical orthodoxy in ritual and belief" (1982b: 27). However, my data from Aruloor, a Tamil village in Tiruchi district in Tamil Nadu, suggests that McGilvray is, in fact, mistaken to assume that south Indian Tamils are entirely patrilineal in their kinship systems. On the contrary, my data is remarkably close to McGilvray's data in significant respects, suggesting that the importance of the matrilateral kin in Tamil kinship* has been greatly underestimated These kin have been the traditional focus of non-brahmin Tamil kinship in Aruloor. Further, traditionally affines tended to be from the matrilateral side of the family, and this largely accounted for the comparatively high status of non-brahmin Tamil women.

Today, however, Tamil marriage is changing quite radically [Kapadia 1990,1993]. Instead of the traditional emphasis on bridewealth marriage with close kin (in Aruloor particularly kin drawn from the matrilateral side), today the trend is in the direction of far less bridewealth marriage with close kin and far more 'dowry' marriage with 'strangers'. These changes reflect a far wider trend that is occurring all over south India [e g, Rao 1993, for south/central India]. I suggest that they are also correlated with a disturbing incidence of anti-female bias observed in upwardly mobile rural groups [Heyer 1992], because it is precisely in such groups that 'dowry' marriage has been most readily adopted.

Today in Tamil Nadu these changes are seriously undermining women's traditional status. I argue here that this is to a large part because 'dowry' marriage ignores, or, at the very least, devalues the traditional affinal link with a woman's matrilateral kin. A non-brahmin Tamil woman's matrilateral kin, especially her brothers, guaranteed her security and her status. 'Dowry' marriage is the exact reverse of the traditional form of marriage which was bridewealth (or brideprice) marriage. Here parents received a transfer of capital *from the groom's family* for giving them their daughter. Today, however, 'dowry' means that the flow of capital is in the opposite direction, *from the bride's family* to the groom's [Kapadia 1993 and forthcoming a]. The result, in Aruloor, is that a number of families are complaining, for the first time, that their daughters are financial liabilities.

It is because 'dowry' marriage is seen as high status marriage that it is being widely adopted by upwardly mobile groups. It is thus directly related to the *increasing economic differentiation* that is occurring within endogamous caste groups. Yet, as the following account shows, a married woman's matrilateral kin are traditionally held in high esteem, and her brothers—the 'maman'—are still very important. In this article I focus on discourses surrounding the traditional role of the mother's brother and the matrilateral kin. These discourses reveal the degree to which the security and status of married women depended on the support of their matrilateral kin and they provide a partial answer to the important question of why anti-female bias is increasing in Tamil Nadu today.

In this article, I focus on the kinship ideas of four non-brahmin castes and two brahmin castes in Aruloor, a village in Tiruchi district in Tamil Nadu. The four non-brahmin castes are: the 'untouchable' pallars, the upwardly mobile agriculturist muthurajahs, the 'untouchable' Roman Catholic paraiyars (popularly called 'Christian paraiyars' or 'CPs') and the wealthy vellan chettiars. The pallars are impoverished landless labourers. The muthurajahs are a striking example of an upwardly mobile group and are becoming economically differentiated with several families moving into salaried semi-urban jobs. The Christian paraiyars are falling back economically—they blame this on the loss of Church patronage. The chettiars are the richest landowners in Aruloor—they provide the role model for other non-brahmin castes in the village. The two brahmin cast are the Telugu brahmins and the Tam brahmins. There is still a general correlatic between caste and class in Aruloor thoug this is slowly changing.

Matrilateral Kin and Patrilineal Kin

In the following analysis, instead of fol lowing the convention of assuming a mal ego in the discussion of marriage prefer ences, I assume a female ego. I have don this not in order to make a feminist point bu because this was the perspective of m informants. They were primarily intereste in whom a girl ought to marry. Their as sumption was that marriage was far more important for a young woman than it was fo a young man As Sheryl Daliel points out: "a woman, traditionally, can have respect *only as a wife* . marriage is not a necessary precondition for respectability for a man as it is for a woman" [1980: 67; emphasis added]. Thus the question of the identity of the bridegroom was the central question. Did he belong to the kin on the mother's side, or the father's side?—this was the crucial question. To ask such question is to adopt the perspective of a female ego—and in doing this my informants, far from showing feminist tendencies, were, on the contrary, being true to their culture in giving central importance to the identity of the significant male. In the following discussion I therefore use the term 'matrilateral' as they did, in order to denote a female ego's marriage preference for a *groom from the mother's side* (mother's younger brother (MyB) or mother's brother's son (MBS)) and I use the term 'patrilateral' to denote the marriage choice of *a groom from the father's side* (father's sister's son).

For most informants the choice of a groom from the girl's mother's side (the young woman's real or classificatory MyB or MBS) was a choice that valorised relations with the matrilateral kin and strengthened the position and status of the girl's mother. A choice of groom from the young woman's father's side (her real or classificatory FZS) was, similarly, seen as a choice that strengthened her father's authority. This was explic-

y stated by the Telugu brahmins of Aruloor, so, like the Tamil brahmins, favoured such a 'patrilateral' preference. These Telugu brahmins expressed disapproval of the widespread non-brahmin Tamil preference for a woman's marriage with her MyB or her FZS because they saw this as weakening the authority of the patrilineage.

Because the four major non-brahmin castes of Aruloor all had a stated preference for grooms from the bride's mother's side, it was the matrilateral affinal kin who occupied centrestage in kinship in Aruloor. Further, because they were the most preferred affines, they dominated all life-cycle rituals and gave the most significant and expensive prestations (ritual gifts) at these events. It was their role as gift-givers *par excellence* that caused them to be so often described as the 'most important' relatives. This flattering phrase was used repeatedly by informants from all non-brahmin castes to distinguish marriageable matrilateral kin from the patrilineage (the 'pankali'). It is striking that even though inheritance rights and caste identity were transmitted in the male line (through the patrilineage), it was the affinal matrilateral kin who were spoken of more often. This view of the importance of affines derives from both the salience of marriage and life-cycle prestations and (as we will see) from the strong moral responsibility that rests with affines, especially the mother's brother.

Dumont's perceptive article 'Hierarchy and Marriage Alliance in South Indian Kinship' first published in 1957, gives some indication of why such importance should be given to affines. He said: "The most conspicuous feature of alliance. . consists in ceremonial gifts and functions... ceremonial gifts are essentially affinal..." ([1957] 1983: 79). Further, "this chain of gifts.. is the most important feature of marriage ceremonies" ([1957] 1983. 80). He emphasised that "*the affinal nature of the giving relationship* is demonstrated by the fact that almost all givers are only in-laws" ([1957] 1983: 94; emphasis added). He concluded that alliance was "opposed to kin " ('kin' or descent groups being opposed to 'alliance' or affinal relatives) but that, finally, it was "the principle of alliance" that was "the fundamental principle of south Indian kinship" ([1957] 1983: 103).

In short, the institution of marriage was central to the distinctive structure of 'Dravidian' kinship: repeated marriage with close kin is what Tamil kinship is about. Therefore, in Aruloor it was said that 'marriageable kin'—'kalyana murai'—were 'more important' in everyday life than lineage kin (pankali). The simple fact was that one got more from them than from patrilineal kin and for this reason one was more involved with them. There was a strong economic reason for the greater affection that one had for one's affinal kin.

However, there were also differences—though perhaps not fundamental ones—between the Kallar system that Dumont focused on and Tamil kinship in Aruloor. Kallar kinship united through 'alliance' clearly distinguished patrilineages, lineage identity being an important part of the Kallar person. But in Aruloor, with the non-brahmin castes the discursive stress was instead on the unity of the entire kindred and on the importance of 'sondam' or 'relationship' (or 'kinship'). In both Kallar and Aruloor discourses close cross-kin marriage was seen as reproducing the existing links of 'sondam'. But with Aruloor's non-brahmin Tamil castes the principle of descent was very weak. This weak stress on the male patrilineage—who controlled most wealth—was balanced by a strong emphasis on the affinal (matrilateral) kin who were characterised as the source of emotional and material support. So, as in Dumont's kinship paradigm, in Aruloor too the traditional non-brahmin kinship system was essentially bilateral in emphasis—but with a stronger stress on the matrilateral kin than Dumont's model.

Mother's Brother and Gift-Giving

The non-brahmin castes of Aruloor, in contrast to the brahmins, give the 'tay maman' the mother's eldest brother, the pre-eminent role in their kinship system. The MB represents the natal family of his sister (especially her parents) at ritual events but he also has great importance in his own right. This is for three reasons.

The first is his right to claim in marriage, either for himself or his sons, his ZDs (only his eZDs in his own case, but any ZDs for his sons) Good points out that the marriage of girls with their mother's younger brothers was a comparatively widespread custom (1980, 1991). This customary right ('urimai') traditionally afforded great influence to MB (and MBS) for if he did not claim them himself, he had a large say in deciding, jointly with the girls' parents, to whom they were to be given in marriage. So mother's brother's influence in the matter of his ZD's marriage had been important, though (in 1988) it was waning. It is through his urimai (customary right to marriage) that he can be described as 'inheriting' brides.

The second reason for MB's importance in Aruloor was derivative—it derived from the comparatively higher position of women in traditional non-brahmin culture than in traditional brahmin culture. Women were—and to a large extent, still are—highly valued in non-brahmin culture both as the producers of children and for their role as active participants in agricultural labour (both waged and unwaged). Thus, through his marriage claims, MB shared in the control of not only the fertility of his ZDs but also, in the Tamil lower castes, the bestowal of their labour. It is true that especially in the lower castes women are generally independent earners who are to some degree economically independent of their husbands [Mencher 1988]. However, even in these lower castes (such as the 'untouchable' pallars), both a woman's labour and her earnings are often seen as the 'property' of her husband [see Kapadia 1992].

The third reason is the effective link between mother's brother and his sister, and between him and his sister's children. As the following discussion will show, MB is believed to have immense affection ('pasam') for his sister's children. It is also widely believed that the link between brothers and sisters is exceptionally close and, significantly, endures throughout life, even after a sister's marriage. Margaret Trawick has discussed the remarkable intensity of brother-sister relationships more suggestively than anyone else. She rightly says: "In most of Tamil Nadu... the brother-sister tie is neither clearly severed at marriage, nor is its emotional priority over other ties translated into social priority. *The blood-bond remains, and is affectively the strongest bond...*" (1990: 179).

The rights of the mother's brothers were carefully balanced with responsibilities. They had the obligation to provide assistance to their sisters' husbands, whenever needed, and to provide important, expensive presentations at the life-cycle this of their sisters' children, both female and male They had to be present on these occasions and to give 'gifts', particularly at the grand puberty rites of their ZDs. In this traditional context, MB's gifts were quintessential non-brahmin gifts for they reflected the non-brahmin stress on reciprocity. Reciprocity was the dominant ideal of non-brahmin kinship: for everything given there was an equal or a greater return made. From this point of view MB's gifts were investments, made with the view of asserting and legitimising his claim to his ZDs. A MB who had not given ritual prestations and who had neglected his sister's children was not allowed to claim a ZD in marriage for his son or for himself: his neglect of his obligation (to provide gifts) resulted in his claims (and those of his sons) becoming invalid. Thus in Aruloor a clear *quid pro quo* existed: MBs earned their right to 'inherit' their ZDs.

A poor MB had to be provided with 'his' gifts by his sister and her husband. Rachel, a young woman of Christian paraiyar caste, stated: "If the maman is very poor, then the girl's parents might provide all the gifts necessary and only ask him to come to formally 'give' them". Malarkodi, a perceptive young woman of mutburajah caste gave the example of her FeB's daughter's child's ear-piercing: "Periappa's (FeB's) family are very poor and so their married daughter—whose husband owns a 'hotel' (cafeteria) in Jeyankondam—bought all the jewellery for the ear-piercing of her daughter (aged seven) and her son (aged five). Her younger brother (their MB), merely 'gave' it. This was known to everyone here—but in Jeyankondam they thought the younger brother had paid for it all!" This is what the

children's parents would have wanted people to think, because a poor maman brings discredit, while a rich maman brings honour. However, poor maman were also being summarily left out of the most important kinship event, namely, marriage—altogether. There was an increasing trend in Aruloor for wealthy parents to give their daughters in marriage to rich 'strangers' (non-kin of the same endogamous group) instead of giving them to the MyBs who had the traditional right (urimai) to marry them. This had happened in Middle Street, where Devaki, a Lingayat woman, from an upwardly mobile family, married her beautiful daughter to a wealthy bank officer, rather than to her younger brother, who was an impoverished farmer. Everybody in her street had noted this, but nobody explicitly criticised it—because the times were changing [Kapadia 1993].

An important aspect of MB's gifts is the fact that they are widely seen as constituting his sister's share of parental property. These presentations, known as 'sir', are presented by MB at all the life-cycle rites of his sister's children. This aspect of MB's gifts is implied by the term used for MB's gifts: they are termed sir which is the Tamil corruption of the Sanskrit 'stri'. This in turn is an abbreviation of 'stri dhanam' which means 'woman's wealth'. In Tamil this takes the form 'stiridanam' or, more usually its corruption 'sidanam'. Sidanam (or sir) is generally understood to mean the pre-mortem inheritance of a woman.

This is also how 'dowry' is understood in north India, Sharma states, but she argues, entirely convincingly, that this understanding is an ideological misrepresentation of reality because brides themselves do not gain any control of this dowry that is supposedly theirs (1984). However, non-brahmin women in Aruloor did seem to view sir as their share of parental property and so they became very indignant when their brothers did not provide sir, as they saw it as their right. Thus MB's 'gifts' to his sister's children were perceived as the rightful share of pre-mortem inheritance of his sister. From this perspective sir constituted an obligatory gift, and the MB who did not provide it was reneging on an unwritten contract. Dumont provides evidence for this view; he notes: "If ceremonial gifts are essentially affinal and if they are important, it should follow that, in societies with male predominance, *property is transmitted from one generation to the next under two forms:* by inheritance in the male line, *and also by gifts* to in-laws... This is precisely what happens... daughters have no formal share in their father's property, but they are entitled to maintenance and to the expenses necessary for their marriage and establishment... This double transmission of property confirms the opposition between kin and alliance" ([1957] 1983: 79-80; emphasis added).

I asked Paul, the influential Christian paraiyar municipal council member from St Xavier's Church street, if the sir given by MB really added up to an equal share in the property the brothers had inherited, as men liked to claim. He replied: "Yes, it does—the maman gives sir from the birth of the sister's children until the marriage of each child—and right until the death of the sister. So this sir usually adds up to more than the woman's share in property would have been. But men were becoming lax—reluctant to give sir to their sisters—so Indira Gandhi amma brought in a law which stated that from now on women have an equal share in inheritance. No, nobody actually gives any property to the girls. That hasn't happened. But because of this new law, men have got a fright and now they give their prestations much more carefully. They're afraid that their sisters might take them to court. If they do give the sir properly then everyone is satisfied—and the sister, being happy that her brothers are giving her generous sir, does not wish to quarrel with them, by demanding her right in property". Despite Paul's initial claim, however, his further words make it clear that women do *not* receive the equivalent of what their brothers inherit in landed property. If they did, brothers would have no reason to be 'afraid' of being taken to court.

Most women refrained from making any claims to family property, but in the Muthurajah street the case of Tilakambal was well known. Though in her 50s, the previous year (1987) she had sued her three brothers. They had given no sir to her children for many years. Tilakambal and her husband Ramasami (a retired railway clerk in his mid 60s) were among the few wealthy Muthurajahs in the street and had a house in Tiruchi city. Urbanised and shrewd, they knew that the new legislation gave them a very strong case. So when Tilakambal, using the new law, demanded her share of the family inheritance, she won her case (though she may have got less than she had hoped for) and was awarded half an acre of paddy-land. She and her husband now got an income of 20 'kalam' of paddy per crop. It was said by neighbours that the reason why Tilakambal's three brothers had not given any sir to any of her children was because of ill feelings between them and her husband from the very start. Ramasami had the reputation of being an aggressive man who was always fighting court cases.

Tilakambal's strategy was, then, not typical of muthurajah women, but was regarded as quite exceptional by her neighbours. One of them said: "No sister would ever go to court if her brothers were giving sir to her children. She'd much prefer the goodwill of her brothers to having wealth but not having them to give it. Of what use is just wealth? A woman's greatness lies in her having brothers who give sir to her children—'fame lies in maman giving sir in front of 10 others'."

A Christian paraiyar man complained: "Whenever a woman comes to her natal home she has to be given gifts to take back to her husband's!" This was true as far as women whose 'mother's houses' were in other villages were concerned. They visited their parental homes perhaps once a month on average, and as Malarkodi put it, "Something is always given: rice or (home-cooked) sweets—and sometimes new clothes." But it was obviously not true of those women who were locally married and who visited their mothers almost daily. Most people agreed that the sir that married daughters received amounted to only a tiny part of what their brothers inherited.

The obligatory nature of their gifts was as clear to the various MBs I spoke to, as it was to the sisters who awaited their prestations. In the wealthy chettiar caste, Devayanai Chettiar's younger brother Annamalai said: "Maman's 'seyu murai' (tradition of doing/giving) is a matter of duty ('kadamai'), not of mere desire ('ishta') or mere affection ('pasam'). He has to do it—even if he has to take out loans to do it. And if he doesn't, he'll be told off by others. I have to give to the children of Devayanai and Janaki. So far, because our parents are alive, they pay for the events, but I perform the role." This unsentimental, hard-headed view of MB's gifts being his bounden duty, because of his inheritance of parental property and his responsibility to assist his married sisters, was widely shared in Aruloor.

Women who had no brothers had a problem - "When looking for a bride for their son, people will generally avoid a girl who has no brothers. Because, with no brothers, who will give sir to her children? She'll have to always be chasing after 'cittappa's' son (FyBS) and 'periappa's' son (FeBS) to act as maman at 'necessary occasions' (life-cycle rites). And the bridegroom too won't be happy about getting such a girl, because she has no brother to give him the traditional 'maccman'-ring (ring from the WB). On whose lap will the child sit at the ear-piercing?—That's why girls who have no brothers aren't popular marriage choices." This was said by a muthurajah woman, but it was a view shared by all non-brahmins.

When I asked if only daughters were not more attractive because they inherited all their parents' wealth, I was told, by muthurajahs: "No one cares for wealth alone. Everyone considers honour ('madhippu') much more important than wealth. Everyone knows that there'll be problems with the maman-substitutes!" This had certainly been true in the case of Ambigai. She was a remarkably beautiful, young married woman, the only daughter of a rich muthurajah family. Her father owned two acres of farm land and also lent out money at interest. When her parents held the ear-piercing ritual of Ambigai's little daughters, they asked Ambigai's two FyB's sons to act as maman and hold the two-year old and one-year-old

on their laps. But Ambigai's classificatory brothers flatly refused to come, saying, "You didn't invite us for her wedding, so why should we come now?" They had not been invited to Ambigai's wedding due to an earlier quarrel between Ambigai's father and their father over the division of their inheritance between them (the classic 'pankali' quarrel between brothers). A delegation of several people went from the muthurajah street to the FyB's village to plead with them and eventually the young men were persuaded to come. Most persuasive of all was the promise that one of these young FyB's sons would certainly get half of Ambigai's inheritance one day. This was because she had no brother to light the funeral pyre of her father. Her own son could not light it because it had to be lit by a descendant in the direct male line. Instead, her father's elder brother's son or his younger brother's son would light the pyre. And whoever did so would get half the wealth of the deceased man. This is one area in which the importance of the patrilineal kin is stressed and consequently the matrilateral kin have to give way before patrilineal prerogative. the result is a much smaller inheritance for widows, their only daughters and their families. It is remarkable that this system has persisted among the muthurajahs, Christian paraiyars and pallars despite the importance of the matrilateral kin in these castes—and, not surprisingly, it was sometimes (though exceptionally) challenged by a doughty lower-caste widow who had her daughter light her husband's pyre rather than give away half the family inheritance to a patrilineal kinsman. This had happened recently among pallars in a nearby village.

Among the chettiars, the same course was followed when substitute MBs were needed. Palani Chettiar, their ritual leader, had stated: "If there is no maman, then only the classificatory maman will be asked to give the gifts. Patrilineal kin cannnot give these gifts." But, of course, given that it was often (among the chettiars as well) a woman's FBS who was chosen to play the role of MB, this was a case of the classificatory maman also being a patrilineal kinsman. As Dumont rightly pointed out, this interesting choice of a patrilineal kinsman to 'play' an affine was "an example of how an individual relationship is liable to a classificatory extension in agreement with the principle of descent" ([1957] 1983:90).

A classificatory MB was bound to provide sir if he had already been given a share of his classificatory sister's parental property—for instance, for lighting the funeral pyre of his 'sister's' father. If this was not the case, he could not be expected to provide any gifts unless he was indemnified in some other way. For this reason he was usually promised half the property that the [only] daughter was to inherit. In some cases [he] was made the heir to her parental home.

This had happened in the Pallar street, when Kannamma's husband died. Kannamma was elderly, with an only daughter. Her HyB's son had lit the pyre and had been duly promised half of Kannamma's property when she died, the other half going to her daughter. But the 'half' promised to the young man was in fact far more than half, it was Kannamma's home. Some of her neighbours thought she should leave the house to her daughter, but Kannamma refused. Her rationale was that in this way her daughter (who was of marriageable age) would be provided with a 'brother's home' (that is, the parental home normally inherited by the brother) to come to in case of marital difficulties. By accepting this arrangement Kannamma's husband's younger brother's son (who was her daughter's classificatory brother) both accepted the obligation to provide maman-sir for the eventual children of Kannamma's daughter, and the obligation to provide her with a home in the event of a separation or divorce.

Dumont notes that a MB must give presents to his Z's children and that these "are provided or compensated for by the fact that the sister had no formal share in the heritage, her share consisting precisely in such presents" ([1957] 1983:90). So the property a woman alienates to her classificatory brother (in order to persuade him to play the role of MB) is that property which her putative brothers would have inherited. Thus the notion of a property share is central to the obligation on MB to give gifts to his Z's children.

However, though the presentations of their brothers are regarded as women's traditional share in parental property, these presentations add up to far less than the value of the inheritance received by the brothers (on this point Sharma is quite right [1984]). This is because inherited immoveable property has traditionally been seen as a male right. Most women in Aruloor accepted this, stating that they did not expect or even want an equal share in property with their brothers. What they wanted was some share: the small part that was theirs through sir. They added that they were anxious not to alienate their brothers because, above all, they wanted MB's goodwill and solicitous concern for their children in the future.

Despite the willingness of most women to allow their brothers to receive their traditional inheritance without sharing it with them, a few women openly expressed doubts about these brothers. They were very few, but their dissenting voice said that MBs were not to be trusted. One of them was Siva (Sivagami, 'Siva' to her friends) my pallar friend and research assistant who lived in the Pallar street. She was young, educated to high-school level and city-born and bred. She had come to Aruloor from Tiruchi city at her marriage. She said: "Women usually try to have the ear-piercing ritual of their children while their parents are alive because they don't trust their brothers. After marriage their brothers will listen to their wives, who may dissuade them from giving sir." She spoke from bitter experience—her only brother, who was older than her, had never given her child any sir. This was because he had had a serious quarrel with his parents, when he married a Christian pallar woman in Tiruchi. So in March 1988, when Siva was planning a grand ear-piercing celebration for her young son, she and her husband were sure that her brother would refuse to participate, and thus deeply embarrass them. In the event, a fine ear-piercing was held, with many guests, in May 1988. To the guests it looked perfectly normal—for Siva's similing brother held her little boy as his ears were pierced and presented him with maman-sir. But Siva's close friends knew that this was a sham—her brother, though comparatively well off, had refused to spend a paisa on the event. All the gifts and jewellery had been purchased by Siva's parents and it had been only by abjectly pleading with him, that Siva and her husband had persuaded her brother to come at all.

In all the four non-brahmin castes a married woman was welcome to return to her natal home after marriage and in the three poorer castes she was expected to assist her natal kin with agricultural labour during the period of her stay. In the poorest castes (pallars and Christian paraiyars) young couples lived separately in nuclear families after marriage, but young married women always went back to their natal homes to provide labour on the family farms when labour-demand peaked (primarily at harvesting time but also occasionally for transplanting). When a married woman of a labouring caste returned home she was an economic asset to her natal family for she immediately added to the household income through her work. This was not the case with the brahmins. Brahmin women were not free to return to their parental homes whenver they wished after marriage. Thus the non-brahmin family's readiness to welcome a married daughter was closely connected with the fact that she, in her turn, provided them with free agricultural labour. This is consistent with the reciprocal ethos of non-brahmin kinship. So a central reason why lower-caste women even today continue to enjoy the strong support of their natal kin, is the fact that *they render valuable economic assistance, through their agricultural work.* Significantly, such support from natal kin has diwndled greatly for women in upwardly mobile groups, who have been withdrawn from agricultural labour.

MB's gifts or sir (maman sir as they are called) emphasise the *continuity* of kinship links between a non-brahmin woman and her natal kin. These do not weaken within a year or so of marriage as they do between a brahmin woman and her parents: on the contrary, every presentation from the married woman's brothers reaffirms this link, ex-

actly as every cross-kin marriage reaffirms *existing* kinship bonds. Non-brahmin kinship seeks to reproduce existing kin links rather than establish new links with strangers. In this orientation it is radically different from hypergamous north Indian kinship which normally does not repeat alliances [Tambiah 1973a: 93; 173b: 222; for exceptions to this pattern see Parry 1979].

Moral Authority of Matrilateral Kin

In discussing the relative importance of maman-maccinan (marriageable kin) and 'annan-tampi murai' (unmarriageable kin) a chettiar man explained the difference with deceptive simplicity. The former were more important than the latter, he declared, "because we can marry with them!" This simple answer, however, carries important implications, for affines are important not only because they 'are married' but also because they, rather than agnates, are perceived as providing the strongest moral and material support to their male affines. To quote Annamalai Chettiar in full: "Maman is so important because you can marry with his house—you can give and take spouses from his house. But you can't marry with your father's brothers' houses—therefore they aren't so important to you. Maman helps more and gives more to the family than cittappa (FyB) or periyappa (FeB). This is what he has to do—it is his 'kadamai' (duty)".

MB (maman) in his role as wife's brother (maccinan) is seen as far more likely to aid his sister's husband than that husband's own brothers are. I was repeatedly told that a man turns for assistance not to his own brothers (his 'pankali') but to his WBs (his maccinan). Further, from the accounts provided by informants a certain pattern emerged—all were tales told against the pankali who were characterised as greedy and unscrupulous—while the matrilateral affinal kins were elevated as moral exemplars, in one account to divine status. Here I provide three accounts of grasping pankali.

The first account was provided by Malarkodi (muthurajah): "Everyone says that the mother's side relatives are more important. This must be because the maman gives sir and helps the family. The cittappa-periyappa are supposed to be 'substitute fathers' and to help the family, but in fact they never are: they're only out to grab as much wealth as they can from us. On the 15th day after my father's death, my periyappa, Ratnam—with whom my father had had no quarrel—suddenly came to our house in the night and told us we must get out of the house and leave the village (Aruloor)—that we had no business to stay on here". In the ensuing quarrel with her husband's pankali kin over her husband's house, Malarkodi's mother (a very strong-willed woman) was able to resist being thrown out of her own house with her children. The pankali kin remained obdurate, telling her to go back to Thannirpali, where she came from. From that time on there were no relations between her husband's pankali (and her children). This was despite the fact that these pankali kin lived virtually next door.

The second account also came from the Muthurajah street and similarly concerned a widowed woman with children. Kannagi, whose children were quite young, was continually harassed by Ramasami, (Tilakambal's husband) who was her husband's eldest brother, and his two younger brothers. They wanted her to get out of her part of the house—and to go back to Kumbakonam (her 'mother's place') because they claimed, the official division of the house had not yet occurred. A very pleasant, forbearing woman, Kannagi had somehow managed to stay on in her house and to hang on to her share of land. She herself supervised agricultural labour on this land, eking out an income from farming.

Both these accounts focus on the death of a man and the vulnerability of his widowed wife and children, who are in danger of beig cheated out of their patrimony by devious pankali. This is likely to have been a familiar tale of everyday life in Aruloor, because in the third account these elements come together in a legend. It was told by Palani Chettiar, the knowledgeable religious leader of the chettiars. His story also vividly illustrated the importance of the MB, for in this tale, Siva (God) takes the shape of a maman to settle a family quarrel: "In a certain family, after the death of a man, his son didn't inherit his father's wealth because the boy's cittappa-periyappa grabbed it. So the boy's mother prayed to God, and Somasundaram (Siva), taking the form of a maman belonging to that family, appeared. He called each of the pankali relatives, addressing them by their names, so they thought he really was that maman. And he said sternly to them: 'Bring that boy's wealth here at once and present it to him with due respect—or else...!' And all of them immediately obeyed. That's why the maman is so important. It is he alone who is important for all events. Cittappa-periyappa are not as important".

This story illustrates the moral authority of MB—he is represented here as the arbiter of justice who protects the rights of his sister's children from their ever-grasping pankali. Indeed, in this account maman's importance could not be greater, for, in his moral qualities and his incarnation as protector of the oppressed, he is actually Siva himself. This 'apotheosis' of the MB is in fact regularly re-enacted in the life-cycle rites of his sisters' children, in which he participates, where he is honoured in what approaches a 'divine' manner.

Brahmins in Aruloor always invite their closest pankali kin to all their domestic celebrations and ceremonies. Significantly, non-brahmins Tamils do not. It is only affinal kin who are expected to be present and to give gifts, not patrilineal kin. This was put very clearly by a muthurajah informant: "Maman-maccinan kin comes for all our 'nalladu-kettadu' (auspicious and inauspicious occasions) and we go for theirs. They must be present—if they don't come it's an insult. But annan-tampi don't have to come, and usually aren't invited". Thus non-brahmin kinship has much to do with giving—because non-brahmin pankali kin don't give, they are not invited. This confirms what Dumont said when he stated that gift-giving was central to affinal alliance ([1957] 1983).

Concept of Blood-Bond

The prominence of the matrilateral kin is related to their importance as affines, but, in Aruloor, this structural position is also legitimised by a remarkable cultural construct, the concept of the 'blood-bond' ('iratta-sampantam'). This concept was central to how informants perceived relatedness. It was beguilingly simple and logical and was raised repeatedly by informants when they discussed kinship. Their exegeses can be paraphrased as follows: "You grow for 10 months in your mother's womb—it's her blood that nurtures you. So you *have more of your mother's blood than your father's blood in you*" (emphasis added). This had an unexpected result—that is, unexpected in my view, but self-evident in theirs—namely, that *a man (or woman) was consequently 'more related' to his MB than to his FB*. This was readily explained: "This is because maman (MB) shares mother's blood—and a child has more blood from his mother's side in him than from his father's side: that's why the boy is more closely related to maman than to citappa (FyB) the iratta-sampantam ('blood-bond') is stronger with maman".

These views are strikingly different from the views about 'blood' relationship reported by Barnett (1976) for the kontaikkatti vellalars in Tamil Nadu and by David (1973) for Jaffna Tamils [Kapadia 1993, forthcoming c]. They are, however, strikingly similar to the views of many matrilineal Batticaloa Tamils who told McGilvray that "the child's blood was definitely that of the mother" (1982a:53).

I should add that when confronted with the claim that MB was more closely related to a child than FyB, I naturally inquired as to the status of father: 'Is maman (MB) more closely related to a child than the child's father"? This question was treated with derision: "Of course not. Of course the child has more blood in common with his father than with his mother's brother. After all, he is his father's child too. But he has mainly his mother's blood. That's why he is less closely related to his cittappa (FyB) than to his maman (MB)".

One way to understand this extraordinary claim is to say that, of course, it was meant as a metaphor. But it was clear that some informants thought of MB's unique 'blood-bond' with his sister's children as being a

tual, physical connection. How did they reconcile this with their explicit (and repeated) statement that pankali kin were closer to them 'in blood' than affines—including MB? I suggest that by analysing the following conversation about MB, pankali and 'blood-bond' we may find some clues to how some people understood these relationships.

The speakers were Annamalai Chettiar (about 50 years old) and his younger sister Janaki (in her mid-forties):

Annamalai said: "Maman helps more and gives more to the family than do cittappa or periyappa. When the property is divided between brothers, in the formal document of division this phrase recurs: 'having divided the wealth between us there is no other connection (sambandam) left between us other than the iratta sambandam (blood-bond)'. This is explicitly stated. But maman's connection with us never ends."

Here his sister Janaki took over: 'You *can* say that maman has greater iratta sambandam (with his sister's children) than cittappa-periyappa—firstly because maman is connected with mother who has greater iratta sambandam (blood-bond) with the child than does the father. Further, maman has the 'kalyana urimai' (marriage right) with the children. Next, maman has 'pasam' (affection) for the child—which cittappa-periyappa don't necessarily have. And maman has the kadamai (duty) to act on behalf of and to give to the children. For all these reasons his connection with them is much greater."

Here we are given a variety of reasons why MB is 'closer to his sister's child. Firstly, as Annamalai points out, while MB is constantly at hand to help, FBs take their share of inheritance and then, despite their blood-connection, call it quits. One can expect little assistance or sympathy from them—there are 'always' long lasting quarrels between brothers after the division of the inheritance. But in contrast to the pankali, MB (in Janaki's argument) remains connected with his sister's children through his blood-connection (through their mother), through his genuine affection for them, through his duty and obligation to provide for them—and through his self interest, embodied in his and his sons' marriage rights. In this discourse, maman emerges as the very opposite of the pankali—while they represent grasping self-interest and a constant danger to the interests of their brother's children, maman emerges as the protector of these interests—as indeed he does in the mythic tale cited by Palani Chettiar. In a culture where 'blood' is probably the dominant metaphor of 'connectedness' it is, then, no surprise at all that MB is categorically stated to be 'closer *in blood*' to a child than its FBs. The cultural logic is flawless. Discussions of 'difference in blood' and marriage-partners belong to a quite separate sphere of logic.

Further, the sociological context of the argument is crucial because it is its context that validates the argument. To the chettiars it was self-evident that MB had an extraordinarily close relationship with his sister's children—far closer than that of any FB—for the simple reason that MB lived in the same house with his sister's children—at least during the day. This family situation arose because among the vellan chettiars married daughters spent more time daily in their natal home than they did in their marital home. Devayanai Chettiar explained why.

I had noticed that her two daughters' young children were very much attached to her—they spent much more time at home with her than they did in their father's house. When I asked about this, she replied: "This is quite usual, actually—children are more with their mother's mothers (MMs), so they grow more attached to them." This was particularly the case with the vellan chettiars, among whom a bride customarily continued to bathe daily at her mother's house for at least a year after marriage. In many cases, even after several years of marriage, young chettiar wives continued to bathe at their mother's home and to spend most of the day there. They did the cooking at their marital home and ate with the marital family (and in-laws) and returned there to sleep at night. But apart from this they—and their children—spent the entire day with their mothers.

In Aruloor this custom was unique to the chettiars, who explained it as due to their extraordinarily localised marriage—most girls were married to men living in the next street. As Devayanai said: "This practice probably started because we all live in one place—Aruloor. Just a few of us live in Lalgudi."

But, even in the other non-brahmin castes, the same sentiment was voiced; Malarkodi of the muthurajah street commented: "Yes, children are generally far more attached to their MMs". The fact that cross-kin marriage is very often, local marriage is probably the main reason for the general closeness between a woman's parents, her brothers and her children. In all four non-brahmin castes there were many married women living only a few doors away from their mothers.

So the fact that 'amma vittu' (mother's house) has traditionally been very close-by, has had an important role in cementing the affection of MB for his sister's children. Significantly, only the brahmins used the term 'father's house', when they spoke of a woman's parental home. All the non-brahmin castes used only one term to refer to this parental home—and it was 'amma vittu', mother's house.

Mother's Brother, Astrology and Divination at Childbirth

Striking evidence of the very special connection that exists between maman and his sister's children is found in the astrological beliefs and practices of all four non-brahmin castes. Maman's central importance in these rites strongly contrasts with the marginality or absence of cittappa-periyappa (FyB-FeB) in these astrological discourses.

Most remarkable of all is the manner in which the horoscope of a child, either female or male, "says more about the house of maman" that it does about the fortunes of FyBs or FeBs. Significant differences existed between the castes: in the chettiar caste, Devayanai Chettiar said: "The eldest son's horoscope speaks about his house and about his maman's house. It says nothing about the houses of his cittappa-periyappa". But later her younger brother, Annamalai, amended this: "Yes, my 'jadakam' (horoscope), as eldest son, 'speaks' a lot about my maman's house—but very little about my cittappa-periyappa. It does mention them, though." Janaki, Devayanai Chettiar's younger sister added: "More is said (in the horoscope) about maman because he is the tay-maman (MeB), born with mother—and so very important."

Maman is central to another non-brahmin divinatory practice: when a child is born the position of the umbilical cord augurs good or ill fortune, especially for MB. So the chettiars said: "If the child's umbilical cord is twisted round its neck this is 'bad' (dangerous, inauspicious) for maman." Such a birth is described as one where the baby is 'born circled by a garland' ('malai-sutti pirandal'). It is important to note here that both at the puberty rite and at marriage a ZD is garlanded (and thus 'circled by a garland') by MB (just prior to her being wedded to the groom). This suggests that the divinatory practice has some connection with the fact that MB can marry his eZD. A male infant 'garlanded' in this way also presages bad luck for his maman. Further, the chettiars said, "If the cord is twisted around the waist of the new-born (like a belt) then this is 'bad' for the cittappa periyappa." So the chettiar practice does mention FBs as well. The muthurajah caste shared the belief that a 'garlanded' new-born signalled bad luck for MB, but it had no such beliefs concerning FBs. They did not figure in birth-divination. To understand why we must remember that the chettiars were wealthier than any other Aruloor caste and also prided themselves on being more brahminical in behaviour. For these reasons, they took a greater interest in the patrilineage—even though they were strongly focused on their matrilateral affines. It is this greater interest in agnates that is mirrored in their divinatory practices, which consequently do not entirely ignore the FBs as those of the muthurajahs do.

To dissolve the inauspiciousness of a 'garlanded' birth so that MB's future is safe, chettiars perform an additional rite at the 'punniya danam' (purification) of the baby and its mother, which takes place soon after birth. The MB is not allowed to see the baby until then. At this purification rite MB is seated. Then auspicious gingelli oil ('nallenney') is poured into a broad-mouthed

vessel or a tray. This is held in front of MB. Bending down, MB should 'see his face' ('mokatte pakkanum') reflected in the oil. Then the baby is brought and held above the head of MB (who is still looking down at his reflection) so that the baby's face too is reflected in the oil. In this way the baby's face is first beheld by its MB in the auspicious oil. After this the danger to MB is held to have passed away. Exactly the same rite was performed by chettiars to remove inauspiciousness for FBs. The rite was called "removing the (astrological) flaw" ('dosham kalikkiradu') or to do a pacification/purification rite" ('parikaram seyyanum') [for a discussion of dosham see Kapadia forthcoming b].

A muthurajah friend described such a muthurajah purification rite. She said: "You can see the reflections very clearly. My periyappa's daughter Banumathi had such a baby (Santhi). At the punniya danam her face was shown to her tay-maman, Arokiaraj. Arokiaraj was only three years old. It had been thought that he would marry his eZD (Santhi) but this idea was dropped when the cord was found around her neck. This indicates very bad luck (inauspiciousness, 'kettadu')."

Palani Chettiar, on the contrary, said that among chettiars such a 'garlanded' baby girl could marry her maman, after 'seeing his face in oil'. The fact that the muthurajahs absolutely forbade this makes the chettiar custom appear almost foolhardy. However, in allowing such a marriage, despite the bad auguries, the vellan chettiars were bowing to necessity. They were a very small, endogamous community, with a remarkably high rate of actual MB marriage. In such a marriage context, with few alternative marriage partners available to them, it was unlikely that they would wish to further decrease their already limited pool of marriageable men.

Conclusion

In this discussion I have argued that data from Aruloor suggests that the bilateral elements in non-brahmin kinship are far more significant than have been allowed by the Dumontean model [Dumont 1953; 1957; 1983]. These bilateral elements clearly make the kinship system of Aruloor similar in signifcant respects to the Sinhalese and Sri Lankan Tamil systems [Yalman 1962; 1967; McGilvray 1982a; 1982b].

Further, as McGilvray suggested (1982b:27), it is indeed the case that where patrilineal principles are weak brahminical beliefs are marginal or irrelevant. Evidence for this correlation exists in various aspects of non-brahmin culture, such as the prominence and lavish celebration of female puberty rites and the importance of the menstruation horoscope [Kapadia forthcoming b]. Neither this horoscope nor female puberty rites are given much importance by the brahmins.

More disturbingly, the same correlation appears today in the move to dowry marriage. Dowry marriage is perceived as the quintessential brahminical marriage and in its modern form of 'marriage with strangers' in Tamil Nadu it has a strong hypergamous element. It makes the bride's family subordinate to the groom's kin, drastically weakening the young woman's position from the outset. In rural areas like Aruloor, *dowry marriage is especially practised by those groups who are benefiting from rural development* and whose status is rising. They see dowry marriage as high-status marriage and are therefore keen to make it part of their symbolic capital. It is precisely in these 'progressive' rural groups that important recent research in Tamil Nadu has found a remarkable anti-female bias [Heyer 1992]. Heyer concludes her study thus.

> What is particularly disturbing about this case is (1) that high dowries are a relatively recent and increasing phenomenon, and (2) that it involves a south Indian community that is unusually 'progressive'. It would need much more work to establish a connection between the development of the agrarian economy in this context and increasing discrimination against female children. But there is enough to suggest that there may be an association (1992:435).

In short, four crucial factors appear to be correlated in Tamil Nadu today. They are: (1) increasing economic differentiation within endogamous caste groups; (2) a steady increase in dowry marriage and a corresponding rejection of close-kin marriage; (3) increasing anti-female bias in upwardly mobile groups, and (4) a steady fall in the status of the matrilateral kin. Urgent research is needed to determine the effects that agrarian change is having on women's security and status. Until today it was a woman's matrilateral kin who guaranteed this status and security. Today this is no longer the case: rural Tamil women are at risk and their status is falling. Ironically, this is happening in the very groups whose social status is rising.

Notes

[Fieldwork was carried out in Aruloor in Lalgudi Taluk, Tiruchi district, Tamil Nadu, from January 1987 to May 1988 with further visits in December 1988, December 1990 and January 1991. Aruloor is a pseudonym.

I am particularly grateful to Chris Fuller and Jonathan Parry of the London School of Economics and to Anthony Good of Edinburgh University for comments on this material. I also thank Francis Jayapathy, also of the LSE.]

* In this article the following kinship notation is used: F: father, M: mother, B: brother, Z: sister, S: son, D: daughter, H: husband, W: wife, e: elder, y: younger. These standard abbreviations are used here to denote *both* genealogical relationships and classificatory relationships.

References

Barnett, S (1976): 'Coconuts and Gold', *Contributions to Indian Sociology* (N S) 10, pp 133-56.

Daniel, S B (1980): 'Marriage in Tamil Culture: The Problem of Conflicting 'Models'' in S S Wadley (ed), *The Powers of Tamil Women*, Maxwell School of Citizenship and Public Affairs, Syracuse, N Y.

David, K (1973): 'Until Marriage Do Us Part', *Man* (N S) 8, pp 521-35.

Dumont, L (1953): 'The Dravidian Kinship Terminology as an Expression of Marriage', *Man* 53, pp 34-39.

—(1957): 'Hierarchy and Marriage Alliance in South Indian Kinship', *Occasional Papers of the Royal Anthropological Institute*, 12, London. Also in L Dumont, *Affinity as a Value* (1983), University Press, Chicago.

—(1983): *Affinity as a Value*, University Press, Chicago.

Good, A (1980): 'Elder Sister's Daughter Marriage in South Asia', *Journal of Anthropological Research* 36, pp 474-500.

—(1991): *The Female Bridegroom*, Clarendon Press, Oxford.

Heyer, J (1992): 'The Role of Dowries and Daughters' Marriages in the Accumulation and Distribution of Capital in a South Indian Community', *Journal of International Development* 4:4, pp 419-36.

Kapadia, K (1990): 'Gender, Caste and Class in Rural South India', Unpublished Ph D Thesis, University of London.

—(1992): 'Every Blade of Green: Landless Women Labourers, Production and Reproduction in South India', *Indian Journal of Labour Economics* 35:3, pp 266-76.

—(1993): 'Marrying Money: Changing Preference and Practice in Tamil Marriage', *Contributions to Indian Sociology* (NS) 27:1, pp 25-51.

—(forthcoming a): ''Kinship Burns!': Kinship Discourses and Gender in Tamil South India'.

—(forthcoming b): 'Blood Across the Stars: Astrology and Gender in South India'.

—(forthcoming c): *Siva and Her Sisters: Gender, Caste and Class in Rural South India*, Westview Press, Boulder.

McGilvray, D B (1982a): 'Mukkuvar Vannimai: Tamil Caste and Matriclan Ideology in Batticaloa, Sri Lanka' in id (ed), *Caste Ideology and Interaction*, Cambridge University Press, Cambridge.

—(1982b): 'Sexual Power and Fertility in Sri Lanka: Batticaloa Tamils and Moors' in C P MacCormack (ed), *Ethnography of Fertility and Birth*, Academic Press, London.

Mencher, J (1988): 'Women's Work and Poverty: Women's Contribution to Household Maintenance in South India' in D Dwyer and J Bruce (eds), *A Home Divided: Women and Income in the Third World*, Stanford University Press, Stanford.

Parry, J P (1979): *Caste and Kinship in Kangra*, Routledge and Kegan Paul, London.

Rao, V (1993): 'Dowry 'Inflation' in Rural India: A Statistical Investigation', *Population Studies* 47, pp 283-93.

Sharma, U (1984): 'Dowry in India: Its Consequences for Women' in R Hirschon (ed), *Women and Property, Women as Property*, Croom Helm, London.

Tambiah, S J (1973a): 'Dowry and Bridewealth and the Property Rights of Women in South Asia' in J Goody and S J Tambiah, *Bridewealth and Dowry*, University Press, Cambridge.

—(1973b): 'From Varna to Caste Through Mixed Unions' in J Goody (ed), *The Character of Kinship*, University Press, Cambridge.

Trawick, M (1990): *Notes on Love in a Tamil Family*, University of California Press, Berkeley.

Yalman, N (1962): 'The Structure of the Sinhalese Kindred', *American Anthropologist* 64, pp 548-75.

—(1967): *Under the Bo Tree*, University of California Press, Berkeley.

Agrarian Transformation and Co-operatives

Continuity and Change

Vikash N Pandey

The limitations/failure of land reform lay the structural foundations of the limitations/failure of rural co-operatives and the Green Revolution. Wherever land reforms have failed (at least in removing the non-cultivating groups and establishing the cultivating owners), the groups which need co-operatives did not emerge. Similarly, agricultural transformation has remained elusive in those areas.

MOST of the literature on agricultural transformation in India attempts to understand the success and failure of land reforms, co-operatives and the Green Revolution in their ability to transform Indian agriculture in a compartmentalised manner. This paper attempts to make a departure from this ahistorical mode of enquiry and argues that agricultural transformation, the nature of land reform and the emergence and working of Primary Agricultural Co-operative Societies (PACS) are closely linked with each other and with the adoption of the Green Revolution package. All three together (land reforms, co-operatives and the package of Green Revolution), in many ways, inform the content and context of each other. Historically, PACS' working has been really related to bridging the gap between land reform and Green Revolution by providing the institutional back-up. In this societal discourse interests were articulated in the organisational forms of the co-operatives and the co-operatives, in turn, provided the articulation of a particular stream of interests. Thereby the paper puts forth the hypothesis that the nature of land reforms, in general, provides the structural foundations of the character and limitations/failure of the PACS and subsequent growth in agriculture.

I

Land Reforms and Co-operatives

The agrarian structure in colonial India was an admixture of feudal relations of productions and hybrid bourgeois property right on land. The landed property during colonial era was based on two contradictory principles: individual private property and recognition of ascriptive (non-economic) privileges/status. It not only sustained different layers of rights in land but in a variety of ways also countered the absolute right in land especially for the middle layers of proprietors. At the same time, as the privileges of the pre-British period were maintained and protected, these became the basis of proprietary right or occupancy right in land [Pandey 1989b]. It led to the corresponding pre-capitalist character of the proprietary class and the privileged tenants with occupancy rights. The noticeable point is: the surplus from land belonged to those who did not cultivate the land. There existed a negative relationship between ownership and cultivation on the one hand and maintaining a variety of middle layers of ownership rights on land on the other. Those who had the ability were not interested in production but only in rent extraction and those who were actually cultivating land had neither the right nor ability/incentive to invest in land [Pandey 1989a.21].

Thus, during early 20th century there was a silent change in the composition of cultivator-cum-landowning (not the landlords but hereditary cultivators) groups: emergence of peasant castes more pronounced in Gujarat, Punjab, western UP, parts of AP and Tamil Nadu and subsequently in Bengal, Bihar, eastern UP and Telangana region of Andhra Pradesh. In this interplay the middle layer of agrarian order comprised high caste intermediaries and their descendants and the dominant peasant castes [Pandey 1990:2607]. At the same time, the development of irrigation facilities and cultivation of commercial crops has been taking place since the late 19th century as subsistence agriculture had started providing space to market-based production under the aegis of 'colonial modernisation' and the resultant change in agriculture. Secondly, the development in commercial farming was not, however, matched by any corresponding growth in agricultural support systems. Consequently, cultivators had to depend almost entirely on moneylenders, traders, merchants and businessmen who controlled the markets for the sale of their produce. Local retailers, agents and village 'sahukars' were securing the produce from the cultivators, and thus managed to have a share in the profits of agricultural marketing.

However, this dynamics implied the contradictions and conflicts between sarkar, sahukar and zamindar (on the one side) and the subordinate proprietors as well as peasantry at large (on the other). The conflict was over the maintenance of respective privileged positions and a share of surplus from land. These conflicts could be contained within the legal framework (battle within the court-room) once the state accorded legitimacy to the claims of the middle layer. In this process, the middle layer was the upholders of 'rule of property' and 'rule of law' [Pandey 1990. 2608]. For them, the property represented a natural right and liberty to individuals. Being antagonistic to zamindars' rights over their own positions, they as a class became the backbone of the national movement which called for doing away the sarkar, sahukar and zamindar raj and at the same time preserving the institution of private property. This ambiguous position was the basis on which the middle category joined the anti-feudal struggle of the popular masses and withdrew when the sustained struggle could have led to erosion in their own positions [Dhanagare 1983; Pandey 1978; Hardiman 1981]. Such a class alliance was the core of the national movement and various peasant movements in their emergence and closure as was evident in their agrarian charter.[1] The peasant insurrections in first half of 20th century across the regions of India are an intensively studied phenomenon. These peasant struggles led to land reforms and legislations that produced "some perceptible change" in the agrarian social structure in India [Thorner 1976.41 42].

The objective of the land reform measures in the main was to remove some of the vestiges of an outmoded order which had so long hampered progress and to allow land ownership to go into the hands of cultivators. For the most part, these measures content themselves with freeing the agrarian structure of one superfluous layer of jagirdars and zamindars. This layer had clearly lost organic connection with the production service of any kind and whose loss, therefore, was demanded by the various layers of peasantry not only for better production possibilities but also

for better control on the resources and conditions of life.

Evidence suggests that the effect of land policy has been in the direction of (i) reduction of power in the hands of jagirdars and zamindars, (ii) the emergence of a new managerial class of agriculturists, (iii) general failure to make tenants-at-will own their holdings and be spared rent payments [Khusro 1958:84] The findings of inquiries on land reforms and various studies conducted subsequently corroborate the above observations

These measures have broadened the base of the prosperous proprietary class compared to what prevailed during the British period, by cutting to size the landholdings of the landlords and thereby extending the base of proprietary class comprised of landlords, rich farmers and middle peasantry. These new strata are provided various incentives to take active interest in agricultural production and augment production through subsequent measures On the other hand, the measures have left large sections of the small peasants, poorer tenants and landless labourers deprived of their due shares in agrarian production and benefits [2]

Along with land reform came the co-operatives. The Rural Credit Inquiry Survey of 1953-54 revealed predominant nature of informal credit in the total borrowings of peasants. Co-operative credit was seen to be an answer for provision of credit to the farmers [Bouman 1989:11-19] The state launched these co-operatives primarily for credit operations. Thereafter, the linking of credit with processing and marketing became a dominant theme in the early 50s and 60s and many of the co operatives started getting engaged in such operations Subsequently, with the 'Grow More' agenda, the extension of modern inputs like fertilisers, machine tools, etc, was to be tied up with credit if the (1) farmers were to be encouraged to adopt these measures, and (2) farmers with limited capital base were to acquire these inputs as well as meet running expenditure. The nature of this strategy and operations led to a series of changes in the structures, procedures as well as emergence of co-operative societies engaged not only primarily in credit operations but also in providing input supplies and output marketing facilities to the members. "The establishment of National Co-operative Development Corporation (NCDC) and the large proliferation of the training, manpower development and funding infrastructure under its umbrella was accompanied by rapid up surge of co-operatives engaged in procurement, processing and marketing of other commodities such as paddy, sugarcane, cotton etc... Practically all these co operatives in commodity processing and marketing in addition to credit service received contributions from state government in the form of capital and loans as well as subsidies and grants either routed through NCDC or through the state level co-operative bodies of different kind" [Phansalkar 1991:5-6].

In general co-operatives were seen as an organisational network to reorient agriculture after land reform as it was visualised that in the absence of such organised mechanism, the beneficiaries of land reforms, i e, especially medium and small farmers, will succumb to the remnants of many classical features of underdevelopment as well as inter locked markets. If land reform was to remove feudal landlords and transfer land to cultivators (especially those who were in the range of middle and small landholding categories), the farmers as individuals would face severe constraints in the open market. Compulsions of the farmers related to input purchase to make production possible and better production as well as to meet the recurring expenditure and at the end of the agricultural season to get reasonable and quick returns for their produce make it possible for the moneylender and trader nexus to have certain advantages over individual farmers. Their sustained advantages could restart the cycle of loan-indebtedness-land alienation-pauperisation-greater indebtedness. The PACS, to start with as credit co-operatives, were to provide the institutional back-up to land reforms by providing cheap credit to the farmers. It, thereby, would save the newly acquired property rights over land from slipping into the hands of rich gentry and moneylenders. Societies providing integrated services to the farmers (finance, production, marketing, consumer and welfare) were created with the following objectives (1) providing credit for agricultural operations to its members to make the investment in agriculture possible and subsequently increase in production and (2) by providing marketing services to the members, ensure better return and better quality of life to its members. As of today, the main activities of these PACS are related to providing (a) loan for productive purposes, (b) production inputs like fertilisers and seeds, (c) production tools to aid production, and (d) purchase and marketing of farmers' produce (all these to decrease production cost and increase income).

It is of relevance here to see the exact nature of land reforms and co-operatives under 'mixed economy' which are quite distinct from collective/communal ownership, farming and distribution. In the Indian context, both were, conceptually and operationally, based on the idea of private property and protection offered under the agenda of 'freedom to individual'. Therefore, the functions of land reforms and co-operatives, in this context, was to provide the farmers landed property and then protecting them from interlocked market and enabling them to participate successfully in the market economy

This happened under the aegis of the welfare state guided by the democratic socialism paradigm. Therefore, the character of the Indian state in particular and Indian democracy in general become central to the formulation and implementation of land reform (by and for whom) in its proclaimed and covert objectives and the subsequent changes in the co-operative movement as well as strategy of agricultural modernisation It was the hybrid coalition of rich peasants, emerging intermediary peasant castes, small holders and agricultural labour as the clientele of 'welfare state' and 'democratic socialism' which embarked on land reform under the slogan of 'land to the tiller' But the existence of prosperous or prospering middle and upper peasantry left no way the state could ever act against their fundamental interests [for detailed discussion on this point see Kaviraj 1988, Bardhan 1984; Prasad 1989]. The core of the hybrid coalition, the ruling elite[3] (the rich and middle peasants, intermediary peasants castes) shaped the real policy into legislations and practice. Suffice to say here

TABLE 1: AREA OWNED BY MEMBERS—FARMERS

(Acres)

Villages	Small Farmers		Big/Medium Farmers		Total		Grand Total
	Wet	Dry	Wet	Dry	Wet	Dry	
A1	66	413	246	519	311	932	1244
A2	05	212	21	272	26	494	511
A3	53	188	118	100	170	288	458
A4	27	237	108	177	134	414	548
A5	105	280	377	412	482	693	1175
A6	303	86	723	59	1026	145	1172
A7	66	45	67	172	133	217	350
A8	17	171	82	168	100	339	438
A9	07	71	—	56	07	127	135
A10	15	135	160	375	175	511	685
Total	665	1840	1901	2311	2566	4150	6716

Notes: 1 A4 and A6: farmers have land in the uninhabited village, therefore, figures of A4 and A6 include the land of the uninhabited one.

2 A5, A6, A7 and partly A4 are having rainfed agriculture. A3 and A8 are at the tail end of the command area of the canal.

that the policies, measures and programmes undertaken subsequently were subject to this dynamics.

The process seems to reflect the state-ruling elite alliance and continuum. In other words, agrarian transformation was defined and characterised by this discourse where the interests were articulated in the institutional forms and the institutional forms, in turn, provided/facilitated the articulation of a particular stream of interests.[4]

Till now I have summarised the ideology and its linkages with the agrarian structure (in a way the categories of farmers forming the backbone of the ideologies) during the first phase of agricultural change, i e, land reform and the co-operatives. This phase was based on agricultural growth through egalitarian distribution of resources in the hands of cultivators because before that there was a negative relationship between ownership and control over surplus on the one hand and actual cultivation on the other. The second phase of agricultural transformation was entirely based on the productivity issue and the package was of the Green Revolution. The abject failure on the food front and the increasing dependence on other nations for food imports brought a shift in the agrarian strategy of the state in India. The emphasis shifted from institutional change to technological innovations and adoptions. This new approach has been articulated since the 60s. However, the co-operatives, as noted above, again became the organisational network for the extension of this possibility, for example, part of credit as kind loan in form of input supply, especially fertiliser and pesticides

Having explained the basic foundation of the agrarian transformation in general and the place of PACS in it, now I turn to certain observations about two PACS in Nizamabad district of Telangana region of Andhra Pradesh (the names of the PACS and the villages are not disclosed).

II

PACS in Telangana Region

Society 'A' was established in 1954, with the main object to provide short- and medium-term loans to its members for their agricultural operations and to arrange funds from the District Co-operative Central Bank, commercial banks and other organisations to its members. In 1957, with the commencement of the Second Five-Year Plan, it was decided to merge some village level societies and establish large sized societies as small ones were unviable. The new large sized co-operative society was registered in 1957, merging three credit societies operating in three villages. Later on two more credit societies were merged with this society leading to expansion in the area of operation to 11 villages since 1977. Out of 11, ten villages are inhabited and one is uninhabited. The 11 villages are scattered within a radius of 10 kms from the headquarter. The area of operation of the society is 70.36 sq km.

The society's membership has increased from 20 (1954) to 1,995 in 1990. The society now covers 4,540 agricultural families and 10,500 acres of cultivated land. The main crops raised in its area of operation are paddy, groundnut, jowar, chillies, sunflower, sugarcane, etc. During 1980-81, food crops accounted for 94.9 per cent of the cropped area. Area covered under paddy has steadily gone up after 1984-85 when a sub-distributary of Nizamsagar canal brought water to these villages. However, this sub-distributary does not cover two villages and another two villages are at its tailend. Nearly 30 per cent of cultivated land in the area is wetland, and around half of the wetland is under double crop.[5]

The total population in the area of operation of the society is 17,222 (as per 1981 census) which constitutes 38.26 per cent of the total population of the mandal. There are 2,508 (14.56 per cent) scheduled caste persons and 866 (5.03 per cent) scheduled tribe persons. Literacy rate of the population is 19.26 per cent (total 3,317). The literacy rate in the area of the operation of the society is lower compared to that of the district (21.73 per cent). The total working population in the area of operation is 8,456 of which 18.98 per cent are agriculturalists, 62.2 per cent agricultural labourers, 2.37 per cent village artisans, the rest being 1.13 per cent. The area typically represents the landholding pattern in Telangana region (through being part of one of the agriculturally developed district of the region) where small and marginal farmers comprised 80 per cent of the total cultivators but cultivating only 3) per cent of the area. The remaining 20 per cent farmers hold about 61 per cent of the cultivated area, (*Census Handbook Nizamabad District*, 1981). The details of the members' landholdings are given in Table 1.

Interestingly, there are a few trends which have significant implications for the character and dynamics of this co-operative organisation. In these villages small farmers have more dry land; big/medium farmers have more wet land and the villages which have canal irrigated land show the pattern of dominance of 'Other Castes'. Rainfed agriculture dominated area shows the pattern of small farmers having dry land and big/medium farmers having more wet land and members' representation from these villages is tilted towards 'Backward Castes' or nearly equal representation of 'Other Castes' and 'Backward Castes'.

Major activities of the society are credit supply of fertiliser and pesticides and paddy procurement, processing and rice marketing. Now I will briefly describe the three major activities:

Processing and Marketing

The rice mill was started in 1984 and its procurement till 1989-90 had been according to the feasibility plan. Society has four godowns of 500 mt each. The capacity of the rice mill is 2 tons per hour and it works double shifts (of 13 hours a day).

The member-farmers are paid Rs 10 per qt more than the market price for their paddy as patronage rebate. For procurement of paddy society pays Re 1 per qt to the broker who brings the paddy to the mill. From nearby villages, society procures paddy in its own truck However, it encourages members to come directly to the mill and not through brokers by the policy that if a farmer brings paddy by himself he is paid Re 1 per qt more

TABLE 2: STATEMENT SHOWING DEPARTMENTWISE PURCHASE

Year	Total	Fertilisers	Paddy	Kirana	Cloth	Rice
1979-80	3437926	2646417	—	440972	350538	—
	(100)	(76 97)		(12.83)	(10.2)	
1980-81	4864417	3904923	—	521784	437710	—
	(100)	(80.31)		(10.7)	(8.99)	
1981-82	6140801	5218431	—	605364	317006	—
	(100)	(84.97)		(9.86)	(5.17)	
1982-83	6161031	5106127	—	720976	333928	—
	(100)	(82.9)		(11.7)	(5.4)	
1983-84	8213441	6464377	—	1491645	257419	—
	(100)	(78.7)		(18.16)	(3.14)	
1984-85	12743679	7323539	3240436	1966103	205601	—
	(100)	(57 5)	(25.5)	(15.4)	(1.6)	
1985-86	14227414	5395635	6283975	1815184	307978	424642
	(100)	(37.9)	(44.18)	(12.75)	(2.17)	(3)
1986-87	16425139	6007642	8080646	2062208	274643	—
	(100)	(36.58)	(49.2)	(12.55)	(1.67)	
1987-88	20187896	9004003	8776363	2143037	264493	—
	(100)	(44.6)	(43.48)	(10.61)	(1 31)	

Note: The figures in brackets indicate per cent share to total purchase
Source: Annual Reports of the Society.

by the society The farmer is paid either cash or through entries of the amount to savings account as wished by the farmer The payment takes not more than 24 hours

During the year 1990 91 the total procurement till February 1991 has been on cash basis even from members The society does not insist on purchasing paddy only as kind repayment of loan But in cases of procurement on cash basis patronage rebate is not made Due to loan waiver no loan taking member has till date sold paddy to the society as loan repayment in kind The loan waiving has another repurcussion for the rice mill operation Earlier the arrangement with the financing bank was such that enabled the society to do procurement by the cash credit drawn from the bank If the society invested Rs 50 lakh of its own for paddy procurement, the financing bank used to advance cash credit (on 17 5 per cent interest) of Rs 30 lakh to the society for paddy procurement The day to day stock of paddy procurement was sent to the bank and day to day cash credit was drawn from the bank by the society In this arrangement the society could start (with Rs 10 lakh of its own) the procurement of paddy in each season This year (1990 91) the bank has advanced only Rs 2-3 lakh against a procurement of Rs 35 lakh of paddy because ' it has no money' The secretary of the PACS and rice mill manager say that it is because the banks have no money as loans/interests have not been paid by the society in turn because the members who have taken have not done so In any case, this has started affecting the economics of the major profit earning activity (rice mill operation) In the coming months the society would not be able to procure paddy during the season which will mean a huge profit forgone

Supply of Fertiliser/Pesticides

The stocks of fertiliser and pesticides are kept according to the perception of the demand Stocking capacity is of total 550 mt in two godowns and generally it is full with fertiliser stock Pesticides are required in very small quantity Pesticides are mostly needed for cotton and chillies which are grown in very small quantity (that too in dry villages) For paddy and sugarcane not much pesticides are needed

As is evident from Table 2 there had been (i) a steady increase in paddy purchase going up to around half of the total purchase), (ii) in absolute terms steady growth in both paddy and fertiliser purchases and (iii) decline in percentage of total purchase of fertilisers to nearly half of the total purchase (earlier being 80 per cent of the total purchase) Similarly it can be inferred from Table 3 that the sale of fertilisers and pesticides always constituted a major share between the period from 1979 80 to 1983 84 (from 78 per cent to 84 6 per cent) After the year 1984 85 (when the rice mill operation started) the sale of rice has constituted a major share in total sales, followed by the sale of fertilisers and pesticides However, as the loan repayment has suffered a set back after loan waiver announcement, the sale of 'B' component fertiliser (loan in kind—30 per cent of the total sanctioned loan) has stopped in the year 1990-91 But cash sale of fertilisers has gone up because now the farmers have to purchase this essential input on cash basis

Credit Service

The loan for short term agricultural operation (SAO) is distributed every year in April to September and the next June becomes the last due date of recovery District Co operative Central Bank advances SAO to the farmers through the society The bank charges 7 5 per cent interest from the society which in turn advances the loan to the member farmers charging 10 to 11 per cent interest (the balance to meet the service charges of the society)

According to a prominent leader of the area (president of the society for more than 12 years), "In the whole of Nizamabad district many PACs were doing pretty well in loan recovery Previously out of 40 PACs in [the concerned] taluka, there were around 20 PACs where loan recovery was 100 per cent In others it was around 80 to 90 per cent " Talking about society 'A' he said, "Before loan waiver announcement, there were some genuine problems of the members who belonged to four out of 10 villages These four villages are dry villages where the canal water from the dam is not available Three years of drought [till two years back] had badly affected the paddy crops in these villages Those years were really painfull for the farmers of these areas and therefore they were not able to repay the loans " However, trends in the year 1990 91 show that loan recovery rate might not be more than 5 per cent due to Loan Waiver Scheme Table 6 indicates the magnitude of the problem Tables 4 and 5 present the pattern of advanced credit and the trend in loan recovery from 1983 84 to 1987-88 (before the announcement of loan waiver) and thereafter the sudden increase in the number of defaulters and the amount involved

TABLE 3 STATEMENT SHOWING DEPARTMENTWISE SALES

Year	Total Sales	Fertilisers	Cloth	Kirana	Rice	Others
1979 80	4369521	3613270	298555	457685	—	—
	(100)	(82 7)	(6 3)	(10 5)		
1980 81	4868584	3859183	480167	529134	—	—
	(100)	(79 2)	(9 9)	(10 9)		
1981 82	6231282	5263692		614586	—	—
	(100)	(84 5)	(5 7)	(9 8)		
1982 83	6922572	5858486	309651	150776	—	—
	(100)	(84 4)	(4 5)	(10 9)		
1983 84	8266226	6452841	308609	150776	—	—
	(100)	(78 1)	(3 7)	(18 2)		
1984 85	13430982	7551536	297335	2051898	3050749	479464
	(100)	(56 2)	(2 2)	(15 3)	(22 7)	(3 6)
1985 86	16223970	6322578	319255	1929704	6719384	933149
	(100)	(39)	(1 9)	(11 9)	(41 4)	(5 8)
1986 87	20482068	6948363	285233	2133333	9027628	2087486
	(100)	(33 9)	(1 4)	(10 4)	(44 1)	(10 2)
1987 88	22908525	11275811	295517	2207212	6861978	2268997
	(100)	(49 2)	(1 3)	(9 6)	(30)	(9 9)

Note Figures in brackets indicate the per cent share of each item to total sales
Source Annual Reports of the Society

TABLE 4 PATTERN OF LOANS ADVANCED

(Rs)

Year	Short Term Loans (Per Cent)	Long Term Loans (Per Cent)	Other Loans (Per Cent)	Total Loans (Per Cent)
1983 84	22 31 322	—	95 589	23 26,911
	(95 89)			
1984 85	34 39 290	—	1 27 383	35,55 673
	(96 43)		(3 57)	(100)
1985 86	33 57 040	—	1,47,407	35,04,447
	(95 55)		(4 2)	(100)
1986 87	31 38 546	—	1 12 091	32 50 637
	(96 55)		(3 45)	(100)
1987 88	34 98 292	5,18 522	1 73 587	41,90,400
	(83 48)	(12 38)	(4 14)	(100)

Source Loan Registers of the Society

To sum up, the following are the critical observations which became the basis of my argument and the hypothesis resulting in this paper:

(1) After land reform, this PACS was started in 1954. In 1984-85 rice mill operation was started; the date coincides with the coming of canal water in the area of operation.
(2) Landholding in the area of operation is highly skewed.
(3) A few observations about members of the PACS:
    (a) small farmers have more dry land,
    (b) big/medium farmers have more wet land and in canal irrigated villages majority of big farmers belong to 'Other Castes'; and
    (c) rainfed agriculture dominated area shows the pattern of small farmers having dry land and big farmers having more wet land and members from these villages are more from 'Backward Castes' than 'other castes'.
(4) However, managing committee of the PACS is constituted more by 'other castes' (though the representation of 'Backward Castes' has been increasing in recent years and the presidents/vice presidents and secretaries have been only from 'other castes'. However, all the members of the managing committee belong to higher categories of landowners.
(5) The PACS has been a major source of supply of chemical fertiliser (in cash and kind as part of agricultural credit). In last 10 years, the sales of fertiliser has tripled. In absolute terms both the fertiliser and paddy business are going up
(6) The PACS operates significantly in paddy marketing.
(7) Trends in expenditure show that the interest on loans, cash credits and deposits assumed highest proportion to total expenditure.
(8) On the credit front, loan recovery rate of the PACS had been 60 to 75 per cent before the announcement of loan waiver by the government. However, the rainfed villages had been facing chronic problem on this front.
(9) After the loan waiver announcement, loan recovery has become a problem in a sense that in the year 1990-91 it was nil till the date of data collection (February 1991) This in turn is affecting the major profit-earning activity of the PACS, i e, rice mill operation.

Let us have a brief look at one more PACS which is operating in the Telangana region (Karimnagar district) with slightly different social set up. Unlike the society 'A' this society is predominantly a society represented by 'Backward Castes' and the area of operation is only three villages, each of them in turn showing landholding more in favour of middle farmers of 'Backward Castes'. 'Other castes' have large landholding but numerically they are very small. Furthermore:

(1) The society was started in 1957-58 with 117 members and by the end of 1988-89 it rose to 813. However, only 39 per cent of the members are doing regular transactions with the PACS.
(2) The area and the PACS both are dominated largely by middle farmers and 'Backward Castes'. PACS' managing committee also is dominated by 'Backward Castes
(3) Ricemill was started in 1967 and till today the mill run by the PACS is the only paddy processing unit in 8 9 km radius. The rice mill was modernised in 1978, and its capacity was enhanced further in two phases, first time 1984-85 and second time 1988-89.
(4) In 1981-82 water from Kakatiya canal started flowing in this area and the very next year there had been a sharp jump in paddy procurement and rice mill operations of the PACS Paddy procurement had been going up since then.
(5) The PACS was engaged in fertiliser sales to three villages to the tune of Rs 36 89 lakh in the year 1988-89.
(6) The PACS purchases paddy from the farmers paying Rs 10 more than the prevailing market rates as patronage rebate.
(7) The loan recovery in the PACS had been to the tune of 85 per cent before the announcement of the loan waiver However, the society had been following a policy that if a member has taken loan, whatever paddy he sells to the society, the income would be credited to his ... accounts and after adjustment ... the total loan he would get the ca... payment
(8) After loan waiver announcement, the loan recovery has gone down to 45 per cent The reason for 45 per cent recovery is that the society has near about monopoly in rice milling The farmers who cannot afford to travel 8-10 miles to sell their paddy to private millers, have to sell their paddy to this society. The society first adjusts the loan. In this process, the small and not-well-to-do farmers have been repaying the loans whereas the well-off farmers have been evading it.

III
The Argument

In this section, I would try to weave the facts and read the argument emerging from the above discussion in terms of the relation of the agrarian transformation to the continuum of land reform, co-operative institutions and the Green Revolution. My argument is essentially based on the above detailed observations about one PACS (of 11 villages), corroborated by certain observations about another PACS of the Telangana region This argument can be claimed to be a hypothesis and has to be tested for other areas and regions. This has to be tested simply because the mode of production debate of the 70s has certainly emphasised the multiplicity of relations of production in Indian agriculture across the regions.

Last four to five decades of agrarian transformation has witnessed a process of change from 'cumulative inequality' to 'dispersed inequality'. The emergence of rich peasants, middle peasants and sustainance of small peasants is a story told several times. I, therefore, argue that as the breakdown of patron (landlords) client (peasants) relationship had necessitated the peasant movements and land reforms, the welfare state (based on the coalition described earlier) has promoted the private ownership on land and market oriented agrarian production by filling the vacuum in the market linkages.

TABLE 5: RECOVERY OF LOANS

(Rs lakh)

Year	Collection Target	Collections (Per Cent)	Overdues (Per Cent)
1983-84	41 007	23.78	17.29
	(100)	(57.9)	(42.1)
1984-85	45 79	39.85	15.94
	(100)	(65 2)	(34.8)
1985 86	50 67	32.48	18.19
	(100)	(64.1)	(35.9)
1986 87	49 87	36.25	13.62
	(100)	(72.7)	(27.3)
1987 88	53 97	42 82	11.15
	(100)	(79 4)	(20.6)

Note In 1983 84, the share of overdues to the total collection target was highest, the reason for this as given to me was that in 1983-84 heavy rains destroyed the crops and 1983-84 there was severe drought.

Source: Annual Reports of the Society.

TABLE 6 LOAN ABSTRACT

Years	Defaulters	Amount (Rs Lakh)
1987-88	536	11
1988-89	574	15
1989-90	1554	62

Notes. A Total loan waived—Rs 11,66,566 [Rs 9,00,478 (Principal) + 2,66,088 (Interest)].

B Total principal overdue by June 1990 Rs 62,18,534 minus principal waived Rs 9,00,478 = total principal overdue Rs 53,18,056. Though eligible members for loan waiver are only 353, and amount involved is Rs 11,66,566, nearly every member-farmer have refused to repay the loan.

Source Loan Ledgers of the Society.

This presence of 'welfare state' was manifest in the co-operative institution which helped the early gainers from the land reforms in providing initial capital to carry on their agricultural operation through easy credits. Secondly, like price support system, the co-operatives provided the farmers an opportunity to operate in the market with some bargaining positions. The marketing operations of the co-operatives, especially in paddy, helped the farmers to get remunerative prices of their produce. Thirdly, co-operatives became a major vehicle for extention of Green Revolution technology. Because it provided chemical fertilisers on credit (to be paid after agricultural produce comes in the hands of the farmers), it became possible for the middle farmers also to take up the agenda of 'grow more'. Marketing support already being present in co-operatives, this phase witnessed a transformation of the co-operatives and that was from credit service to business enterprise of paddy processing and marketing. The overall pattern seems that land reforms required institutional back up in retaining the benefits to its beneficiaries and co-operatives filled the gap. The next phase of the Green Revolution was possible (even in a milder form especially in the area which is certainly not a green belt of AP) because the institution of co-operative was there to carry the agenda forward. Farmers (the beneficiaries of the land reforms) henceforth could take advantage of the higher productivity through 'input supply' by the co-operatives and its market support. In this way the PACS were an important linkage between land reform and the Green Revolution in these villages. Hence, the co-existence of dual argument of 'equity' and 'enterprise' in PACS.[6]

Next comes the point of social ramification. 'Welfare state' did provide all these but it had to provide something because its legitimacy depended on the satisfaction of its clientele. The clientele was not a homogeneous group. Agrarian structure consisted of multi-layers of proprietors (in terms of volume of landholding and its caste nexus). Land reform satisfied one essential and common grievance: abolition of jagirdars and zamindars. But beyond that it all depended on which was the emerging group and what were the caste-class-power dynamics in different areas. Hence, land reform benefited the rich peasants, emerged middle peasants of 'other castes' and 'backward castes'. The tenants of lower castes and landless labourers were left outside the purview of permanent benefits of the land reforms. This hybrid ruling elite as clientele needed further benefits if it was to sustain itself (especially the newcomers of proprietors with low capital base). The state through its organs and various institutions did provide these much needed subsidies, protection, credit and marketing support. This in turn sustained the political regime's legitimacy. The last phase of 'productivity agenda' itself was a response to the clientele's urge of 'enterprise' in agriculture.

In this whole process, certain deadlock has appeared: the clientele has learned the language of market and acquired the power to sustain the 'subsidy'—a freedom coupled with benefits from the state. It no longer needs talks of social agenda of restructuring (equity issues) as ruling elite of the villages but its business drive forces it to ask for more subsidy and makes it profitable to have it.[7] Loan waiver scheme is a pointer to this. The harm this ongoing 'subsidy' does to the basic institution of PACS (which has made this 'subsidy' possible) may be of no relevance today to this ruling elite because it has by now well established itself. But in this process, small farmers (if not landless labourers!) are definitely going to be the losers.[8]

Nevertheless, I am not arguing that land reforms guarantee the emergence and success of PACS. But it seems that the limitations/failure of land reform lay the structural foundations of the limitations/failure of the PACS and Green Revolution. I argue for this hypothesis because theoretically speaking wherever land reforms have failed (at least in throwing away the non-cultivating groups and establishing the cultivating owners), the groups which need co-operatives did not emerge. Similarly, agricultural transformation has remained elusive in those areas. A second point which needs to be emphasised is and perhaps ignored in the understanding of the rural co-operative as organisations in Indian context is that rural co-operatives' working has been related to bridging the gap between land reforms and Green Revolution by providing the institutional back-up. These sociological agenda though appearing different and discreet are logically interconnected and represent the process based on the real face of land reforms. The beneficiaries of land reforms and Green Revolution needed the PACS as is evident in the form and content of the PACS. Agrarian transformation and PACS were defined and characterised by this discourse where the interests were articulated in the organisational forms and the organisation of co-operatives in turn provided/facilitated the articulation of a stream of interests.

Notes

[The ideas contained in the paper were presented, for the first time, in their nascent form during a National Seminar on Land Reform and

Rural Change held at NIRD, Hyderabad during December 1991. Subsequently, re-formation and crystallisation has resulted in the form of this paper. I am thankful to Sharit K Bhowmik, Tushaar Shah, Debi Prasad Mishra and Shankar Datta for their invaluable comments and suggestions which helped me considerably in improving on the earlier draft of the present paper. Any errors that remain are mine.]

1 As mentioned earlier, the nature of participation and articulation of the demands was reflected in the proclaimed ideologies (even of socialist variety) and the concrete programmes of Indian National Congress. The character of this agrarian structure is important in understanding the nature of welfare state and the agrarian measures following in the post-Independence period.

2 Sociologically, this change has been described as 'cumulative' to 'dispersed' inequality [Beteille 1974:85].

3 Baru explains this on a broader canvass:

I would like to divide Indian society into basically three layers, one constituting the business classes, consisting of two elements—the national bourgeoisie, and some remnants of the collaborationist comprador bourgeoisie. Now there is a further distinction that I must make, between what I might for the moment term the big bourgeoisie and the regional bourgeoisie. I have been doing some work on recent developments in Andhra Pradesh, and I think one very important and relatively recent development there and in many other places is the rise, over the past 10 to 15 years, of a regional bourgeoisie quite strongly fighting for their own share of the national market. The Khamma capital of Andhra, or the Marwari capital of Gujarat, or the Maratha sugar-barons of Maharashtra who represent the rich peasantry that has for the past 30 years fought the entrenched Parsi-Gujarati business classes of Bombay—these regional bourgeoisie are today actively conflicting with the Tatas and the Birlas. There is sometimes an alliance between these interests and say the interests that Devi Lal would represent in Haryana; together they would represent the upper stratum of Indian society. This is a general statement, of course, for there are hundreds of variants across regions. As against this, there is the bottom stratum, of the working class and the rural landless. The intermediate class is neither of these; it is an amorphous class, which has come into being as a result of the political processes of the past 30 years... [Baru 1990:57].

This ruling elite as different from the hybrid coalition has supported the system peacefully at least till 1975, and after that with fractures [Patnaik 1985, Baru 1990 and Kaviraj 1988].

4 Kaviraj says, "that we should be conceptually more sensitive to the historicity of this ruling coalition. It is a coalition which is constantly in flux; first, many of the policies of the ruling coalition in the state are self-directed, in the sense that it is trying to transform itself and its relatively privileged beneficiary of policies directed at society, but in doing so are also directed at itself. The other thing is that in order to understand politics, we must also understand the double valued nature of each movement, which arises out of the coalitional nature of state power" [Kaviraj 1990:64].

5 Generally, the cropping pattern in the area is as follows: on dry land—jowar and chillies (rabi); pulses and cotton (kharif), on wet land—groundnut and sunflower (rabi); paddy and sugarcane (rabi/kharif).

6 This anomaly has been read by Attwood and Baviskar (1987) as the fine blending of the two in the successful sugar co-operatives and implicitly the triumph of *democratic socialism*. On the other hand, Breman (1990), highlighting the basic contradictions between the ruling elite and the agricultural labourers, has seen it as part of the broader story of bourgeoisie dominance in agriculture. Therefore, he calls the same sugar co-operatives as corporate entities.

7 Quite similar to this trend, as it seems to me, is the observation: "I understand—the inevitable logic of what Gramsci would call demobilisation of the movement—that there is a strong connection between taking on the *passive revolution* kind of strategy giving over the task of bourgeoisie cultural transformation over to the state. It is the task of the movement in the initial phase to suture a coalition which is as large as possible, but after it comes to power this coalition itself threatens it in a sense. And it must find ways of demobilising it..." [Kaviraj 1990:65].

8 I am tempted to see a 'legitimationcrisis' developing for Indian state from this process, though Habermas (1973) has posed the problem for western capitalist states.

References

Attwood, D M and B S Baviskar (1987): 'Why Do Some Co-operativesWorkbut Not Others? A Comparative Analysis of Sugar Co-operatives in India', *Economic and Political Weekly,* XXXII (26) A38-A56.

Bagchi, A K (1985): 'The Ambiguity of Progress: Indian Society in Transition', *Social Scientist* 13 (3), 3-14.

Bardhan, P (1984): *The Political Economy of Development in India,* Oxford University Press, Delhi.

Baru, S (1990): 'Market Forces', *Journal of Arts and Ideas,* No 19, May, 53-59.

Beteille, A (1974): *Studies in Agrarian Social Structure,* Oxford University Press, Delhi.

Bouman, F J A (1984): *Small Short and Unsecured: Informal Rural Finance in India,* Oxford University Press, Delhi.

Breman, J (1990): 'Even Dogs are Better Off: The Ongoing Battle between Capital and Labour in the Cane-Field of Gujarat', *Journal of Peasant Studies,* 17 (4) 546-608.

Desai, A R (ed) (1979): *Peasant Struggles in India,* Oxford University Press, Bombay.

Dhanagare, D N (1983): *Peasant Movements in India 1920-1950,* Oxford University Press, Delhi.

Government of India (1981): *Census Handbook, Nizamabad District,* Delhi.

Griffin, K (1974): *The Political Economy of Agrarian Change: An Essay on the Green Revolution,* Harvard University Press, Cambridge

Habermas, J (1973). *Legitimation Crisis* (translated by Thomas McCarthy), Polity Press, Cambridge.

Hardiman, D (1981). *Peasant Nationalists of Gujarat: Kheda District 1917-1934,* Oxford University Press, Delhi.

Joshi, P C (1987). *Institutional Aspects of Agricultural Development,* Allied Publishers, Delhi.

Kaviraj, S (1988): 'A Critique of the Passive Revolution in India', *Economic and Political Weekly,* Special Number, 2429-2444.

—(1990) 'Capitalism and the Cultural Process', *Journal of Arts and Ideas,* No 19, May, 61 75

Khusro, A M (1950) *Economic and Social Effects of Jagirdari Abolition and Land Reforms in Hyderabad,* Osmania University Press, Hyderabad

—(1973): *The Economics of Land Reforms and Farm Size in India,* Macmillan, Delhi.

Mehta, U (1990) 'Indian Agriculture since Independence' in G Shah (ed), *Capitalist Development: Critical Essays,* Popular Prakashan, Bombay, 210-229.

Pandey, G (1978) *The Ascendancy of the Congress in Uttar Pradesh 1926-1934,* Oxford University Press, Delhi.

Pandey V N (1989a) 'Historical Roots of Agricultural Backwardness: An Essay on Property Law in Colonial Awadh', *Research Paper 7,* IRMA, Anand

—(1989b) 'Myth of Bourgeois Property: Land Law in Colonial Awadh', *Sociological Bulletin,* 38 (2), 199-216

—(1990): 'Property Law and Agrarian Relations in Colonial Awadh: 1909-1920', *Economic and Political Weekly,* November 24, 2601-08.

Patnaik, P (1985): 'On the Political Economy of Economic Liberalisation', *Social Scientist,* 13 (7-8), 3 17

Patnaik, U (ed) (1990): *Agrarian Relations and Accumulation: The Mode of Production Debate in India,* Oxford University Press, Delhi (for Sameeksha Trust).

Parthasarathy, G and B P Rao (1969): *Implementation of Land Reforms in Andhra Pradhesh.* Scientific Book Agency, Calcutta.

Phansalkar, S J (1991): 'Locating Research in Co-operative Management', *Working Paper 11,* IRMA, Anand.

Prasad, P H (1989): *Lopsided Growth: Political Economy of Indian Development,* Oxford University Press, Delhi (for Sameeksha Trust).

Sunderayya, P (1972). *Telengana People's Struggle and Its Lessons,* CPI (M), Calcutta.

The All-India Congress Committee (1951): *Report of the Congress Agrarian Reform Committee,* Delhi.

Thorner, D (1976): (first published in 1956) *The Agrarian Prospects in India,* Allied Publishers, Delhi.

Vanaik, A (1990): 'Peculiarities of Indian Democracy: The Role of the Agrarian Bourgeoisie' in G Shah (ed), *Capitalist Development, Critical Essays,* Popular Prakashan, Bombay; 210-229


THREE YEARS OF
UNDIVIDED LOVE
THE FIRST
BORN'S RIGHT
USE MALA - D
Rx
Mala·D
CONTRACEPTIVE PILLS
for oral use by women
Contraceptive Pills
Rs. 2 per packet.
A Pill a day
davp 93/250

Financial Dualism and 'Virtual' Interest Rates

Case of India

Wojciech W Charemza

Subrata Ghatak

Duality of money markets is a ubiquitous phenomenon in less developed countries. Yet, a few vital questions have eluded the focus of researchers and policy-makers: What role does the market structure play in the existence of dual interest rates? What are the methods of correcting distortions in the money market? Do interest rates in the organised money market affect interest rates in the unorganised money market?

Analysing the case of duality in Indian money market, this study presents a simple theory of duality and offers explanations through two new concepts, viz. 'virtual' interest rates and 'virtual' money.

Introduction

IT has now been widely acknowledged that the existence of two different types of money markets—one organised (OMM) and the other unorganised (UMM)—has important implications for the conduct of monetary policy in less developed countries (LDCs) [Ghatak 1976; Taylor 1983; van Wijnbergen 1983 (a); 1983 (b) and 1985]. A dual money market could complicate the smooth operation of monetary policy as it implies the presence of two very different interest rates—one for the CMM and the other for the UMM. Such dual rates are actually observed in many LDCs [von Pischke et al 1983 and Ghatak 1976]. The two segments of the money market are separated for a variety of reasons: e g, differences in transaction costs, informal system of loan administration in the UMM, pattern of flexibility of loan operation, asymmetric flow of information, problems of moral hazard and adverse selection, etc [Ghatak 1976]. The quantity of loans of a particular borrower is generally determined by his/her 'credit-worthiness' (e g, the 'asset' or landholding) and ability to repay; tenurial status; lenders' information about the borrowers and the nature of moral hazards perceived by lending agent. These dual rates, if unconnected, could render the use of official discount rate rather ineffective either as a weapon for controlling credit or as a device to raise savings and investments and thereby the rate of economic growth [McKinnon 1973; Shaw 1973; Kapur 1985 and Fry 1988]. These have been investigated at length recently. However, there are other important issues which have received less prominence in discussion of dual money markets in less developed countries (LDCs). For instance, what role does the market structure play in explaining the emergence of dual interest rates in LDCs? How do we correct distortions in the money markets of LDCs? Do interest rates in the CMM affect rates in the UMM? Most writers, so far have emphasised the role of risk and uncertainty premium in explaining the high UMM interest rates in LDCs [Bottomley 1971; 1975; Ghatak 1975 and 1983]. In this paper we offer a simple theory to explain the existence of dual interest rates in a single economy. We then develop the concept of 'virtual' interest rate and 'virtual' money [Neary and Roberts 1981] in LDCs when a section of the money market is constrained, i e, fails to satisfy all the demand. Such 'virtual' rates are notional equilibrium rates for the utility maximising agents facing credit constraints in the OMM. Next we specify the relationship between the CMM and UMM rates when money markets do not clear and explain how 'virtual' rates clear the markets. It has been argued by the 'Structuralists' that the practical usefulness of financial liberalisation due to rise in interest rates could be limited in LDCs because such rise in rates in the CMM lead to outflow of funds from the UMM [Taylor 1983; van Wijnbergen 1983 and 1985]. Thus credit shortage raises interest rates in the UMM and a consequent fall in the level of investment and output. Structuralists therefore, argue that a positive interest rate policy could be counterproductive.

Clearly, the strength of the arguments stated by the 'structuralist' school depends on a number of assumptions; e g, it is assumed that both the UMM and the CMM operate smoothly and the funds flow freely between the UMM and the CMM. The validity of such assumptions are empirical issues. The 'structuralist' argument would be validated if the UMM rates readily respond to changes in the Bank Rates in the CMM. A rigorous analysis of the relationship between the CMM and the UMM rates in a LDC, i e, India, is the primary focus of this paper. Further, we suggest a method to measure 'virtual' interest rates to indicate the extent of changes to be made in the 'repressed' rates of the CMM to promote greater integration of the dual money markets. So estimates are useful as they approximate the determination of 'equilibrium' interest rates in a LDC with segmented money markets.

II
Model of Dual Interest Rates

It is possible to analyse the existence of dual interest rates in a money market in a simple way (Figure 1). In Figure 1 we measure interest rate on the vertical axis and the demand for and supply of loans on the horizontal axis. If the market clears, E will be the equilibrium interest rate when D_{LF} is the demand for and S_{LF} is the supply of loanable funds in the economy. But, in most LDCs, the money market can be regarded as imperfect, exhibiting strong characteristics of oligopolistic controls. In many LDCs, a few major banks and financial institutions control a very substantial proportion of total supply of loanable funds. Suppose, these financial institutions seek to maximise their utility which now depends on two arguments, the price of loan (r) and the quantity lent (Q_L). They will be indifferent with some combination of Q_L and r and this is shown with the indifference curves like I_1 and I_2. The budget constraint facing the financial institutions is given by the line D_{LF}. Banks optimise by choosing a point like F where the indifference curve is tangent to the budget line. Here the interest rate (r_c) is higher than the equilibrium rate (r_e) in a competitive market and the amount of lending is also lower ($Q_{cL} < Q_{eL}$). This simple diagram clearly illustrates the emergence of dual rates and credit restrictions in a competitive and non-competitive market structure.

Frequently in LDCs, while severe credit constraints operate in the OMM, the UMM acts as a clearing house. Figure 2 illustrates. Due to a state of 'financial repression', interest rate in the OMM is at a very low level (r_1) and an excess demand fixed for loan (=AB) exists. To clear this

FIGURE 1: THE EXISTENCE OF DUAL INTEREST RATES

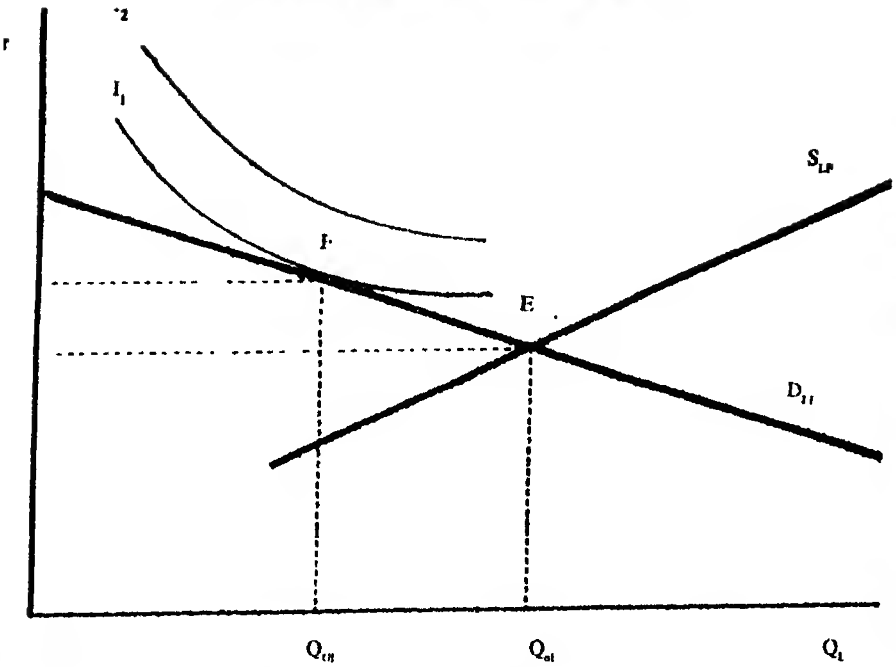
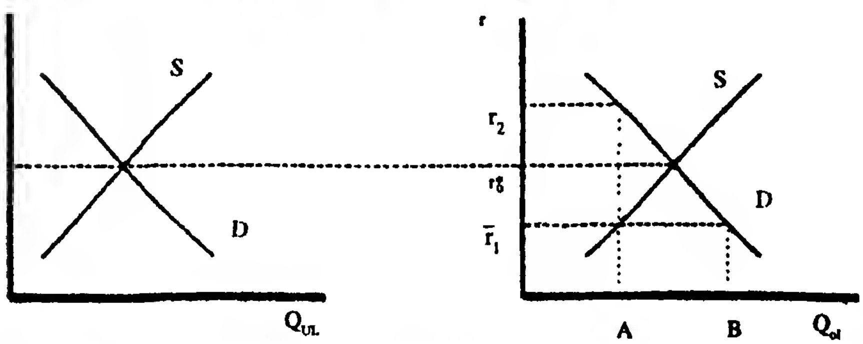


FIGURE 2: MARKET CLEARING INTEREST RATES



= fixed interest rate

AB = excess demand for loanable funds in official market

$_u$ = r^*_o rates are equalised when the excess demand is satisfied in the unofficial market

xcess demand, the interest rate in the JMM rises above fixed rate in the OMM and the market in aggregate clears t $r^*_u = r^*_o$.

In a dual financial market, borrowers an borrow a certain quantity of loans rom two markets—organised (Q_{oL}) and norganised (Q_{ul}). Thus, a borrower's util-y function (U) is

$$U = U[(Q_{oL} + Q_{ul}), \bar{m}] \qquad (1)$$

vith constraint

$$m = r_u Q_{uL} + r_o Q_{oL} + \bar{m} \qquad (2)$$

vhere r_u = unorganised market rate of interest
r_o = organised market interest rate
m = initial money endowments

Initially, we assume that Q_{ul} is constrained › $\bar{Q}_{uL}$. Maximising (1) with (2) gives the Clower-Benassy type of the effective demand function

$$Q_{uL} = q_u(r_u\ r_o\ \bar{m}) \qquad (3)$$

The demand correspondence for the official market is given by:

$$Q^o_{oL} = q_o(r_u\ r_o\ \bar{m}, \bar{Q}_{uL}) \qquad (4)$$

But, given the features of the dual financial markets, it is useful to assume that Q_{oL} is also constrained to $Q_{oL} > \bar{Q}_{ol}$.

This yields the equation for r_u:

$$r_u = h(r_o, \bar{Q}_{ul}, \bar{Q}_{oL}, \bar{m}) \qquad (5)$$

The virtual interest rates (r_v) can then be defined as [see Neary and Roberts, 1980]:

$$\frac{\partial u(\ )}{\partial(\bar{Q}_{uL} + \bar{Q}_{oL})} \Big/ \frac{\partial u}{\partial(m)} \qquad (6)$$

And the 'virtual' money as:

$$m_v = m + (r_o - r_v)Q_{oL} + (r_u - r_v)Q_{uL}$$

The virtual interest rate, r_v is the rate for Q_{oL} and Q_{ul} which supports the quantity $\bar{Q}_{oL} + \bar{Q}_{uL}$ as a result of the quantity unconstrained utility maximisation for $U = U[(Q_{oL} + Q_{uL}), m_v]$. Figure 3 explains the concept of virtual prices where m is plotted against the total of $Q_L = Q_{oL} + Q_{uL}$. Since the market is quantity-constrained, the iso-utility curve is not tangent to the budget constraint. However, it is tangent to the line A'B' which shows the budget line under virtual rate of interest with a slope equal to r_v. Thus, r_v is the price which would have appeared if the unconstrained consumption demand was equal to the constraints imposed.

In what follows we will specify the empirical tests of the association between the rates in the UMM and OMM. The data for the UMM rates are available for the Indian economy and these are usually called the hundi rates or the bazaar rates.[1] The official Bank rates are known as the discount rates. This will be followed by the analysis of the virtual interest rates. Finally, we will provide some long-run solutions of the virtual interest rates for the Indian economy for 1950-86. Due to the availability of the long-run data on hundi rate, we have used it as a proxy for the bazaar rate.

III
Econometric Results

The previous section suggests the following long-run specification of the relation explaining the hundi interest rate (the UMM rate) for India All data are in natural logarithms.

$$hr_t = \alpha dr_t + \beta m_t + u_t \quad \alpha < o, \beta < o \qquad (7)$$

where

hr_v – estimated bazaar real interest rate[2]
dr_t – official real interest rate
m_t – real money supply (M1)
u_t – an error term

The variables which appear in (1) have been tested for the level of integration [see Engle and Granger 1987]. It is required that all the variables in a long-run equation are integrated in the same order (i e, that their i-th differences are stationary). The aug-

TABLE 1: AUGMENTED DICKEY-FULLER TEST FOR INTEGRATION

Variable	Levels	First Differences
hr_t	2.20	–2.28
dr_t	0.87	–2.92
m_t	0.84	–2.95

Figure 3: The Virtual Interest Rate

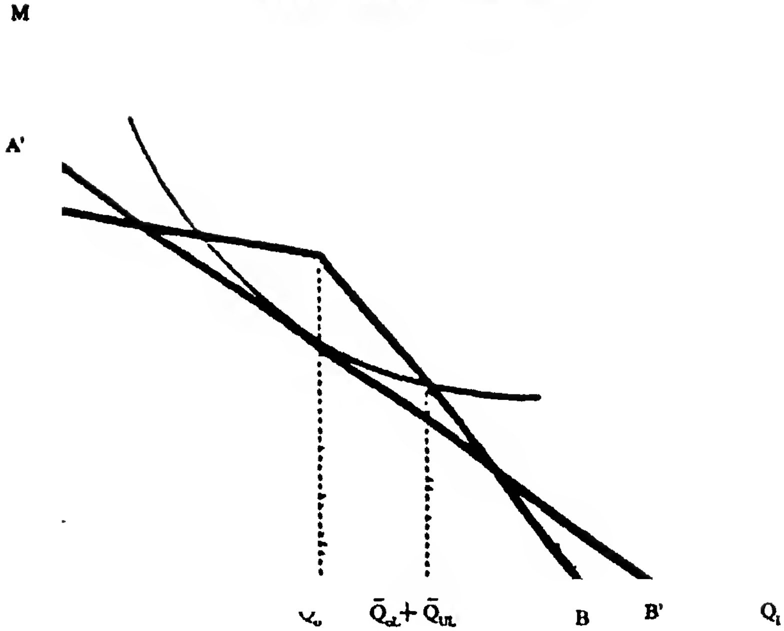
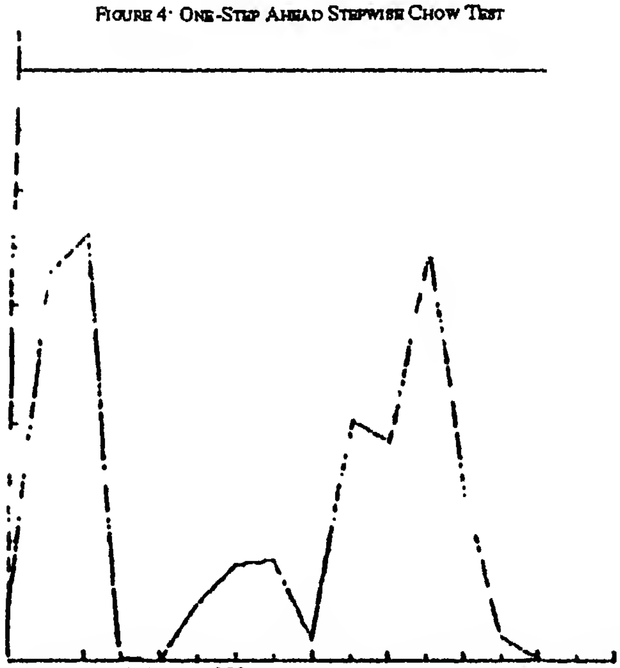


Figure 4: One-Step Ahead Stepwise Chow Test



mented Dickey-Fuller ADF test for stationarity of levels and first differences [see Dickey and Fuller 1979 and 1981] gives the results as in Table 1.

Results from Table 1 show that levels of the variables hr_t, dr_t and m_t are not stationary, but that their first differences are stationary (critical values of the small-sample ADF test are given in Blangiewicz and Charemza (1989). Consequently, we can admit that all three variables are integrated of order 1.

To test cointegration of the long-run equation (i e, to check whether the error term in (1) is stationary), the equation has been estimated by ordinary least squares (OLS) and the ADF cointegration test has been computed [Engle and Granger 1987]. The results are as follows:

$$hr_t = \underset{(0.0453)}{1.517} dr_t - \underset{(0.0782)}{0.295} m_t + u_t \qquad (8)$$

$R^2 = 0.904$ $\sigma = 0.159$ DW $= 0.679$
ADF $= -3.58$

where R^2 is the coefficient of determination, σ is the residual variance. DW is the Durbin-Watson statistic and heteroscedasticity/consistent standard errors of the parameters estimates are given in brackets. Although the Durbin-Watson statistic (DW) is quite low, so that the model does not pass the *ad hoc* cointegration test [Banerjee et al 1987], i e, $R^2 > DW$, nevertheless the ADF statistic is low enough to be significant at 0.05 level. Consequently we have some rationale to accept the hypothesis about cointegration of the analysed variables (for the initial values at the multivariate ADF test see Blangiewicz and Charemza 1989).

The estimated equation (1) cannot be used for a more detailed analysis of the market because of lack of proper dynamics, indicated by the low Durbin-Watson statistic. Therefore for estimation of the virtual interest rate we have used the autoregressive-distributed lags of order 1 (ADL[1]) form of the model [Hendry and Richard 1982 and Cuthbertson 1985, p 263].

$$hr_t = \delta_1 hr_{t-1} + \alpha_0 dr_t + \alpha_1 dr_{t-1} + \beta_0 m_t + \beta_1 m_{t-1} + \varepsilon_t \qquad (9)$$

The OLS estimates of the euqation (2) are the following:[3]

$$hr_t = \underset{(0.0530)}{0.758} hr_{t-1} + \underset{(0.129)}{0.606} dr_t + \underset{(0.124)}{0.212} dr_{t-1} + \underset{(0.127)}{0.453} m_t - \underset{(0.109)}{0.592} m_{t-1}$$

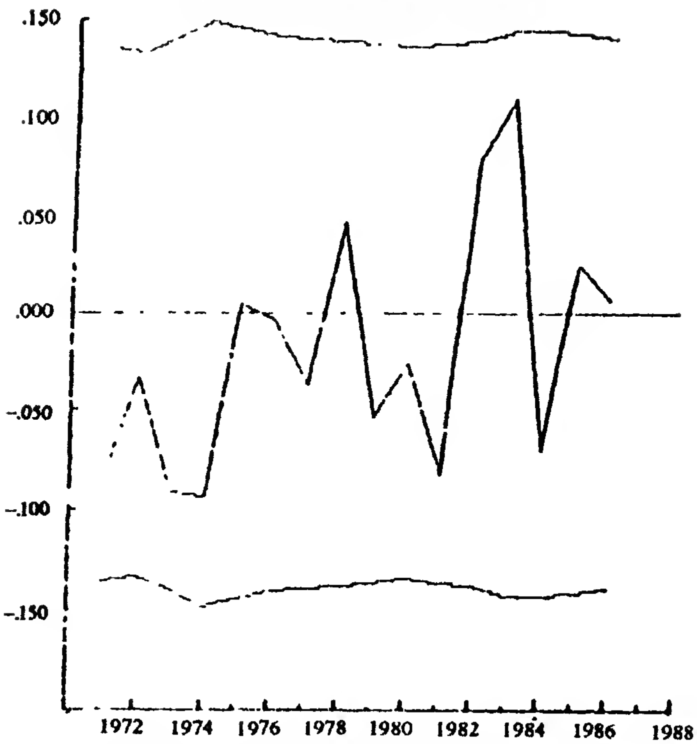
$R^2 = 0.998$, $\sigma^2 = 0.0698$, DW $= 2.26$,
AR3F(3,27) = 0.38, COMFAC-F(2.30) = 4.60
CHOW-F (5.25) – 1.21 hr-F(1,31) = 85.48
dr-F (2,31) = 12.56 m-F (2,31) = 9.05

The additional diagnostics for this equation are: AR3-F = F-test for testing joint autocorrelation of the residuals up to order 3; COMFAC-F = test for one common root; CHOW-F = Chow test for stability of the model predictions for up to five periods ahead computed for the model estimated for a sample from 1952 to 1981,

Table 2: Real Interest Rates—Estimated Bazaar, Official and Virtual Rates

Year	Estimated Bazaar Rate	Official Rate	Virtual Rate
1970	3.60	1.89	2.25
1971	3.67	2.31	2.99
1972	4.04	2.56	3.32
1973	4.32	3.20	4.14
1974	4 07	3.49	4.16
1975	4.39	3.04	3.60
1976	5.96	3.57	4.33
1977	5.72	3.39	4.07
1978	5.66	3.51	4.23
1979	5.71	3.67	4.42
1980	5.77	3.71	4.46
1981	5.54	3.95	4.74
1982	6.64	4.08	5.02
1983	7.45	3.97	4.86
1984	6.88	3.87	4.78
1985	7.18	3.98	4.92
1986	7 08	3.99	4.92

Figure 5 One-Step Recursive Residuals



with data for 1982-86 left for the prediction period and hr-F, dr-F, m-F = F-tests for joint significance of the particular variable (contemporaneous and lagged) in the model. For all the tests in F-form, the number of degrees of freedom is given in brackets.

The results seem to be satisfactory. Especially the ex-post forecasting properties of the model for up to five years ahead are good. Figures 4 and 5 show the stepwise (1-step ahead) Chow statistics scaled by the critical values and the 1-step recursive residuals with the confidence interval equals to ±2 standard errors. The figures indicate stability of the estimated model. The COMFAC statistics is significant, which denies the possibility of reducing the number of estimated parameters by imposing a common-factor restriction.

The sequence reduction of the model does not lead to sensible results [Hendry 1989, p 59]. Especially estimation of the model in first differences of the variables with an error-correction mechanism failed to provide an interpretable result. We have therefore decided to use the above estimates as a base for computing the virtual interest rate.

The static long-run solution of the estimated equation (9) is the following:

$$= 1.630dr_t - 0.574m_t \qquad (10)$$
$$(0.097) \quad (0.224)$$

Wald $\chi^2(2) = 591.7$

where the Wald $\chi^2(2)$ statistic is for the Wald test of non-linear restrictions of the estimated parameters.

According to its definition, the virtual interest r_{vt} equates hr_t to dr_t given the existing constraints on m_t. Hence, the long-run equation (7) can be re-written as:

$$hr_t = r_{vt} + \beta m_t + u_t$$

Consequently, the virtual interest rate can be estimated from (9) as:

$$r_{vt} = \pi dr_t$$

where $\pi = (\delta_1 + \alpha_0 + \alpha_1)$

Using the OLS estimates, it gives $\pi = 1.1525$ with the standard error equal to 0.0445.

The above OLS estimate of π does not reflect changes of the coefficient over time. Hence, it seems interesting to have changes of π (and consequently of hr_t) over time. We have therefore defined the recursive-least squares estimate of π as

$$\pi_t = (\delta_{1t} + \alpha_{ot} + \alpha_{1t}),$$

where δ_{1t}, α_{ot}, α_{1t} are the recursive least squares estimates of the corresponding coefficients. The Bazaar, official and virtual intetest rates (where the latter are estimated with the use of π_t rather than π) are given in Table 2. The results indicate that the greatest pressure on the money market took place in the period of 1982 and 1986, because of the boom in private investment.

Our average estimate of the 'virtual' interest rate in India turns out to be about 15 percent higher than the official rates. Clearly, for policy formulation, the adjustment cost of such distortion is not high

Conclusions

(a) On the basis of our study, we can conclude that in India the Reserve Bank can significantly influence unorganised rate by raising appropriately the official discount rate. Our finding seems to validate the 'structuralist' argument that changes in the official interest rate will have important impact on the rates in the unorganised money markets. The interest rate policy can play a more effective role as instrument of stabilisation.

(b) The 'virtual' interest rates for India are measured for a period (1950-1986) with the data available for the Bank Rate and the average Bazaar rate. Results of the cointegration stability tests suggest that the relationship between the interest rates and money supply was, in the long and sometimes turbulent period of 1950-1986, stationary and stable. In the long run, estimated 'virtual' interest rate in India is on average only one per cent higher than the 'surrogate' bazaar rate; hence, the cost of adjusting the 'distortion' is not high.

(c) In a relatively 'closed' economy, dual interest rates could exist because of the imperfect structure, e g, oligopolistic controls of the money markets in many LDCs. Given the credit constraints and 'repressed' interest rates in the organised money markets, the rates in the unorganised money markets tend to rise considerably to 'clear' the excess demand for loans Our estimate of virtual or equilibrium interest rates in segmented money markets in India suggests that such rates are not very high. Similar estimates could be made for other LDCs to observe the overall cost of adjusting interest rate distortions.

Notes

[The authors thank the participants of the International Conference on Prices and Economic Development, Gregyong Wales, UK, for their comments. The usual disclaimer applies. Financial help from the Nuffield Foundation to carry out a part of this research is also gratefully acknowledged.]

1 The hundi rates are partly determined by a cartel of indigenous bankers while the bazaar rates are perhaps a better reflection of the rates in the UMM.

2 Since data for the bazaar rate are highly heterogeneous and with numerous gaps, we approximated the average real bazaar rate using the hundi rate adjusted for the expected future inflation.

3 The computations were made with the use of PC-GIVE 6 0 microcomputer econometric package All the diagnostics reported in the text are described in detail by Hendry (1989)

References

Banerjee, A, J Dolado D I Hendry et al (1986) 'Explaining Equilibrium Relationships in Econometrics, through Static Models Some Monte Carlo Evidence', *Oxford Bulletin of Economics and Statistics*, Vol 48, 253 277

Bhaduri, A (1977) 'On the Formation of Usurious Interest Rates in Backward Agriculture', *Cambridge Journal of Economics*, Vol 1, No 4, 341-352

Blangiewicz, M and W W Charemza (1989) 'Cointegration in Small Samples Empirical Percentiles, Drifting Moments and Customised Testing', Leicester University Discussion Paper, No 107

Bottomley, A (1975) 'Interest Rate Determination in Underdeveloped Rural Areas', *American Journal of Agricultural Economics*, Vol 57, 279 91

Charemza, W W M Gronicki and R E Quandt (1988) 'Modelling Parallel Markets in Centrally Planned Economies', *European Economic Review*, Vol 38, 861 83

Cuthbertson, K (1985) *The Supply and Demand for Money* Basil Blackwell, Oxford

Dickey, D A and W A Fuller (1981) 'Likelihood Ratio Statistics for Autoregressive Time Series with a Unit Root', *Econometrica*, Vol 49, 1057-1072

Engle, R F and C W J Granger (1987) 'Cointegration and Error Correction Representation, Estimation and Testing', *Econometrica* Vol 52 251 76

Fry, M (1988) *Money Banking and Economic Development*, Johns Hopkins Press, Baltimore, USA

Ghatak, S (1976) *Rural Money Markets in India*, McMillan

—(1983). 'On Inter Regional Variations in Rural Interest Rates in India' *Journal of Developing Areas*, October 18, 21-34

Ghatak, S and D Deadman (1989) 'Money, Prices and Stabilisation Policies in Some Developing Countries', *Applied Economics* July

Hendry, D F (1989) *PC GIVE An Interactive Econometric Modelling System*, University of Oxford

Hendry D F and J F Richard (1982) 'On the Formulation of Empirical Models of Dynamic Econometrics *Journal of Econometrics*, Vol 20 3 33

Liang, Ming-Yih (1988) 'A Note on Financial Dualism and Interest Rate Policies A Loanable Fund Approach', *International Economic Review*, Vol 29 No 3 539 49

Mathur, P C (1986)' *Interest Rate—Its Impact on Price Movement* North-Eastern Hill University, Shillong

McKinnon, R (1973) *Money and Capital in Economic Development*, Brookings Institute

Neary, P and K Roberts (1980) 'The Theory of Household Behaviour under Rationing' *European Economic Review*, Vol 13, 25 42

Nuti, D M (1986) 'Hidden and Repressed Inflation in Soviet type Economics', *Contributions to Political Economy* Vol 5, 37-82

Sargan J D and A Bhargava (1983) 'Testing Residuals from Least Square Repressions for Being Identified by the Gaussian Random Walk' *Econometrica*, Vol 49, 153 174

Shaw, E (1973) *Financial Deepening in Economic Development*, Oxford University Press

Taylor, L (1983) *Structuralist Macroeconomics*, Basic Books, USA

van Wijnbergen, S (1982) 'Stagflationary Effects of Monetary Stabilisation Policies: A Quantitative Analysis of South Korea', *Journal of Development Economics*, Vol 10 133 69

—(1983a) 'Credit Policy, Inflation and Growth in Financially Repressed Economy', *Journal of Development Economics*, Vol 13, Nos 1 2 45 65

—(1983b) Interest Rate Management in Less Developed Countries', *Journal of Monetary Economics*, Vol 12, No 3, September 433-52.

von Pischke J D Adams et al (eds) (1983): *Rural Financial Institutions in Developing Countries*, Johns Hopkins Press and World Bank, Baltimore, USA

DISCUSSION

Minority Identity and Its Discontents

Syed Shahabuddin

MUCH in Mushirul Hasan's analysis of the Muslim response to the evolution of the secular state in India ('Minority Identity and Its Discontents: Response and Representation' by Mushirul Hasan, *EPW*, February 14, 1994) is incontrovertible. However the case for secular modernists as distinct from Islamic modernists suffers from vital inaccuracies and omissions, biased judgments and preconceived notions. He has also weakened his thesis by drawing upon the writing of little known journalists and obscure and minor papers and by not offering any evidence from the writings of the 'Muslim fundamentalists' and the 'Islamic modernists' for condemning them or even for making out a case against Shahabuddins who enjoy, according to him (and the Sangh parivar) political backing and patronage of the state. He has come up with no evidence to support his thesis that the Islamic modernists are against the secular order or to prove that they are belligerent or fan intercommunal discord or even exploit it.

In the Muslim Indian milieu, there is nothing comparable to Hindu chauvinism exemplified by the philosophy, ideology and programme of the Sangh parivar. Indeed, except for marginal elements, Muslim response to the Hindutva has been to reiterate their commitment to secularism. Muslim Indians have always supported secular parties, voted for them, accepted non Muslim leadership, sought protection from and placed trust in the secular state. If the state, the parties and the governments have not lived up to their expectations under pressure from majority communalism or failed them and the country, the Muslim Indians cannot be held responsible.

Yes, there have been and are careerist Muslim politicians who have made and make deals with the political establishment but they have been rejected by the Muslim masses. The so-called Muslim 'intellectuals' whom Hasan sees as the hope for the community, have also been busy trimming their sails to the political winds and leathering their nest and therefore are unable to provide responsible, responsive and effective leadership. Bureaucrats who become sensitive to the anguish of the community on retirement and professors who become responsive on receiving financial support from the state or when the establishment does not shower rewards equal to the expectations are and will remain marginal to the concerns of the community and therefore, incapable of providing leadership

The central problem is to decide whether a religious minority has a political role. Waheeduddin Khan and, to a certain extent, Saiyid Hamid wish the community to forsake the political arena and dedicate its energies to education and economic uplift. Is there anyone who does not want education or economic uplift? But the root question is how to maintain a political environment and a constitutional framework, in which such endeavours can be successfully carried out. If the state embraces Hindutva and adopts a policy of total assimilation or open discrimination, will the Muslim community enjoy the freedom to set up its educational institutions or assure educational culture which is not openly and blatantly anti-Islamic? Will the Muslim youth have equal access to public (or even private) employment? Muslim politicisation in fact is only marginally about religion, it is largely about preserving equality of opportunity and equality before law. Hasan himself admits that the secular parties are under pressure. In fact party like Congress(I) has already adopted 'saffron secularism'. Even the left parties wish to stand up and be counted as nationalist patriots and not to deprive themselves of Hindu votes. Hasan or his secular modernists suggest no alternative course of action on how to keep national politics responsive to the legitimate rights, demands and aspirations of the religious minorities, if the religious minorities were to opt out of politics.

Secondly, in a religious society, a religious community under pressure of assimilation, anxious to preserve its religious identity, the role of the religious establishment cannot be ruled out. But Hasan has not made out any case to prove that the Muslim religious establishment, which has a glorious nationalist past, has been separatist or communal. Even JIH has come down from its high fundamentalist pedestal of Hukumat-e-Ilahiya to support the secular order in the Indian context. But if Hasan thinks that speaking of religious rights or of the rights of a religious community or protesting against violation of the constitutional safeguards is *per se* communal, there is nothing to be said. By that token even so-called secular modernists shall be dubbed communal, even for organising a 'Muslim' meet. But perhaps they are more acceptable because in the long run their objective is political emasculation and cultural assimilation of the Muslim community in line with the desire of the Sangh parivar and a large section of the secular establishment.

Thirdly, Hasan is less than fair and objective in tarring all Muslim politicians with the same brush. Many of us, who are in politics by choice, and bear many a blow and suffer many a privation, have deliberately chosen the wilderness and have been trying, in our own way, to find a viable framework for the Muslim community to live in dignity and equality in its motherland. Of course, some of us have refused to surrender to the forces of Hindu communalism and abdicate our democratic freedom but we have never sought confrontation or conflict. Issues have arisen or have been raised by the adversaries and we have merely sought to resolve them through democratic dialogue within the secular framework. Since Hasan has used the phrase 'Shahabuddins' he must have come across my writings in the press and in *Muslim India*. I would request him to quote one line in support of his thesis that the Muslim leadership had adopted a communal rather than a secular approach.

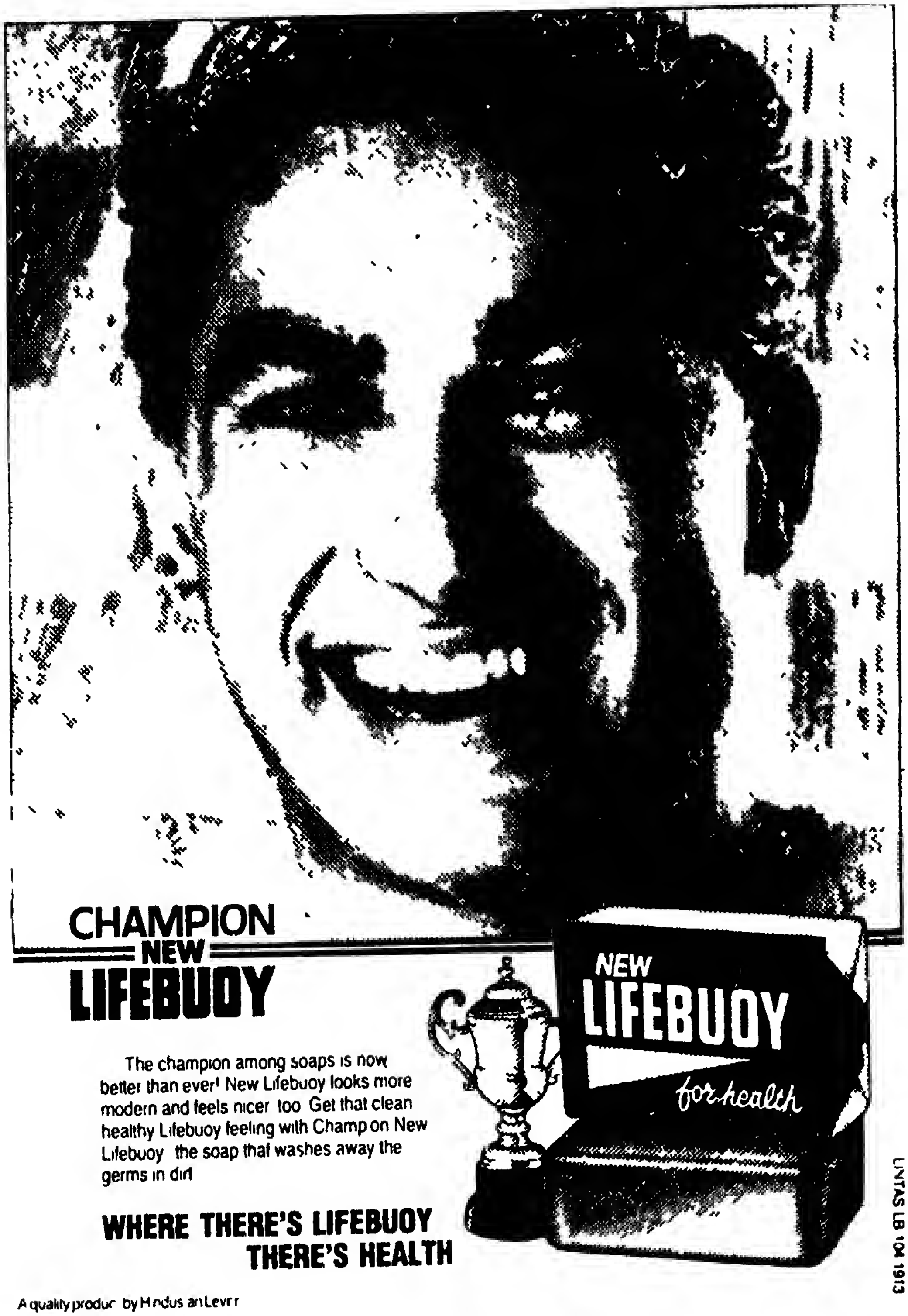
In fact, the Ulema have been even more cautious and have exercised a restraining influence, because of their wider and longer perspective in time and space and their non-involvement in the day-to-day battles.

Hasan and his intellectual company feel that Muslim should not have reacted to the VHP plan for the Babri masjid (formulated at the instance of Indira Gandhi and implemented later with the support of Rajiv Gandhi). He must at least concede the possibility that every surrender would have whetted the appetite of chauvinism. I am convinced that by taking a legally tenable, morally correct, constitutionally valid and politically sound stand on the Babri masjid, we have decelerated the Hindutva rath, even if we have not been able to stop it and thus awakened the national community to the perils of chauvinism and bought time for it to prepare itself for the battles that lie ahead.

Babri masjid was demolished with the connivance of the state and the central government. It was an act of vandalism. Why should the Babri masjid movement be held responsible for the weakness and vacillation of the secular state? Hasan should try to inject a moral core in the secular order and not prepare the Muslims to accept the inevitability of Hinduisation and to make a choice between physical liquidation and cultural assimilation.

In the long run, the laboured distinction between Islamic modernists and secular modernists will be of no consequence. For one, the so-called secular modernists will remain alien and marginal and while they may be accepted and honoured and used by the establishment, they will have little influence on the course of events. For another, in practical terms, the secular modernists will find it difficult to suggest a logical or effective course of action other than those followed by Islamic modernists. Of course, Muslim fundamentalists, who equate Islam with political power and cannot even conceive of Islam without power or dream of re-establishing Muslim rule in India shall be equally marginal to the future of the Muslim community. The Muslim Indians must seek their destiny within the national framework of the secular state and the international framework of the rights of religious minorities, in an increasingly shrinking world. Minorities, everywhere, shall be led to justice and equality by those who champion their quest for identity and seek a *modus vivendi* through integration and reject assimilation and liquidation.

To set the record straight, I have never attended any meeting of the Jamiat-e-Ulema-e-Hind and the 'walkout', therefore, is a figment of Hasan's imagination.



Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 01.
and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038

ECONOMIC AND POLITICAL WEEKLY

A Sameeksha Trust Publication Vol XXIX Nos 16 and 17 April 16-23, 1994 Rs 2

ECONOMIC REFORM AND BUDGET 1994-95

- MACRO-ECONOMIC POLICY IN TIMES OF GLOBALISATION
- ON INFLATION AND SUBSIDY
- GROWTH PROSPECTS RECEDE AS ECONOMY SLIPS OUT OF CONTROL
- IMPLICATIONS FOR GROWTH AND STABILITY
- FISCAL ASPECTS AND REAL ECONOMY
- BUDGET AND 'STRUCTURAL ADJUSTMENT WITH A HUMAN FACE'
- MONEY AND PUBLIC FINANCE UNDER STRUCTURAL ADJUSTMENT
- ECONOMIC REFORMS AND MACRO-ECONOMIC POLICY
- WAITING FOR PRIVATE INVESTMENT
- REFORMING AGRICULTURE IN THE NEW CONTEXT
- AGRICULTURE AND LIBERALISATION
- TAX REFORMS FOR TEXTILE SECTOR

Another first for Kirloskar Cummins

ADJUDGED **THE BEST AMONG THE WINNERS** BY THE BUREAU OF INDIAN STANDARDS
IN THE VERY **FIRST NATIONAL QUALITY CONTEST**

Engine Power Range in

Diesel Fuel	40 to 1800 HP
Dual Fuel	80 to 1060 HP
Gas Fuel	40 to 810 HP

Kothrud Pune 411 029 (INDIA)

PRATIBHA 93 1152

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol XXIX Nos 16 and 17 April 16-23, 1994

Economic Reform and Budget 1994-95

The experience of the Indian economy in the recent months has been quite bizarre: foreign exchange reserves have kept piling up, with the government apparently not knowing what to do with them, even as economic growth continues to atrophy. Why does a government find itself incapable of pursuing expansionary economic policies even in situations characterised by industrial stagnation and accumulating foreign exchange reserves? This is an important theoretical issue. **917** The major flaws in the structural adjustment programme lie in two areas and there is no serious attempt in the 1994-95 budget to correct them. First, there is insufficient appreciation of the importance of infrastructural investment and large-scale deployment of resources in *selected* industries in order to make them internationally competitive within a specific time-frame. Second, the government does not seem to have any effective plan for raising agricultural investment and production---a lapse that augurs badly for the long-run internal and external balance of the economy. **923** The 'New Economic Policy', having opened up fresh avenues of making quick money by the affluent middle class and the top rich, has paved another channel of inflation: the wealth effect emanating from paper-wealth made in the stock market, while industry languishes in stagnation. **937** As it was with the decades of planning and democratic socialism, so also now, limited market-friendly reforms are for the rich and the privileged. But the process is unlikely to be sustainable. Low growth and stagnation might cause a reversal. Alternatively, even if growth rates do pick up along a consumption-led path, it may turn out to be unsustainable in a situation where the distribution of the benefits of growth results in what has been referred to as 'unaimed opulence'. **945** The unwillingness and/or inability of the government to control its own expenditures in areas where they need to be cut has resulted in strategies to reduce the fiscal deficit which are questionable and counterproductive. While these strategies continue to hold sway, the measures to promote investment contained in the latest budget are almost entirely confined to the supply side, although available evidence suggests that the problem lies on the demand side. **969** The lowering of customs duties and reduced public investments have meant a narrowing of the home market and dependence on the private sector to promote growth. However, the expected supply side responses have not been forthcoming due to lack of demand in spite of the rise in budgetary deficits. What has been in evidence instead is cost-push inflation. **953** The cuts in government capital spending are at the root of the slow growth of industrial activity in the past three years. The government has been left waiting for private investment. **979** The most glaring failure of the 1993-94 budget is the lapse in fiscal discipline as reflected in the fiscal deficit. To judge whether this is a failure of the finance minister, his government or of the entire polity and economy, one needs to look into the fiscal deficit in greater detail. **983** The economy is not likely to see a major turnaround in 1994-95 for two good reasons: first, the nature, pattern and conditions of investment; and, second, the pattern of channelling of domestic savings. **889** If the heroically assumed revenue buoyancy does not materialise and the finance minister is unable to contain non-development expenditure, as happened in 1993-94, we will be facing disaster. **893** Agriculture can work as the biggest safety net in the process of structural adjustment by softening the rigours of inflation as well as by raising income and employment for the vulnerable sections of the population. But this calls for broadening the domestic agricultural base by stepping up public investment in irrigation, research and extension and in education and skill formation. **1005** The focus of government policies needs to shift from helping and subsidising the organised parts of the economy to building up the economy in the vast unorganised parts, in particular promoting broad-based agricultural growth. **999** International experience with structural adjustment programmes suggests that they often lead to deterioration in social sector development unless specific measures are taken to avoid such an occurrence. The impact of the budgets presented since 1991-92, and in particular the budget proposals for 1994-95, needs to be examined in the light of such apprehensions. **1011** The finance minister's claim that the budget for 1994-95 constitutes a leap towards rationalisation of tax policy is shown to be untenable by an analysis of the changes in union excise duties on the textiles sector. **993** Finances of the Union Government: Special Statistics. **1029**

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
Director
S L Shetty

LETTERS TO EDITOR

Working Class and Left Front

I

S N ROY in his letter (February 12) denounces the romanticism displayed in the report of the Kanoria Jute Mill workers. He, however, errs much more gravely in going to the other extreme of defending the timid passivity of the established union bureaucracy in the face of the onslaught of managements.

Roy repeatedly emphasises that the new dispensation following on the liberalisation of the economy has put labour on the defensive and at a loss to counter management offensives. He feels that the union leaders have no choice but to bow down to the wishes of the management. Such an ahistorical treatment enables him to gloss over the bankruptcy of the left trade union leadership in Bengal in particular and in India in general that has brought things to such a sorry pass.

Trade unions instead of being just the means for securing better working conditions and economic benefits are more importantly organisations that must politically educate the working class for mass action to gain control of the means of production. Ideally the leaders should be members of left parties with a clear programme of revolutionary seizure of power. This is especially necessary because the capitalists invariably resort to buying up workers, creating stooge unions, using lumpen elements and the state machinery to break unions and if none of these succeed to siphon off funds and shift production to areas where labour is not organised. All this is amply borne out by the report on the Victoria Mills case (January 1-8).

Sadly the left trade union leadership has failed miserably in this respect. There has been little attempt to broaden the base of the left trade unions by using the resources of the trade unions in the organised sector to educate the vast majority of the workers in the unorganised sector. Most glaring has been the irresponsible economism of the unions of workers in the public sector and government bureaucracy which have frittered away the gains of more than a century of struggle of workers all over the world which had forced capitalist states to enact labour welfare legislation and implement them at least in undertakings owned directly by the state. The thrust of unionism in India has been towards pressing for nationalisation as a cure for all ills. There has been little understanding of the fact that the capitalists, both national and international, have progressively gained more control of the state apparatus and used the resources and services of the nationalised sector for private accumulation through rent seeking activities and outright fraud. This criminal abdication of revolutionary responsibility by the left trade union leadership is one of the prime reasons why the government has abandoned the notion of a socialistic state or even a welfare state and has adopted the new economic policy based on a free market economy".

The left trade unions could hardly do otherwise as the left parties themselves had forsaken the path of revolutionary class struggle for participation in bourgeois parliamentary democracy. Participation in elections and bourgeois government can only be a temporary means for enhancing revolutionary class struggle but not an end in itself. Yet, in Bengal over the past decade and a half we have witnessed the enactment of the absurd farce of the Left Front government scuttling a militant labour movement in order to remain in power within the bourgeois set up. This has now reached its logical denouement in Brearly and Jain doing what they have done with the Victoria Mills. In tandem with the tremendous growth in complexity and pervasiveness of capitalism world wide in India too there have been sea changes in the industrial, financial and communications sectors over the decades of the 70s and 80s. Simultaneously massive environmental degradation and pollution caused by industrial development has called into question the post enlightenment assumption that man can play around with nature at will. Finally the collapse of the Soviet Union has shattered many dear shibboleths. Few, if any among the ideologues of the traditional left comprehend the implications of these developments and the challenge that they have posed to orthodox Marxist theory and practice. The left trade union leaders are in even deeper waters. No wonder then that 'unions are perplexed how to face the onslaught of management and protect workers' interests".

Militancy of the working class is not something that is fabricated but is born of the anger and frustration arising from exploitation by the capitalists. After long years of class collaboration the likes of Roy are naturally apprehensive and critical of such militancy which exposes their revisionism. Time and again thus CITU and AITUC have opposed and even sabotaged such independent labour action all over the country, in Bombay, in Chhatisgarh and in the Victoria and Kanoria Mills. Class war is not child's play. Many have died in the past and many more have to die in the future. Actions like those of the Kanoria Mills workers, however, futile they may seem now are like sparks that will set the prairie afire. They prove that the working class is indeed the standard bearer of revolution because it is not afraid to die for its rights. It can do without the admonitions of timid 'pseudo-Marxists.

The crisis in the mainstream left parties manifested not only in the alienation of the workers but also in their failure to attract a newer generation of activists. Such activists as have grown up in a Marxist tradition cannot any longer be fobbed off with pitiable analyses like the one given by Roy which routinely emanate from a fossilised gerontocracy. They much prefer the redder hues of Maoism or increasingly nowadays the greener pastures of eco-Marxism.

RAHUL

Alirajpur,
Madhya Pradesh

II

S N ROY in his rejoinder (February 12) to my report on the Kanoria Jute Mill workers' struggle (January 1-8) is guilty of gross misrepresentation and failure to grasp the real thrust of my wordings. But he truly reflects and articulates West Bengal's Left political and trade union establishments' present perplexities, born out of their political and corporate collaborationist policies. I will briefly deal with some samples of these shortcomings.

First, I have not termed the Kanoria workers' action an 'uprising'. Rather, I have taken good care to differentiate it from the action of the communards. The reference to the Paris Commune, otherwise, occurs as the source of the 'original inspiration' of actions of this nature in Italy as well as Howrah.

Second, it will be clear from the dateline of the *EPW* that carried my piece that I had to write it immediately after the initiation of this action. Even then I had noted that the workers had only started production in full swing, that is, in various departments of the mill. At the same time I had foreseen that the "factory will come to a grinding halt". Hence, there was neither a wrong premise, nor a wrong conclusion in my piece.

Third, he misses the full and real meaning of my double-edged appellation *right wing* (emphasis added now) social democratic variety. When he refers to my words, he deletes the adjective 'right wing'.

Fourth, the dead end reached by the Left Front government and its trade union affiliates described by him is, however, a true reflection of the situation today, about which they should do some serious introspection.

Finally, the rationale and justification of the Kanoria workers' 'self-activation', which I glorified, is proved by the fact that it has succeeded in pulling down the Left Front government from the high horse it had been riding. Witness, Jyoti Basu had to, according to press reports, for the first time in 17 years put off his lunch break for one and a half hours to negotiate with the unregistered and unrecognised union. This was followed by immediate registration of the union which the labour department of his government had been illegally refusing to grant so long. This has also been followed by rounds of bi-partite and tri-partite discussions. This union has thus succeeded in achieving much more by the self-activities of the workers than the establishment which organisations have allowed the illegally laid-off workers to starve to death or resort to beggary.

AJIT ROY

Calcutta

ECONOMIC AND POLITICAL WEEKLY

Limited Options

THE central government budget for 1994-95 has more or less put paid to hopes of fiscal stability for quite a while And now we have the full financial year data on the banking and monetary sector These suggest that the monetary authorities are at their wits' end insofar as maintaining monetary and price stability is concerned

Monetary data available up to March 18 which was the last reporting Friday of the fiscal year for such data show an almost unprecedented expansion in primary money and a sizeable increase in broad money (M_3) in 1993-94 M_3 expanded by Rs 65 827 crore or by 17 9 per cent compared to an increase of Rs 49,332 crore or 15 5 per cent in the previous year Among its components, the expansion in currency with the public was phenomenal by 22 2 per cent compared to 13 2 per cent in the previous year Deposit money growth was relatively moderate at 16 9 per cent in 1993 94 against 16 per cent in the previous year but it still outpaced the growth in GDP at current prices thus raising the deposit money-GDP ratio from 42 1 per cent to 43 6 per cent A more disturbing phenomenon was the jump of 24 per cent (Rs 26 577 crore) in reserve money in 1993 94 against just 3 per cent (Rs 2 980 crore) in 1992-93 This happened despite net RBI credit to the central government having been only of the order of Rs 1 334 crore

The monetary situation has slipped out of control for a variety of reasons which are by now known but bear repetition The surge of monetary growth in 1993 94 was almost wholly attributable to rapid foreign exchange accruals The manifestation of the foreign exchange accruals in monetary expansion is a telling commentary on the economic policies pursued by the authorities In the first place, the foreign exchange accruals were not earned through a surplus of exports of goods and services nor have they contributed to any dynamism in production and investment in the economy They were essentially absorbed in upvaluation of stock market assets Secondly, the macro economic policies pursued by the government and the RBI have pushed them into a corner in dealing with the distortions that have surfaced in the economy In the final analysis the answer to the burgeoning liquidity in the system is to productively deploy the foreign exchange reserves in expanded investment and production in the economy so that demand for bank credit and imports picks up Actually 1993 94 saw an exceptionally small expansion of bank credit to the commercial sector, by Rs 15,577 crore or 7 2 per cent against Rs 31,720 crore or 18 2 per cent in the previous year A sizeable part of even this increase was due to additional food procurement credit

The government's expectation that the private sector and foreign investors would revive investment in the real economy has proved to be thoroughly misplaced It is public sector investment that requires to be stepped up, but the government is set against this for ideological reasons As a result, the problem has been thrown into the lap of the monetary authorities who, thanks to the structural adjustment programme, have been left with few instruments of monetary control The RBI and the government were in a hurry to commit themselves to rapid lowering of the statutory liquidity and cash reserve ratios (SLR and CRR) True, in the face of such low demand for bank credit sterilisation of liquidity may not be of much help What the situation calls for instead is the injection of sizeable investible funds into the public sector It is only by expanding public sector social and economic development activities that the private sector is likely to be activated

But to expand public sector activities the government and the RBI have to accept some reversal of their recent policies They had frozen the market borrowings of state governments in real terms which combined with reduced fiscal transfers from the centre has severely curtailed the states resources earmarked for agriculture and rural development as also for the social sectors Instead the banks have been making large investments in government securities and treasury bills which have gone to finance the centre's growing revenue deficits In this situation the states should have been allowed to raise resources through additional market borrowings This had to be done through the SLR route so that the borrowings did not become prohibitively expensive, in fact the yield rates on state government securities needed to be brought down to 11 to 11 5 per cent The central government has also frozen the investment programmes of many public sector undertakings Instead of the government selling PSU equity, the PSUs themselves should have been allowed to go to the market and raise fresh equity capital which would have enabled them to further secure additional investible funds from banks and other financial institutions

The various aspects of financial sector reform such as the move from direct to indirect instruments of monetary control have rendered credit and monetary policies ineffective Likewise, the capital adequacy norms prematurely imposed on them have made banks extremely shy of lending particularly to agriculture, rural industries and the small scale sector If the government were serious about reviving economic activity it must postpone the implementation of the capital adequacy norms by a few years and instead encourage banks to provide additional credit to productive enterprises in the public and private sectors and in the priority sectors which are starved of credit

The structural adjustment programme has also rendered nominal interest rates relatively sticky because mutual funds and other non-banking financial intermediaries have been promising high rates of interest on their units and other instruments on the strength of expectations of sky high effective earnings on equities (including capital appreciation) These expectations have to be brought back to earth by stanching the flow of investment into the secondary market Apart from FIIs the funds raised by Indian companies abroad are also getting invested in the share market In the current situation, there is a case for stopping companies from borrowing abroad as there is one for preventing corporate investment in the saving instruments of mutual funds which should be available only to households

KARNATAKA

Holding Operation

THE fact that the damage limitation exercise undertaken by the Congress in Karnataka is being mooted as the model for dealing with dissidence and dissonance in other states clearly points to the bankruptcy of ideas within the party For, while the gigantic cabinet which Veerappa Moily has been persuaded to create may have temporarily satisfied the various factions, it underlines the party's unconcern with corruption as a factor in electoral politics

Moily, the none too popular replacement for Bangarappa, has been plagued with dissidence ever since he took over One of the major dissident factions has been nurtured by S M Krishna who has been chief minister-in-waiting for a long time Then there have been the various power lobbies around the state's commercial interests liquor stone quarrying, sugar, etc Cutting across these have been the legacies bequeathed by the previous government a chain of corrupt deals which have touched a wide section of legislators In an effort, perhaps genuine to project a clean image after the rampant corruption prevailing in the years before, Moily in his first choice of cabinet colleagues had tried to achieve a fine balance without much success The ensuing struggle which resulted in the vociferous demands for Moily's ouster put the party high command in a quandary As Jagannath Mishra—who brokered the 12 point package with the dissidents, the most important facet of which is the expanded cabinet—candidly admitted there were too many reasons for retaining Moily he had a clean image, a reputation of having established norms of good government, substantial support among the rank and file of party members and, most importantly with the elections not too far away he belonged to a backward caste with a considerable support base However the dissident factor could not be ignored, especially with the high profile Bangarappa floating the Karnataka Congress Party and the possibility that continued sidelining of the dissidents might prove to be detrimental to the party's electoral fortunes

What has resulted is a huge cabinet, in the formation of which Moily has had to include legislators against whom there are corruption charges under investigation For instance, S Ramesh who was close to Bangarappa but turned to Moily when a judicial inquiry was constituted into the police firing at Kunigal for which he was responsible, has been given a berth So has Kodagu Thimappa who was state housing board chairman during the Bangarappa regime and who has been allegedly involved in the housing scheme scandal The cabinet also, for the first time includes three members of the backward idiga community It also has the largest number of backward class members There are six lingayats and six members of the scheduled castes To achieve this Moily has had to make every fifth Congress legislator a minister

Quite obviously, this unwieldy cabinet is not meant to last only to hold up till the state elections In the meanwhile, the final condition of the 12 point package, the reconstitution of the state Congress committee is already in trouble because of the stipulation that party office-holders would not contest the elections As a result there are no takers for these posts The organisational mess with the steady inroads the opposition parties especially the BJP, have been making and the portents from the mammoth rally Bangarappa was able to organise in Davangere recently to launch the election campaign of his new party, do not augur well for the Congress in the state

PHARMACEUTICALS

New Issues

FOR decades critics have been pointing out that the pharmaceutical industry has been spending negligible amounts on research At its best the industry spent only about 2 per cent of its turnover on research and development a minuscule proportion against the 10 to 20 per cent spent on research in the US and the EEC countries MNCs particularly have been faulted for giving low priority to research for even when they did have huge establishments for research as Ciba Geigy did, their research programmes have been without focus or have been entirely directed at 'tropicalising' products

Now with the impending changes in the patent law and an economic environment in which MNCs feel protected, many pharmaceutical giants claim to be planning to re-establish or strengthen research programmes in the country Hoffman La Roche, Hoechst Hindustan Ciba Geigy, Burroughs Wellcome Eli Lilly and a consortium of five Indian pharmaceutical companies, the Pharmaceutical Business Group, are reported to have concrete plans in this direction, with some already in place With fears of their discoveries being copied by Indian companies being allayed, the companies can now make use of the resources the country offers the vast and largely quiescent scientific community whose members, even if not unemployed, are often forced to seek inappropriate employment in non-scientific sectors, the lower salaries (in Indian rupees rather than, say, Swiss francs), the known Indian expertise in process development and, most importantly, a loose and ill-defined ethical and legal framework for conducting research which allows the companies great leeway

That pharmaceutical companies are attracted by the low salaries in India as compared to the home countries is not at all surprising especially given that the cost of pharmaceutical research into new drugs is rising rapidly Companies are focusing attention on fewer new drugs which involve high penalties in the event of commercial failure but are seeking to extend the market life of existing drugs by adding refinements and marketing them under new brand names This is of course one reason why they resist the adoption of a limited drug list which, however, is happening in many countries in the EEC Markets therefore have to be sought increasingly in third world countries Countries like India with a large and growing middle class firmly in the clutches of the ethos of modern medicine and an eminently malleable and growing medical community in the private sector, offer an ideal market Opting to conduct research in these countries gives the industry added advantages, provided patent regimes are friendly

This changing perception of drug companies towards India as a research base is cause for concern It hardly needs to be stressed that research regimes in the country fall in no man's land For instance, there is no clear consensus on who should be allowed to test drugs on what basis a drug is to be permitted for testing or which authority should approve of the research and testing regimes According to clinicians participating in a recent panel discussion on clinical testing organised by ACASH and IOCU in Bombay, doctors are rarely offered a say in the design of the clinical trial nor of course are they consulted on whether a particular new drug is needed And there is sufficient experience to indicate that when the clinical trial of a particular drug has failed, the company simply ignores the trial and manufactures successful trials While in a hospital setting there is supposed to be an ethical committee even though usually a notional entity, drug companies often conduct trials through private practitioners and consultants where there are no controls Another problem is the dearth of effective channels for monitoring adverse drug reactions in the absence of which new and harmful drugs can remain on the market causing great damage, as long as they do not cause drastic reactions which cannot be ignored In Britain it is because of effective monitoring of adverse reactions that certain drugs have been withdrawn recently

While the greatest danger is in the lack of surveillance of clinical trials of drugs, this state of affairs is also true of laboratory research To assume that MNCs will necessarily ensure here the standards of research which obtain in the parent countries is as ridiculous as the assumption about the high quality of MNC drugs, which has time and again been challenged And these concerns relate not only to the products of research but to the safety of reseachers as well The other question--the ethics of engaging in research which is largely irrelevant for third world countries—can only be tackled in the context of a vibrant scientific community committed to ethical professional values, which is yet to emerge in India As of now, there is an urgent need to revive the issue of more stringent controls on research and for

a central authority for approving and monitoring research—an issue which the drug consumer movement raised more than a decade ago.

BANKS

New Ball Game

TWO new private sector banks have been inaugurated with much fanfare, one sponsored by the Unit Trust of India (UTI) and the other by the NRI family of Hindujas. Both banks were even-handedly inaugurated by the finance minister with the RBI governor and other dignitaries in attendance. Besides the UTI's own 80 per cent, the UTI Bank has capital contributions of 10 per cent each from the Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC). But it is proposed to float public issues of equity and reduce the three sponsors' holdings to 40 per cent (UTI 25 per cent and LIC and GIC 7.5 per cent each). The other bank, IndusInd Bank, has been promoted by a holding company called IndusInd Enterprises and Finance owned by the Hinduja family and co-promoted by two Belgium-based Indian diamond merchants. Apparently 60 per cent of the bank's equity has been raised through private placements and the balance through NRI subscriptions. Though the UTI Bank has been sponsored and is as of now owned by public sector institutions, it is the operational character of the bank presumably that makes it 'private', apart from the fact that the public sector banks derive their status from the special statutes relating to bank nationalisaton. In fact it is interesting that the majority of the proposals for opening new 'private' banks are from public sector institutions, including the IDBI and EXIM Bank.

While the UTI Bank has been registered in Ahmedabad and the IndusInd Bank in Pune to satisfy the requirement that the headquarters of the new banks should be in places where no bank already has its registered office, both banks intend Bombay to be their operational headquarters. IndusInd Bank gave up all pretence, and was inaugurated in Bombay, unlike UTI Bank which organised its inauguration at the place of its formal registration, Ahmedabad.

The contradiction between the pronouncements of the finance minister, the RBI governor and other officials on the one hand and the functionaries of the two banks on the other is already glaring. Inaugurating the UTI Bank in Ahmedabad on April 1, Manmohan Singh extolled Gandhiji's concept of trusteeship as being more relevant in today's society than when it was originally enunciated and said that banking institutions should strive for a judicious blend of excellence in service and fulfilment of social and economic objectives. Calling upon the new bank to be a pace-setter in this direction, the finance minister declared, "this is a commitment to the nation as it is the only way to create a feeling amongst the poor that the banking system is not a monopoly of the few rich and vested interests in the country". When he inaugurated the IndusInd Bank in Bombay on April 11, Manmohan Singh was more restrained but spouted similar sentiments. The distinction between the public and private sectors, according to him, had lost its historical meaning and both "have to be partners in ushering in a new India". Further, "banks have to become a major instrument of purposeful social change". The RBI governor was more prosaic, but also more precise. Private banks, he said, would "have to meet priority sector lending targets and other social obligations".

Do these pronouncements really mean anything? Surely, the RBI governor is not unaware that many existing private banks, including the foreign banks, have failed to fulfil the priority sector targets, even after the enlargement of the priority sector concept to include indirect credit to agriculture and lending to big-size small-scale units. In the case of the new private banks (for the first three years) and the foreign banks, the 'priority sector' concept has been distorted by the inclusion in it of the export sector. Similarly, there have been failures in achieving the target of 60 per cent credit-deposit ratio in the rural areas of some states and, more significantly, by branches in semi-urban areas. After the failure to monitor banks' fulfilment of some of their major social obligations, how seriously are the exhortations to the new banks to discharge their social obligations to be taken? According to press reports, at a recent meeting with the RBI governor to discuss the revamping of the rural credit set-up which is in total disarray, the chairmen of some major public sector banks politely refused to involve themselves further in rural lending as that would come in the way of their achieving the capital adequacy norms and adequate provisioning requirements. Also, they were quite blunt, would rural lending increase their profits as required by the RBI itself?

Anyway, the spokespersons of the new banks have lost no time in putting the record straight. The UTI Bank chairman has said plainly that as the bank would concentrate on metropolitan centres, there was no question of it reaching the rural sector. The bank would meet the priority sector lending target essentially through advancing export credit. Further, initially at least the bank would be concentrating on corporate clients. Finally, the bank would entertain no accounts with a deposit of less than Rs 10,000 in Ahmedabad and Rs 50,000 in Bombay. The IndusInd Bank has even less reason to bother with pretences. While its offices in important centres in India are yet to be opened, it has already set up representative offices in Dubai, Hong Kong, London and New York which would all be converted into full-fledged branches by 1995-96. The bank's focus would be on garnering funds from people of Indian origin living overseas; it would also channel foreign investment into India. The bank would touch only quality assets, essentially in exports and in the so-called sunrise industries. The bank's forte would be advisory services in foreign currency risk management, including derivatives like options and swaps, and assisting projects through loan syndications abroad and in India. It is very likely that the bulk of the bank's operations would be off-balance sheet and abroad. Hence its social obligations would be minimal anyway as these are linked to bank credit extended domestically.

So the finance minister and the RBI governor hould have saved their breath. They chose not to; in all seriousness the latter even dwelt--and at the inauguration of the Hindujas' own IndusInd Bank at that—on the sanctity of an arm's length relationship between banks and their promoters!

INDO-US RELATIONS

Strategic Visit

INDO-US political relations, to all appearances, continue to be in the doldrums, even after the US deputy secretary of state Strobe Talbott's recent visit to India and Pakistan This is in contrast to the state of economic relations which during precisely the same period have shown a tendency to bring the two countries closer, particularly on matters relating to trade The latest indication of this tendency was the decision by the US government to lift restrictions on handloom exports from India, following which India may now allow imports of high value textiles from that country

Nevertheless, the low key Talbott visit seems to have smoothed to a certain degree the ruffled Indian feathers on issues concerning Indo-Pak relations including Kashmir, in which connection particularly Talbott mentioned the Shimla agreement as a possible basis for negotiations between the two neighbours The mention of the agreement showed that the US had at least for the moment, come round to the position that Kashmir was an issue largely between India and Pakistan and that there should be a minimum of interference from countries outside the region This was markedly different from the stand projected earlier by the provocative Robin Raphael who at one point went to the extent of questioning the validity of the instrument of accession of Kashmir to India This shift in the US position may make it easier for India to negotiate its dispute with Pakistan over Kashmir Looked at from another angle, however, the shift may only be a ruse to deflect attention from the efforts to promote long-term US interests in the south Asian region If this is true then the real aim of the Talbott visit was not at all to clear the way for an improvement of Indo-US and Indo-Pak relations, the point on which the attention of the majority of observers remained focused

It is necessary in this connection to take notice of two recent reports apparently unconnected with the Talbott visit One report quotes the US under secretary of state Lynn Davis, about an organisation which the US and its allies are trying to put together by October this year The organisation will seek to deny third world countries 'dangerous' modern weapons and technology which can be used for military purposes The organisation will be a successor to Co-ordinating Committee on Multilateral Controls (COCOM) set up during the cold war years to deny modern weapons technology to the communist countries It will now arrange to impose similar restrictions on those third world countries "whose military power the US and its allies want to curb" Significantly, India along with Iran, Iraq, Libya and North Korea, finds a particular mention in the plan

As per the second report, a senior US defence official, Malcolm R O'Neil, who is director of the US Ballistic Missile Defence Organisation, has expressed concern that the Indian missile programme could pose a threat to vital US interests In a speech before the senate Foreign Relations' Committee, O'Neil said that the US defence planners were especially worried about "missile programmes in India, Pakistan, Iran, Iraq, Syria, Libya and North Korea" All these countries, he said, already had or could develop weapons of mass destruction for use with their ballistic missiles "This growing comprehensive capability, coupled with unpredictability", he warned, represented "a serious threat to vital US national interests"

Together, these two reports make it clear that the US's ongoing efforts to bring about non proliferation on nuclear weapons and to deny missile technology to third world countries stem from a *realpolitik* desire to maintain its strategic superiority in different regions of the world, quite a few of them falling in the third world At the same time the exclusion of certain countries from the list of the third world countries which have developed or have the potential to develop such weapons and technologies—such as Israel—and the attempts to deliver such weapons and technologies to certain other countries (e g, F16 bombers to Pakistan despite India's strong objections) show that the approach of the US to this issue continues to remain carefully selective

Viewed in this light and in this broader context, Talbott came to India as an agent of the US defence planners, and his brief was to put a block in the way of India's efforts to emerge as a formidable military power in the south Asian region by appearing to persuade Pakistan to cap its nuclear programme in exchange for F16 bombers The media projected Talbott as engaged in precisely such 'persuasion' in Islamabad, however the content of his talks with Pakistani leaders and officials in private may have been totally different

TRADE AND SOCIAL CONCERNS

Selective Patriotism

THE height of patriotism to which the Indian government can rise is to tell Washington that it has no business to ask New Delhi how it hashes up Indians—whether by laws like TADA or through 'encounter deaths' or by environmental pollution or ruthless exploitation of cheap, including child, labour While the Rao government readily accepts advice from the same Washington experts to restructure our economy and thereby sacrifices our intellectual property rights, it refuses to let go of its own rights—both legal and illegal—that allow some of the worst forms of human rights abuse in India It seeks to obtain national sanction for continuation of these oppressive practices by raising the super-patriotic slogan that since the US is questioning them, it must be our patriotic duty to deny that they actually occur here

This paradoxical behaviour of New Delhi—kowtowing to Washington's dictates in relation to our economy on the one hand and resisting its advice on social issues (e g, environment and labour practices) on the other—is quite often explained away by both US and Indian political observers and journalists as a 'love-hate relationship' But there is a method in this lovers' quarrel! The rhetoric that both Washington and New Delhi use in this quarrel suits their respective immediate interests There is a need to demystify it

The US—after the collapse of the Soviet Union—is confident enough to dominate the economy of countries like India, which have lost their bargaining capacity in international trade and political negotiations with the loss of Soviet support For all practical purposes the Dunkel proposals (to which New Delhi is compelled to be a party, its petulant protestations notwithstanding) ensure the US the right to call the shots in the Indian economy The brouhaha raised by some US spokespersons tying the trade agenda to the demand for respecting human rights international labour laws and environmental protection reflects two interests One is the protectionist interest of the US and western business establishments which are concerned about the threat to their respective competitive stakes by possible cheaper goods imported from the developing countries (like India) that are manufactured through exploitation of cheap labour and under less demanding environmental constraints The other is the pressure exerted on Washington by domestic environmental and human rights groups which have been increasingly protesting against the import and consumption of goods that are produced in Indian sweat shops at the cost of the health of child labourers or of ecological degradation

The Indian government s argument that since labour practices and human rights are internal issues and standards vary from one place to another Washington and the west cannot lay down uniform rules is a specious one calculated to suit the traditional exploitative profit-mongering instincts of the Indian bourgeoisie The western governments indeed have their own self interest in shedding crocodile tears over the plight of the Indian workers But that is no reason why India on its own should not stop such abominable practices as sweatshops or improve its human rights record India's refusal to change these conditions cannot surely be paraded as the country's firm determination to resist US pressures, when the same government is knuckling under Washington's dictates to sell out the economy

RAS KMK Lamipack

RAS KMK Lamipack (RKL) is setting up a project to manufacture soft squeeze laminated tubes in collaboration with the KMK group of Switzerland The company has been promoted by Sameer A Kaji, Vikram H Kaji and their joint venture partners, KMK Karl Maegerle Lizenz AG (KMK) and Propack Holding AG (PPI) of Switzerland PPI, a member of the KMK group of companies, will have a 50 99 per cent equity stake in RKL through an upfront equity contribution of Rs 8 crore and convertible unsecured loan of Rs 10 crore KMK and PPI are global leaders with 40 per cent world market share in laminated tubes and have 34 licensees and 11 joint ventures in over 30 countries The project which is being set up in two phases will have a total capacity of 306 million tubes and will be set up with state of the art equipment at Chakan on the Pune Nasik highway about 100 miles from Bombay The project which is being set up at a total cost of Rs 50 3 crore is expected to commence commercial production this month To part finance the project the company will enter the capital market with a public issue of 89,68,000 equity shares of Rs 10 each at par into a 100 per cent marketing tie up with Global Resources Inc of USA in addition to a technical collaboration agreement with Granvil D Treece, aquaculture specialist of Texas A and M University USA The project enjoys a low break-even point and there is no gestation period as the company has already implemented its pilot project successfully To part finance the project the company is entering the capital market with a public issue of 43 00 000 equity shares of Rs 10 each at par on April 21 The issue is lead managed by Bank of Baroda and KMF (formerly Kuku Motor Finance)

Satyam Cement

Satyam Cement, belonging to the Somani group, plans to tap the capital market with a public issue of 42,50,000 equity shares of Rs 10 each at par to part finance its project to set up a mini-cement plant using the cost efficient and proven VSK technology The plant will have a capacity to produce 200 tpd of portland cement and is being set up at Kalipura village in Jhabua district of Madhya Pradesh, adjacent to the limestone deposits in MP and Rajasthan and within a distance of 100 kms from the market The project costing Rs 9 3 crore is in an advanced stage of implementation and commercial production is expected to commence by August this year Satyam Cement has entered into a memorandum of understanding with Somani Cement under which the former will supply its output on a 'first basis' to the latter which in turn will market it through its established network

Suryachakra Seafoods

An existing profit-making company, Suryachakra Seafoods is setting up a farm of 72 hectares of water spread area, a feed mill plant with a capacity of 1,800 mtpa and an ice plant The project which is being set up at a total cost of Rs 9 8 crore will use inhouse technology and has equity participation by The Marine Products Export Development Authority (MPEDA), ministry of commerce, government of India The company has entered

Shasun Chemicals

Originally set up in Madras in 1977 for manufacturing analgin ip powder Shasun Chemicals has also set up facilities for the manufacture of ibuprofen and ranitidine at Pondicherry and Cuddalore respectively It now plans to expand its installed capacities for ibuprofen from 840 tpa to 1 200 tpa and for ranitidine from 60 tpa to 180 tpa The expansion is primarily due to improvements in the process developed in house, resulting in a significant reduction in the batch processing time The company plans to part finance these expansion plans through a public issue of 15,00,000 equity shares of Rs 10 each at a premium of Rs 30 per share The issue aggregating Rs 6 crore is to open for subscription on April 18

Shaper Chemicals

Shaper Chemicals completed its project for manufacture of 3,4 DCNB OCPNA, 2,6 DCPNA and 3,4 DCA in April 1993 by setting up a versatile multipurpose plant designed to suit unit processes rather than a single product While implementing the project the company identified several new products with assured markets for which the process was developed in house and it decided to expand its existing capacity for manufacturing 3,4 DCNB from 350 mt to 400 mt and also diversify into the manufacture of several other products such as CFA, MCA, acetyl chloride and DCFB which are all key intermediates having applications in dyes, pesticides, pharmaceuticals and drugs The project estimated to cost Rs 6 4 crore is to commence commercial production of the new products from July this year To part finance the expansion-cum-diversification the company has come out with a public issue of 40,60,000 equity shares of Rs 10 each at par on April 18

Capital Trust

One of the pioneers in the field of providing consultancy and advisory services to international banks, Capital Trust is presently rendering consultancy and advisory services to Berliner Bank AG Germany Commonwealth Bank of Australia and Royal Bank of Canada The company is a category I merchant banker and has been granted special permission by RBI to accept deposits from non resident Indians on repatriable basis In addition the company is also engaged in the business of domestic leasing with almost 100 per cent recovery of lease rentals since 1986 The company now plans to enter the capital market with a rights cum public issue of equity shares The public issue will comprise of 19 07 400 equity shares of Rs 10 each at a premium of Rs 2 per share and opens for subscription on April 21 while the rights issue which will consist of 12,85,600 equity shares of Rs 10 each at par will open for subscription on April 26

Dolphin Laboratories

Dolphin Laboratories plans to introduce immuno biotherapeutic drugs (used for prevention of recurrent infections) for the first time in the country The drugs are currently under clinical trials on successful completion of which the company plans to manufacture the same in technical association with Laboratories OM SA Switzerland The company is presently engaged in manufacturing and marketing ethamsylate formulations (used to stop or minimise bleeding), amoxycyllin and doxycycline formulations (antibiotics used for treatment of a wide range of infections) lipotropics (used for treating liver disorders) aminoglycosides (used for treatment of post operative conditions) and non steroidal anti inflammatory drugs (NSAIDS) (used for relief of pain and for treatment of rheumatic disorders) To meet the increasing demand for its products the company is setting up a new plant at Sanand in Gujarat at a total cost of Rs 9 crore which will be part financed through a public issue

Ravish Infusions

Promoted by V K Chawla and Economic Development Corporation of Goa Daman and Diu Ravish Infusions is setting up a project for the manufacture of intravenous (IV) fluids The company is importing FFS equipment from SIFRA which will have a capacity of 38 000 (500 ml) bottles and 25,000 (1 000 ml) bottles per day and will use both polyethylene and polypropylene plastic material with the sysfpac LVP (large volume parental) system Commercial production of IV fluids is expected to commence in October this year To part finance the project the company is entering the capital market with a public issue of 46,00 000 equity shares of Rs 10 each at par on April 28

CURRENT STATISTICS

EPW Research Foundation

The fiscal year 1993-94 has ended with a 10.2 per cent rise in WPI largely contributed by substantial increases in the prices of primary articles and commodities of common consumption. The year has also ended with a massive liquidity bulge with M_3 expanding by 17.9 per cent (15.5 per cent) and reserve money by 24 per cent (3 per cent) due to sizeable foreign exchange accruals. Growth in bank credit for commercial sector was niggardly. Index of industrial production during April-December 1993 grew by 2.4 per cent with capital goods industries continuing to show a sizeable decline. Despite the ban on forward trading, BSE sensitive index has shown an increase over the past month with a corresponding rise in market capitalisation and in P/E ratio

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Mar 26 1994	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
All Commodities	100.0	256.9	1.3	10.2	7.0	10.2	7.0	7.0	13.6	12.1	9.1
Primary Articles	32.3	259.2	1.5	11.6	3.0	11.6	3.0	3.0	15.3	17.1	6.4
Food Articles	17.4	281.5	0.1	4.8	5.4	4.8	5.4	7.5	20.9	18.9	2.1
Non-Food Articles	10.1	278.8	4.6	24.2	1.4	24.2	-1.4	1.4	8.1	19.3	13.4
Fuel, Power, Light and Lubricants	10.7	278.0	0.9	13.1	15.2	13.1	15.2	15.2	13.2	14.4	6.3
Manufactured Products	57.0	251.6	1.2	8.8	7.9	8.8	7.9	7.9	12.6	8.9	11.1
Food Products	10.1	250.8	0.7	11.8	6.8	11.8	6.8	6.8	10.2	13.2	12.9
Food Index (computed)	27.5	270.2	0.2	7.1	5.8	7.1	5.8	5.8	17.2	16.8	5.7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
Industrial Workers (1982=100)	263[I]	0.4	9.1	5.7	8.2	5.2	6.1	13.9	13.6	6.6
Urban Non-Man Emp (1984-85=100)	220[II]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1166[I]	nil	9.4	5.0	10.7	1.9	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Mar 18 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91
Money Supply (M3)	432652	7501 (1.8)	65827 (17.9)	49332 (15.5)	45184 (14.2)	51653 (19.4)	35517 (15.4)
Currency with the Public	83432	1949 (2.4)	15159 (22.2)	8095 (13.2)	7414 (12.4)	8050 (15.2)	6419 (13.8)
Deposits with Banks	347351	5287 (1.5)	50112 (16.9)	41001 (16.0)	37152 (14.5)	43392 (20.5)	29252 (16.0)
Net Bank Credit to Govt	203861	94 (neg)	27623 (15.7)	14538 (9.2)	17826 (11.3)	18070 (12.9)	23569 (20.0)
Bank Credit to Comml Sector	235712	1906 (0.8)	15577 (6.2)	31770 (16.9)	28380 (15.1)	16225 (9.4)	21205 (14.1)
Net foreign exchange assets of the banking sector	50864	6903 (15.7)	25912 (103.8)	2250 (10.6)	25014 (18.0)	21205 (100.4)	10581 (59.1)
Reserve Money (Mar 18, 94)	137356	3096 (2.3)	26577 (24.0)	2980 (3.0)	11438 (11.5)	11726 (12.1)	14577 (1.2)
Net RBI Credit to Centre (Mar 18, 94)	97857	4274 (4.2)	1334 (1.4)	179 (0.2)	2175 (2.3)	5904 (6.7)	15864 (21.8)
Scheduled Commercial Banks (Mar 18, 94)							
Deposits	313814	4191 (1.4)	45242 (16.8)	37814 (16.4)	37814 (16.4)	38216 (19.8)	25583 (15.3)
Advances	163622	1075 (0.7)	11640 (7.7)	26390 (21.0)	26390 (21.0)	9291 (8.0)	14848 (14.6)
Non-food advances	152715	1338 (0.9)	7476 (5.1)	24317 (20.1)	145239 (20.1)	120922 (8.2)	111795 (12.4)
Investments	132393	3788 (2.9)	26737 (25.3)	15460 (17.1)	15460 (17.1)	15131 (20.2)	10696 (16.6)

Index Numbers of Industrial Production (1980-81=100)	Weights	Dec 1993	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent) Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	240.9	214.7 (2.4)	209.7 (4.0)	1.6	0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	251.2	213.0 (-0.2)	213.5 (2.5)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	230.5	204.7 (1.8)	201.0 (4.1)	0.9	1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	300.9	284.0 (7.3)	264.6 (4.7)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Food Stocks with Government Agencies (mn tn)	Jan 1994	Jan 1993	End of Fiscal Year: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Rice	13.3	10.7	11.0	9.8	11.2	7.9	4.7	5.9	10.0	10.3
Wheat	[illegible]	3.1	3.0	2.4	5.8	3.6	2.7	3.3	9.4	10.2
Total (incl others)	23.6	14.2	14.7	12.2	17.3	11.6	7.4	9.4	19.5	20.7

External Sector	Feb 1994	Cumulative for Fiscal Year So Far: 1993-94	Cumulative for Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
Exports: Rs crore	6356	62181 (31.6)	47234 (21.3)	53351 (21.1)	44042 (35.3)	32553 (17.6)	27681 (36.8)
US $ mn	2035	19825 (20.6)	16441 (2.8)	18421 (3.1)	17866 (-1.5)	18143 (9.1)	16626 (19.0)
Imports: Rs crore	6131	63780 (11.3)	57302 (33.5)	62923 (31.5)	47851 (10.8)	43193 (22.0)	35416 (25.4)
US $ mn	1955	20335 (2.0)	19945 (13.1)	21726 (11.9)	19411 (-19.4)	24073 (13.2)	21272 (9.1)
Balance of Trade: Rs crore	225	1599	10068	9572	3809	10640	7735
US $ mn	80	510	3504	3305	1545	-5930	-4646

Foreign Exchange Reserves	Mar 31 1994	Mar 31 1993	Variation Over: Month	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Rs crore	47626	20196	3685	27430	5385	10223	-1383	795	-647	-465
US $ mn	15176	6152	1179	8724	731	3383	-1137	854	-1386	-388

Capital Market

	Apr 15, 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year 1992 93	1991 92	1990 91	1989 90	1988 89
BSE Sensitive Index (1978-79=100)	3895	3758	2293	2037	3455	2281	4285	1168	781	714
	(69.9)		(–46.5)*			–46.8)	(266.9)	(49.6)	(9.4)	(79.4)
National Index (1983-84=100)	1889	1810	1024	934	1659	1021	1968	589	421	372
	(84.5)		(–48.0)*			(–48.1)	(234.1)	(39.9)	(13.2)	(76.3)

* Over March 31, 1992

BSE Turnover (Rs crore)	Feb 94	Month Ago	Cumulative for Fiscal Year So Far 1993-94	1992 93	Full Fiscal Year 1992-93	1991 92	1990 91	1989 90	1988 89	1987 88
Specified Shares	5417	7268	54588	15924	33207	54610	28863	25212	17357	6343
Non-specified Shares	3915	3632	17107	8895	12489	17168	7149	4173	3206	1570

	Feb 94	Month Ago	Year Ago	Mar 31, 1993	Quarter Ending Dec 93	Sept 93	June 93	Mar 93	Dec 92	Sept 92
Market Capitalisation of BSE Listed Companies (Rs crore) (Last working day)	390696	364139	201154	172951	305000	223549	168933	172951	198346	235251
	(94.2)		(3.3)	(43.5)	(36.4)	(32.3)	(2.3)	(12.8)	(15.7)	(6.9)
P/E Ratio Sensitive Index (Month Average)	49.3	46.1	32.9	27.9	39.7	36.9	29.3	29.3	31.4	38.8
	(49.8)		(5.0)	(37.0)	(7.6)	(25.9)	(nil)	(6.7)	(19.1)	(2.0)
National Index	49.3	46.0	30.3	25.5	39.8	33.7	27.3	27.1	29.4	35.6
	(62.7)		(0.9)	(39.1)	(18.1)	(23.4)	(0.7)	(7.8)	(17.4)	(2.5)

Capital Issues	Feb 94	Month Ago	Cumulative for Fiscal Year So Far 1993 94	1992 93	Quarter Ending Dec 93	Sept 93	June 93	Mar 93	Dec 92	Sept 92
Amount (Rs crore)	1062	1041	14253	7147	3256	3855	4265	3590	7108	1024
Number of Issues	90	105	613	435	61	63	200	260	265	109

Industrial Production

Textile and Non-Ferrous Metal Industries	Jan 94	Variation Over Month	Year	Cumulative for Fiscal Year So Far 1993 94	1992 93	1992 93	1991 92	1990 91
Sugar (lakh tonnes)	22.5	2.0 (9.8)	0.6 (2.6)	66.3 (21.7)	84.7	126 (5.3)	133 (10.8)	12[illegible] (9.1)
Tea (mn kg)	18.1	–25.4 (58.4)	5.2 (40.3)	714.8 (6.2)	673	721 (–3.0)	743 (5.4)	70[illegible] (0.7)
Vanaspati (000 tns)*	78.4	3.6 (4.8)	8.6 (12.3)	581.7 (0.6)	578.1	895 (6.5)	840 (1.8)	850 (9.5)
Cotton Yarn (mn kg)	175.9	–7.1 (3.9)	8.3 (5.0)	1721 (14.9)	1497.7	1523 (5.0)	1450 (4.0)	1511 (10.1)
Cotton Fabrics (mn mtrs)	165.7	0.8 (0.5)	2.0 (1.2)	1606.4 (1.9)	1576.4	1565 (–5.2)	1651 (11.2)	1859 (5.0)
Jute Goods (000 tns)	104.4	0.5 (0.5)	1.7 (1.7)	1004.3 (11.4)	901.4	1097 (15.0)	1290 (9.8)	1430 (9.7)
Natural Rubber (000 tns)*	52.2	8.7 (20.0)	5.4 (11.5)	313.3 (10.2)	284.2	451.6 (23.2)	366.7 (11.3)	329.6 (10.9)
Aluminium (tns)	41440	85 (0.2)	288 (0.7)	389256 (4.3)	406587	483399 (6.0)	514200 (14.5)	448900 (3.7)
Copper Cathode (tns)	4420	1870 (73.3)	397 (9.9)	29894 (21.2)	37957	45275 (0.7)	45600 (12.3)	40600 (1.2)
Lead (tns)	2675	508 (16.0)	–415 (–13.4)	20879 (28.7)	29303	38650 (21.9)	31700 (15.7)	27400 (28.0)
Zinc (tns)	14024	406 (2.8)	4686 (50.2)	121494 (17.9)	103027	126748 (24.3)	102000 (9.5)	[illegible]3100 (8.9)

Employment

Employment Exchange Statistics (000)	Dec 1993	Month Ago	Year Ago	Cumulative for Fiscal Year So Far 1993 94	1992 93	1992 93	1991 92	1990 91	1989 90	1988 89
Number on live registers (end-period)	36276	36252	36758	36276	36758	36306	36551	34890	33[illegible]19	30305
Number of registrations	520	341	397	4480	4047	8021	5583	6404	6823	6010
Number of vacancies notified	31	32	40	297	316	403	415	497	581	538
Number of placements	19	19	24	175	172	228	258	253	294	312
Vacancies as % of registrations	6.0	9.4	10.0	6.6	7.8	5.0	7.4	7.8	8.5	9.0

Employment Data for Sample of 38 Large Cos in Private Sector (@)	1993	1992	1991	1990	Net Sales 1992-93	1991 92	Fixed Assets 1992 93	1991 92	Total Assets 1992 93	1991 92
Total workers (no)	96,249 (-0.2)	96,448 (–2.0)	98,372 (2.4)	96,093	(In lakhs of rupees)					
Regular Employees	65,955 (1.2)	66,783 (0.5)	66,454 (3.3)	64,323	5,28,447	4,55,520	4,65,625	3,66,959	7,28,949	5,28,015
Others (contract, piece-rated and part-time)	30,294 (2.1)	29,665 (–7.1)	31,918 (0.5)	31,770	(16.0)		(26.9)		(38.1)	

Notes (i) Superscript numeral denotes month to which figure relates, e g, superscript [7] stands for July (ii) Figures in brackets are percentage variations over the comparable previous period (iii) — means not available (iv) @ obtained by *EPW* Research Foundation

IVP

Helped by Diversification

IVP, a company primarily engaged in the manufacture of vanaspati, foundry chemicals, plasticisers and industrial ceramics, has shown a higher net profit in 1992-93 Production and sale of vanaspati, the company's mainstay, fell to 10,629 mt (11,054 mt) and 10,418 mt (11,131 mt) respectively, mainly due to the lower prevailing price of oils and fats and poor offtake between December and March 1993 Production of foundry chemicals and plasticisers was also lower at 8,595 mt (10,256 mt) and 861 mt (936 mt) respectively Sale of foundry chemicals fell to 8,431 mt (9,750 mt) and that of plasticisers was lower at 890 mt (899 mt) and consequently net sales fell by 8 9 per cent over the previous year Operating profit was higher by 5 4 per cent and despite a 13 per cent rise in interest charges and a 12 per cent rise in tax provision over the previous year, net profit rose by 6 2 per cent in 1992-93 The company raised the dividend rate from 15 per cent last year to 17 per cent in 1992-93

The adverse conditions prevailing in the capital market forced the company to postpone its rights-cum-public issue The issue which will consist of up to a maximum of Rs 30 crore worth of equity shares and/or convertible debentures at a premium yet to be decided, is being made to part finance the company's working capital needs

The company has entered into two technical collaboration agreements with Cerasiv GmbH, Germany, for the manufacture of high alumina ceramics The first agreement is for the manufacture of high alumina faucet discs, an import substitute product, while the second agreement is for upgradation and increasing the product range of the industrial ceramics division

Situated at Reay Road, Bombay, the company's R and D centre focuses on product development, import substitution, technology upgradation and optimising on raw material cost Its efforts during the year under review have reportedly resulted in improved yields, higher efficiency, product improvements and import substitution

Though the vanaspati industry has been suffering due to pressure on margins following excess capacity and poor realisations IVP has managed to improve its overall performance in the first half of 1993-94 due to its diversified nature While net sales for the period rose marginally to Rs 41 6 crore from Rs 41 5 crore in the corresponding previous period, net profit rose from Rs 1 8 crore to Rs 2 1 crore over the same period with lower interest and operating expenses contributing to the better bottomline

KOTHARI SUGARS AND CHEMICALS

Steady Growth

Ever since its inception over three decades ago, the Madras-based Kothari Sugars and Chemicals (KSCL) has been a steady performer Over the past eight years, the company has posted a compounded annual increase of 23 6 per cent in net sales with net profit and net worth growing by 32 5 and 34 5 per cent, respectively During 1992 93, despite a substantial increase in manufacturing and other expenses as also interest burden, KSCL has reported an 84 6 per cent growth in operating profit and 50 per cent rise in gross profit Profit after tax too registered an impressive increase of 17 per cent even after providing for higher depreciation, though the company paid no taxes at all during the year

Headed by B H Kothari, KSCL has factories at Kattur, Nagoor and Manali, all in Tamil Nadu The company manufactures sugar, polybutenes and para/orthonitro chloro benzenes (PNCB/ONCB) During 1992 93, while the Kattur factory crushed 4,19,306 tonnes at an average recovery of 10 05 per cent and the company exported 7,500 tonnes of sugar, the polybutene unit achieved a production of 4,442 mt, of which 147 mt were exported to Singapore and other countries Apart from the KVIS 10 grade, this plant also produces various grades for application in cable jellies, 2-T oils, adhesives, etc Production of PNCB/ONCB, which is used in paracetamol, methyl parathion, dyestuffs, dye intermediates, etc, totalled 3,107 mt

KSCL's research and development wing has enabled it to improve the quality and yield of sugarcane which has resulted in better recovery Besides, it has resulted in development of polybutene-based high temperature grease and setting up of manufacturing facilities for cable jelly at Manali Plans are now afoot to develop various downstream chemicals out of polybutene and paranitrochlorobenzene

Recently, the company has started exports of chemicals and has also commissioned a distillery unit with a capacity of nine million litres per annum of industrial alcohol

The company's half yearly results for 1993-94 have also been encouraging While net sales have grown by 10 per cent to Rs 32 62 crore, gross profit improved by 31 per cent to Rs 32 6 crore and net profit spurted by 68 per cent to Rs 2 7 crore

LYKA LABS

Broadening Product Range

After experiencing a turbulent period between 1989 and 1991 owing to price controls on 70 per cent of its drugs and foreign exchange constraints which saw its performance dipping to an all time low, the Bombay based Lyka Labs has regained its prominence Prudent cost management policies enabled it to post a 44 5 per cent rise in operating profit while a smaller increase in interest burden of 13 8 per cent enabled it to post a 170 per cent growth in gross profit Profit after tax went up from a mere Rs 46 lakh in 1991-92 to Rs 2 2 crore in 1992 93 in spite of making higher provision for taxes Total income, however, increased by only 16 9 per cent as against 95 8 per cent the previous year, the 121 per cent rise in other income notwithstanding Remuneration to employees as percentage of gross value added and value of production declined considerably For 1993-94, the company expects to post a turnover of over Rs 100 crore

Learning lessons from the past, Lyka has decided to depend less on drugs that come under price control and is broadening its product mix by aiming at an even proportion (50 50) of controlled and decontrolled products It is expanding the range of decontrolled pharmaceutical formulations and diversifying into non-pharmaceutical activities like health-care gadgets Boosting exports is also high on its agenda to stay afloat in the highly competitive pharmaceutical industry and Lyka is setting up a subsidiary in Hong Kong for the same purpose At present, the company's products are exported to the CIS, Far East, Africa, Caribbean Islands and Latin America

Besides, Lyka Labs has embarked upon a major diversification programme into health care systems The company has tied up with European and American leaders for market development and distribution of a host of health care equipment With Air Sep Corporation of the US, the com-

The Week's Companies

(Rs lakh)

Financial Indicators	IVP March 1993	IVP March 1992	Kothari Sugars March 1993	Kothari Sugars March 1992	Lyka Labs March 1993	Lyka Labs March 1992	Rathi Alloys Sep 1993**	Rathi Alloys March 1992*	Steel Tubes March 1993	Steel Tubes March 1992
Income/appropriations										
1 Net sales	7815	8575	5998	4306	8259	7332	11399	8253	9514	9182
2 Value of production	7813	8685	6917	4139	8526	7545	11196	7675	9613	9213
3 *Total income*	7902	8745	6947	4168	9154	7829	11237	7759	9757	9292
4 Raw materials/stores and spares consumed	5094	6020	3917	2388	4646	3187	9334	6047	6338	6679
5 Other manufacturing expenses	554	595	248	175	2177	2583	1682	1253	1535	800
6 Remuneration to employees	356	320	443	319	762	724	836	490	368	356
7 Other expenses	856	821	571	328	842	832	891	770	735	713
8 *Operating profit*	1042	989	1768	958	727	503	276	739	781	794
9 Interest	444	393	903	400	428	376	1648	1266	402	393
10 *Gross profit*	652	604	838	558	359	133	1181	362	377	404
11 Depreciation	134	128	437	216	76	70	295	102	238	223
12 *Profit before tax*	517	476	401	342	283	63	1476	464	139	181
13 Tax provision	224	200	0	0	60	17	0	0	0	40
14 *Profit after tax*	293	276	401	342	223	46	1476	464	139	141
15 Dividends	117	103	156	87	82	0	0	43	0	73
16 Retained profit	176	173	245	255	141	46	1176	507	139	68
Liabilities/assets										
17 Paid up capital	688	688	979	437	412	412	2074	1160	999	485
18 Reserves and surplus	1473	1335	1909	905	693	552	3875	3627	13 1	668
19 Long term loans	767	882	4830	5160	2052	1913	5863	5071	2660	3415
20 Short term loans	1784	1444	1274	535	323	329	1316	1401	1502	1383
21 Of which bank borrowings	1237	914	1179	433	21	32	1141	1129	1317	1133
22 Gross fixed assets	2664	2710	6726	6116	1230	1193	11795	10283	4743	3815
23 Accumulated depreciation	1003	895	1276	857	408	347	1341	1417	1508	1271
24 Inventories	1220	1086	2479	1413	1884	1502	2258	2343	2556	2275
25 Total assets/liabilities	5628	5224	10223	7714	5580	4744	14413	13264	8526	8016
Miscellaneous items										
26 Excise duty	385	413	1040	779	356	315	1165	501	350	62
27 Gross value added	1523	1342	2158	1270	1624	1232	1523	1581	1143	1146
28 Total foreign exchange income	256	319	1027	1104	1	0	0	0	151	0
29 Total foreign exchange outgo	368	261	93	186	1	0	1966	807	445	765
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	138.9	164.1	58.7	55.8	148.0	154.6	79.1	62.2	111.6	114.5
31 Sales to total net assets (%)	165.9	197.2	66.7	61.2	237.3	228.7	87.2	3.3	146.8	154.3
32 Gross value added to gross fixed assets (%)	57.2	49.5	32.1	20.8	132.0	103.3	12.9	15.4	26.9	30.0
33 Return on investment (gross profit to total assets) (%)	11.6	11.6	8.2	7.2	6.4	2.8	8.2	2.7	4.4	5.0
34 Gross profit to sales (gross margin) (%)	8.3	7.0	14.0	13.0	4.3	1.8	10.4	4.4	4.0	4.4
35 Operating profit to sales (%)	13.3	11.5	29.5	22.2	8.8	6.9	2.4	9.0	8.2	8.6
36 Profit before tax to sales (%)	6.6	5.6	6.7	7.9	3.4	0.9	12.9	5.6	1.5	2.0
37 Tax provision to profit before tax (%)	43.3	42.0	0.0	0.0	21.2	27.0	0.0	0.0	0.0	22.1
38 Profit after tax to net worth (return on equity) (%)	13.6	13.6	13.9	25.5	20.2	4.8	25.0	9.7	6.0	12.2
39 Dividend (%)	17.0	15.0	20.0	20.0	20.0	0.0	0.0	0.0	0.0	15.0
40 Earning per share (Rs)	4.26	4.01	4.10	7.83	5.41	1.12	7.29	–4.0	1.52	3.20
41 Book value per share (Rs)	23.28	20.71	29.50	30.71	26.82	23.40	29.15	41.22	24.45	26.70
42 P/E ratio (based on latest and corresponding last year's price)	23.5	18.7	13.4	6.0	25.6	43.7	1.4	4.4	9.2	5.6
43 Debt equity ratio (adjusted for revaluation) (%)	47.9	61.9	167.2	384.5	185.7	198.4	99.4	106.0	114.7	296.2
44 Short term bank borrowings to inventories (%)	101.4	84.0	47.6	30.6	1.1	2.1	50.5	48.2	51.5	49.8
45 Sundry creditors to sundry debtors (%)	31.6	36.9	100.0	73.9	89.7	97.9	510.5	278.9	78.2	91.3
46 Total remuneration to employees to gross value added (%)	23.4	23.8	20.5	25.1	46.9	58.8	54.9	31.0	32.2	31.1
47 Total remuneration to employees to value of production (%)	4.6	3.7	6.4	7.7	8.9	9.6	7.5	6.4	3.8	3.9
48 Gross fixed assets formation (%)	–2.0	8.5	10.0	78.5	3.1	2.1	14.7	50.0	11.2	34.0
49 Growth in inventories (%)	12.1	6.9	75.4	0.4	25.4	21.0	3.6	25.9	12.4	13.8

* 12 months, ** 18 months

pany has decided to promote medical devices called CABA (compressed air breathing apparatus), which produce pure oxygen for medical use from air in the room or atmosphere In a tie up with another American firm, Becton Dickinson, the company will be marketing a new concept in blood collection systems called 'Vacutainer' Vacutainer is an evacuated closed and sterile collection system which prevents infection among doctors nursing staff and patients It is also diversifying into products meant for patients who have under gone colostomy, ilestomy and urostomy due to cancer and related diseases with Coloplast of Denmark Further, Lyka has tied up with Terumo Corporation of Japan for marketing Surflo IV catheters new generation devices for transferring intra venous fluids

Through its own research and develop ment efforts the company has commenced commercial application of improved for mulations in the field of antibacterial, dermatologicals, anti TB drugs, gastrointestinal agents, antihistaminc and herbal products It spent 0 7 per cent of its turn over on R and D during the year Its future emphasis is on developing new ayurvedic preparations, formulations of newer molecules new dosage forms, controlled drug delivery systems, improvement in process for better yield and cost reduction, bioavailability, bioequivalence and clinical studies on formulations of newer molecules

For the first six months of 1993-94, Lyka Labs has achieved a turnover of Rs 47 5 crore as against Rs 42 9 crore during the corresponding period last year The overall profitability has also improved with the company posting a gross profit of Rs 2 1 crore The company has attributed the improved results to substantial increase in export sales apart from diversified activities in diagnostic and medical equipment

RATHI ALLOYS AND STEEL

Sharp Rise in Costs

After a lacklustre performance in 1991-92, Rathi Alloys slipped deeper into the red in 1992 93 The unprecedented recession and the severe competition in the steel industry, particularly in the stainless steel segment put pressure on the company's margins Though net sales improved by 38 per cent over the previous year, the company's operating profit fell by 62 7 per cent and it suffered a net loss of Rs 14 8 crore Sharp increase in input costs and power tariff led to a 51 per cent rise in manufacturing costs while total remuneration to employees increased by over 70 per cent over the previous year Production and sale of mild steel rolled products was higher at 95,997 mt (45,700 mt) and 91,850 mt (45,819 mt) respectively, while that of mild steel rose to 3,113 mt (695 mt) and 2,564 mt (2,327 mt) The continuous teething problems of the hot strip mill (HSM) on introduction of new products only worsened matters Though certain balancing and additional equipments are required in order to stabilise the operations of the HSM, the company was unable to implement these plans due to financial constraints

Even the company's rights issue which was made to finance the cost overrun of the HSM modernisation and expansion programme was undersubscribed and had to be devolved on the underwriters Following the issue the company's paid up equity capital increased to Rs 20 2 crore

The company has reportedly developed hot rolled (HR) coils in high carbon and medium carbon grades as well as in stain less steel Being one of only three suppliers of LPG sheets (which are used for making LPG cylinders) in the country, the company expects demand to pick up due to the government's policy to open this sector for private investment and the re ported backlog of nearly a crore of applications for new connections in the waiting list Though the setting up of infrastructural facilities for this will take some time the company is presently installing some small balancing equipments in order to start commercial production of LPG grade sheets

With a view to concentrating on its Alwar plant which provides more scope for achieving higher levels of production with more value added, the company proposes to sell its Ghaziabad unit Following this the Alwar plant has reportedly improved its operational efficiency

STEEL TUBES OF INDIA

Hit by Recession

The government's deflationary policy and the consequent rigid control on credit led to a contraction of demand, particularly in the engineering industry Though Steel Tubes of India managed to improve net sales by 3 6 per cent over 1991-92, the company's profitability could not withstand the difficult market conditions and operating profit and net profit fell, albeit marginally The continued recession in the automobile industry which is the major consumer of the company's products also affected the company's operations leading to lower production The depreciation in the value of the rupee resulted in higher cost of imported steel leading to a sharp rise in 6 per cent rise in manufacturing expenses Further, energy costs also saw a rise following deterioration in the power situation in the state and the consequent captive generation resorted to by the company After declaring a 15 per cent dividend last year the company has skipped dividend in 1992-93 due to the prolonged recession and pressure on liquidity

The company's exports rose to Rs 1 5 crore from virtually nil last year and it expects exports to further expand to Rs 10 crore in the current year (1993-94) It plans to increasingly cater to the energy sector in addition to developing new products and upgrading quality

The company's paid up equity capital increased to Rs 10 crore following conversion of fully convertible debentures issued last year The issue had been made to finance its modernisation and balancing cum-expansion scheme The company expects to achieve higher production on the expanded capacity for the current year

Steel Tube Investment and Finance, a wholly owned subsidiary of Steel Tubes of India, posted a net loss of Rs 9 lakh after a profitable year in 1991 92 when it managed to earn a net profit of Rs 14 lakh on a total income of Rs 1 4 crore

The unorganised sector constitutes up to 40 per cent of the Rs 18 crore steel tubes and pipes industry, which is suffering from excess capacity Further the non-availability of HR coils has further added to the industry's woes leading to low average capacity utilisation of 40 per cent This is reflected in the company's performance for the first six months of 1993-94 when netsales stood at Rs 50 crore, an increase of 16 per cent over the corresponding period last year, while net profit was lower by 15 per cent over the same period at Rs 1 crore

1994-95 Budget: A Total Surrender

Arun Ghosh

The economy is not likely to see a major turnaround in 1994-95, for two good reasons: first, the nature, pattern and conditions of investment; and, second, the pattern of channelling of domestic savings. Both are affected by not only budgetary policies but also other economic policies.

THE excitement and anticipations of the annual budget, presented on February 28, are long over. The 'Demands for Grants' of the various ministries and departments of the government are now to be examined by committees of the Lok Sabha (in line with the US procedure, but without any semblance of the expert assistance provided to the Senate and House finance committees). The general debate on the budget is practically over; one gets a foretaste in the finance minister's reply to the Rajya Sabha debate, the opposition to the budget being categorised as politically motivated by the 'forecasters of doom'. The media have been apathetic at best; the upper middle classes have been smacking their lips, enjoying the tax concessions granted to the rich, unconcerned with the future of the economy or the condition of the poor who have to face the scissors' effect of inflation and declining employment opportunities. Deep down in their hearts, even large industrialists are now getting worried; but making money fast in the financial markets is the name of the game today. To repeat an old cliche, the general mood is: 'in the long run we are all dead'. Make hay while the sun shines.

Meanwhile, general elections are two full years away, and the politics of defection has now made it possible for the Narasimha Rao government to get away with anything. And though the Finance Bill is yet to be passed by the Lok Sabha, one can almost predict the concessions likely to be made before its final passage in the Lok Sabha: first, a concession to the 'brokers' in regard to the tax on 'services'--mild as it is, it tends to reduce the play of black money on the stock exchanges—and the other in respect of certain excise duties (e g, on steel and the rubber and leather industries) which have already been seen to have been ill-advised, and hurting the small units in particular.

Why does the 1994-95 budget—designed to please everybody—have exactly the opposite effect on almost everybody? The reasons are not far to seek, but they need to be listed as we go along.

First, all financial pundits and experts would despair at the total loss of 'budgeting capability' in the finance ministry. Indeed, the whole purpose of the annual budgetary exercise appears now to be lost with the (Revised Estimate for the) revenue deficit for 1993-94—mind you, these are not 'actuals', which may yet turn out to be considerably different—turning out to be nearly twice the amount budgeted last year, a whopping increase from Rs 17,630 crore (budget estimate) to Rs 34,058 (revised). What credence does one give to the budgeted figure of Rs 32,727 crore as the revenue deficit for 1994-95 in these circumstances? And for a finance minister to leave this order of gap between revenue expenditure and revenue receipts when—despite six consecutive good monsoons, a bumper harvest and large quantities of foodgrains in stock (more than 21 million tonnes) with government—prices have still been rising relentlessly (the latest index for wholesale price in early February being 8.7 per cent higher than this time last year) would smack of either total irresponsibility or an unwarranted gamble for political reasons.

Let us be clear on two points at the outset. First, most critics of government policy have all along been saying that, in the light of the favourable agricultural situation and the complete stagnation of industrial output, together with signs of increasing migration from rural to urban areas and of increasing unemployment all over the country, there is need for a significant step up in government investment on infrastructure which would stimulate overall investment, production and employment. The logical-cum-theoretical construct for such a step is admirably summed up by Amit Bhaduri and Kazimierz Laski in this journal ('Relevance of Michal Kalecki Today', February 12, 1994, pp 356-57) and one does not need to add to their succinct and well reasoned analysis. Secondly, most critics have also been pointing to the need for higher and more effective direct taxation of the rich, and the tightening up of procedures to collect the taxes payable by those who evade the income tax. Indeed, even the National Institute of Public Finance and Policy (NIPFP)—a government funded research body—has long been at pains to show precisely how this can be done, e g, by tracing personal telephone and electricity bills paid by the urban elite who are not even 'assessed' for income tax. But these pointed suggestions have sadly been without any effect. The need for higher taxation of the rich is urgent in India for several reasons. Apart from the dire need to raise more direct tax revenue (in order to bring the budget in better balance), such taxation is essential to restrain the 'demonstration effect' of elitist consumerism, which has many dire consequences including erosion of the savings habit among the middle classes, and increasing crime by the youth of the country whose yearnings (for the 'goodies' of life) far exceed their incomes.

But strangely, the 1994-95 budget continues to increase the tax concessions on the rich, on the palpably wrong premise that increased consumption expenditure by the rich would stimulate production and investment activity. In fact, the simultaneous reduction of income tax rates and of import duty rates, and the assumption that import duty collections would still increase (from Rs 22,500 crore in 1993-94 to Rs 25,200 crore in 1994-95) implies the expectation that imports would increase significantly over the year; and that would be possible—in the background of duty free imports of power and fertiliser equipment, and significantly lower rates of duty on all other capital goods – only if there were a splurge of imports of elitist consumption goods or components thereof. This is likely to be doubly harmful. First, we would be frittering away the foreign exchange reserves—built up essentially through the import of capital (to be discussed later)—without any noticeable stimulus to domestic production and domestic economic activity. Secondly, as indicated earlier, this is only likely to reduce the overall savings rate in the economy, which will (*ex post facto*) be blamed on the recent reductions in the rate of interest. In fact, it is *not* the rate of interest that would really deserve the blame for the recent decline in the savings rate, but the overt encouragement to elitist consumption and the demonstration effect thereof.

Let us get back to the budget for 1994-95. From a budgeted 'fiscal deficit' of 4.7 per cent of the GDP, the actual fiscal deficit for 1993-94 now turns out to be 7.3 per cent. The finance minister's claim that the 1994-95 fiscal deficit would be pegged down to 6 per cent of GDP obviously lacks credibility, in the background of what happened in 1993-94. (It is, of course, possible that we

would have rampant inflation in the country during 1994-95 and, as a result, the GDP in nominal terms may go up sharply, whether or not there is any real increase in output, but obviously that is not what even the finance minister would like to see In effect however, the actual scenario may well be one of a double digit figure of inflation, together with actual cuts in government expenditure, which may result in the classical World Bank/IMF type of prescription of reduced government *investment* expenditure resulting in stagnation of output associated with price inflation, and an increase in GDP in nominal terms The fiscal deficit *can* be brought down thus but with wholly undesirable consequences on the economy

What are the possibilities of such an occurrence? Well we have had six consecutive good monsoons, from 1988 onwards If the 1994 monsoon turns out to be not so favourable there would be an immediate pressure on prices True the government has large stocks on foodgrains but already, the Food Corporation has started liquidating stocks by open market sales Much would depend on what strategy is adopted by the central government, in the summer of 1994 if the rains fail

The focus of the 1994 95 budget has been entirely on the industrial economy, on savings in the form of financial assets The focus continues to be on the mobilisation of rural savings which have of late been dissipated on speculation in the stock exchanges After peaking in 1978 79, real investment in agriculture has steadily gone down, even the latest estimates (for 1992-93) indicate the real investment in agriculture is still below the 1978 79 level

So, in the event of even a partial failure of the monsoon there are two alternative approaches that can be adopted by the government One would involve the mobilisation of unemployed rural labour for rural works, a sort of Food for Work programme Such mobilisation is possible if we have a functioning panchayat system, if—as a result of democratic decentralisation —we already have blueprints of local area development programmes which can be quickly implemented by the available idle labour force available in rural areas But nothing has been done over the past several years to put into position an effective machinery for implementing such a programme Indeed, democratic decentralisation is not even part of the agenda of the present government, notwithstanding the 72nd Amendment of the Constitution

So, the other scenario is more likely, and would be consistent with the present government's philosophy of globalisation of the economy, and market driven economic policies We may accelerate market sale of foodgrains from government stocks, and seek to replenish them by imports, something that the IMF, the World Bank, the GATT would applaud Unfortunately, the problem would be lack of purchasing power in the villages Well, the Jawahar Rozgar Yojana is always there, and the funds thereunder can be supplemented But the way the programme has worked so far in most parts of the country, a few days of employment can be provided to the vast reservoir of labour force some piecemeal, wholly *ad hoc* works would be undertaken starvation deaths may be averted but not destitution nor poverty, and certainly, not many long lasting public works would be completed

And, of course, the revenue (and the fiscal) deficit would burgeon The finance minister would have a ready (and convenient) alibi for the failure of the economy to turn around

Indeed, the economy would not see a turnaround even if the above grim scenario does not emerge, even if we have a seventh consecutive good monsoon The combination of policies instituted in the 1994-95 budget cannot revive the capital goods sector in India

There are basically two good reasons why, even under the most optimistic assumptions, the economy is not likely to see a major turnaround in 1994-95 First, one has to look into the nature, pattern and conditions of investment in India Secondly, one has to see the pattern of channelling of domestic savings Both, incidentally, are affected by not only budgetary policies but also other economic policies

Let us look at the investment side First, the financing of plan capital expenditure is budgeted to decline from Rs 19,672 crore in 1993-94 (revised) to Rs 18,520 crore in 1994-95 True, the total plan investment of public enterprises (including departmental enterprises like the railways) is budgeted to increase to Rs 50,066 crore in 1994-95 from Rs 43,892 crore (revised) in 1993-94 But then, the revised estimate for 1993-94 is Rs 3,343 crore lower than the budgeted figure (for 1993-94) of Rs 47,235 crore And, since we have already seen how inept our budgeting capability has become of late, where is the assurance that the 1994-95 budgeted figure of plan investments (of public enterprises) would materialise, especially with lower budgetary support than last year?

In effect, the government expects major investment—even on infrastructure—to be made by the private sector, for which purpose foreign investors are being wooed This 'wooing' takes two forms The first is by guaranteeing a return of 16 per cent on equity, (e g, for power generation, where the conditions are so twisted as to give a return significantly higher than even the guaranteed 16 per cent return) This issue has been discussed in this column earlier, and we may pass on to other issues The second method of 'wooing' foreign investors is the handing over of highly profitable areas of investment, e g, the exploitation of 'oil' from 'proven reserves' without any liability to 'explore', as for instance, the handing over of the Mukta, Panna and Tapti oil fields 'proven' by the ONGC to foreign investors

Direct foreign (private) investment has come in, as per the *Economic Survey*, in the above two areas (plus consumer industries like beverages), and more such investments are expected—may be through a gradual takeover of majority equity—in the field of telecommunications (where the profitability of metropolitan and overseas services is very high, profits from which are used today for financing the setting up of rural exchanges) The budgetary policies are relevant in this context insofar as the budget has extended several concessions—including lower taxation of profits—to foreign portfolio capital exclusively

And yet, it needs to be stated at this juncture that foreign investment cannot—and will not—finance the development of infrastructure The foreign investments for power generation approved so far will have a capacity of only 3,000 MW, but what is important to note is that 40 to 60 per cent of the total investment in these projects would be provided by Indian financial institutions, i e, by savings generated within India, and when one compares this contribution with the inflated capital costs of foreign investor-owned power generation companies, one would realise that in effect, the bulk of the resources required are provided from domestic sources

TABLE 1 CENTRAL PLAN ASSISTANCE TO STATES (NET)

(Rs crore)

	1993 94 (Revised)	1994-95 (Budget)
(1) Central assistance for state and UT Plans (Statement 16 of Expenditure Budget, vol I)	21,014	19,304
(2) *Less* Recoveries of loans and advances from states and UTs (p 21 of Receipts Budget)	(–)4,076	(–)4,243
(3) *Less* Interest receipts from states and UTs (p 8 of Receipts Budget)	(–)9,724	(–)11,163
Central Plan transfers to states net of all repayments	7,214	3,896

In the process, the equipment manufacturing capacity of the BHEL—and of other indigenous equipment manufacturers—remains underutilised. In fact, it is this policy which is likely to ensure that the Indian capital goods manufacturing industry would remain in a deep hole during 1994-95 despite a lot of cosmetic changes in the budget in its favour. The pattern of financing of investment in infrastructure—'tied aid' or foreign investor owned enterprises (where a substantial part of the financial resources is still supplied by Indian savings)—is likely to deny Indian producers even the opportunity to bid for orders, though they may be competitive in every way.

Secondly, the pattern of channelling domestic savings is, again, unlikely to help the domestic equipment manufacturing sector. As stated earlier, the focus of government policy has been the mobilisation of personal savings through the financial sector; and savings in the form of financial assets have been provided numerous incentives. But the rate of interest payable by small producers still remains high. As a result, the capital market is flush with funds with little demand. And another part of government policy, that of government borrowing at market rates of interest, makes it profitable for banks to sit back and buy government securities. With the average borrowing rate of banks at some 8 per cent, and with the coupon rate on government securities varying between 12.75 and 13.5 per cent, banks have little interest in providing advances to agriculture and small industries. While the interest rate policy is independent of the budgetary exercise, the government decision to float loans at what is termed the 'market rate'—but which is, in fact, higher than the market rate, in the sense that the IDBI lends to industry at lower than the government market borrowing rate—ensures both a steadily increasing revenue expenditure (by way of interest on public borrowings) and a piquant situation where a large segment of the financial sector is not enthused to promote either agrarian or industrial investment.

Indeed, with the philosophy of 'market driven' investments, even institutions like the UTI are now more intent on 'playing the market' than in promoting new investments. During 1992-93, for instance, the UTI collected Rs 4,000 crore of net private savings. These funds were deployed primarily for buying existing scrips in the stock exchange—and to keep up the value of shares held—than to finance new investments. Meanwhile, there has been a cut in the plan outlay of the railways; and there has been a persistent shortage of funds for investment in power generation and transmission, oil extraction and refining, and other key sectors of the economy.

The 1994-95 budget thus cannot, in any sense of the term, be deemed to be growth-oriented.

This becomes all the more important when the impact of the centre's budgetary proposals is examined with reference to the impact on the resources available to the state governments. There are essentially four elements in the devolution of central funds to state governments. These are: (a) various statutory transfers (and some non-statutory transfers like 'relief' funds); (b) share of central taxes to states; (c) central plan assistance to states (including assistance under centrally-sponsored schemes, wherein states have to contribute a percentage, thereby tying the latter down to first funding centrally-sponsored schemes); and (d) deductions, by way of repayment of past loans as well as interest on outstanding loans, which is a charge on the state governments' resources payable to the centre.

It would be instructive to spell out the third and fourth types of transfers. The figures in Table 1, extracted out of the budget documents are quite revealing. They reveal that in 1994-95 there is likely to be a decline in the net transfer from the centre to the states, for Plan outlays, by as much as Rs 3,315 crore. In fact, the net transfer to states and UTs for Plan outlays (when adjusted for all types of repayments) works out to the pitifully small figure of Rs 3,896 crore. These figures are never trotted out; what is trotted out is the total gross Plan assistance. Even that figure stands reduced in 1994-95 as compared to 1993-94 (RE).

To add to the problems of the states, the centre has given up revenues which it has to share with the states. Under the Constitution, the Finance Commission lays down, once every five years, the share of states in the centre's collection of direct taxes and of excise duties. The centre has relaxed on both. According to the finance minister's statement in parliament (while presenting the budget for 1994-95): "The loss to the states on account of reliefs in personal income tax is Rs 625 crore and the gains on the excise duty Rs 148 crore" (*vide*, part B of the Budget speech). Let us not go into the issue of optimism or otherwise in regard to tax collections; as per the finance minister's own statement, the states stand to lose Rs 477 crore (net) as a result of the tax concessions granted to the rich, the elite of this country.

Meanwhile, who pays for all these 'give-aways'? Food subsidy has been cut by Rs 1,200 crore. Administered prices of foodgrains have been raised significantly. So have prices of oil products and railway freight rates, which will have an impact on all prices, thereby affecting the poor adversely. Meanwhile, direct taxes have all been lowered, mainly as a concession to the capitalists, to the rich and the elite.

What is really intriguing is the abolition of the 'surcharge' on the income tax even while the revenue deficit remains an all-time high. On the basis of the finance minister's statement that, at Rs 54,915 crore, the fiscal deficit of 1994-95 would be 6 per cent of the GDP, the GDP would work out to Rs 9,15,250 crore. On this basis, the projected revenue deficit of Rs 32,727 crore would be 3.6 per cent of the GDP. One should note that this is higher than the revenue deficit, at 3.5 per cent of the GDP, in the crisis year of 1990-91 (*vide, Economic Survey 1993-94*, p 15).

One is expected, in the normal course, to analyse the likely impact of the budgetary proposals, especially in regard to revenue collection and expenditure. After all, that is what the annual budgetary exercise is about. But the 1994-95 budget defies logic. It is so palpably biased in favour of the rich, of the foreign investor, and so visibly against the multitudes of poor in this country, that a detailed exercise is uncalled for. One last word, however, becomes necessary, taking some of the data taken from the *Economic Survey*, in

TABLE 2: CAPITAL INFLOW INTO INDIA, APRIL-DECEMBER 1993

		($ million)
(1)	Direct investment	
	(a) RBI automatic route	50
	(b) SIA/FIPB route	216
	(c) NRIs (40 per cent and 100 per cent schemes)	159
	Subtotal	425
(2)	Portfolio investment	
	(d) FIIs	1,002
	(e) Euro equities issued by Indian companies	358
	Subtotal	1,360
(3)	Total foreign Private Capital inflow	1,785
	Add	
(4)	NRI Deposits in Foreign Currency (net) during April-October	657
	(*Pro rata* estimate for April-December)	845
(5)	Total inflow of private foreign capital during April-December	2,630

Source: Economic Survey 1993-94.

conjunction with some of the announcements made during the budget speech and later

The budget for 1994 95 has obviously been tailor made to suit the foreign investor. The comfortable reserves figure of $ 13 billion announced by the finance minister on budget day (February 28) was essentially due to the large inflow of external capital, partly long term and partly short term. The *Economic Survey* spoke of foreign exchange reserves of $ 10 9 billion as of February 4 1994. the *Economic Survey* also gave details of trade and payments during April December 1993. Let us briefly see how the reserves have increased from some $ 6 billion at the end of March 1993 till February 1994.

During 1993 94 the deficit on merchandise trade account is estimated to be only of the order of $ 1 billion and net outflows on 'invisibles' account is estimated (by the *Economic Survey*) to show a modest surplus by the end of the year. Net outflows under investment income and against interest payments on external debt are estimated at around $ 3 6 billion for 1993 94 as a whole against which one may assume gross aid disbursements of something like $ 5 billion over the year. That would leave a small surplus of say half a billion dollars for the accretion of reserves over the year.

And yet foreign exchange reserves had increased by some $ 7 billion even by the end of February 1994. The explanation lies in private capital inflow. Let us examine the nature and pattern of this private capital inflow. Again let us take the help of the *Economic Survey* for breaking down the capital inflow during April December 1993 (Table 2).

It would be seen that between April and December net foreign private capital inflow into India was of the order of $ 2 6 billion of which direct investment was $ 425 million and Euroequities issued by Indian companies comprised $ 358 million. Over April December 1993 therefore, the net external aid receipts (taking gross external aid minus all payments arising out of servicing foreign investments and interest on external loans) plus net inflow of private foreign capital would have led to an increase in reserves by $ 4 billion. Between February 4 and February 28 exchange reserves increased by more than $ 2 billion. Most of the capital inflow was on account of FII's portfolio investments.

What are these investments about? First let us look at the nature of Euroequities raised by Indian companies. To the extent that these are Global Deposit Receipts (GDRs) raised by Indian companies, for raising working capital at interest rates lower than in India these are clearly short term funds which can evaporate overnight.

But then the general feeling is that portfolio foreign investments—through the stock exchanges—are here to stay. May be, may be not. But then, how is this discussion relevant in a discussion of the budget? Well thereby hangs a tale. The 1994-95 budget seeks to raise Rs 4,000 crore through the sale of the equity of public enterprises and the seven specified public enterprises—the equity of which is to be partially divested—for which an announcement has already been made include BHEL Bharat Petroleum, NALCO, HZL, Videsh Sanchar Nigam, Mahanagar Telephone Nigam and the ONGC.

Well that is no surprise. International finance capital can gobble up these companies with ease. Take the BHEL. Its equity is Rs 250 crore. The current value of its assets is between Rs 20,000 and Rs 25,000 crore. The divestment of 20 per cent of its equity has so far been at a pittance, and that story is going to be repeated because the Indian capital market has no depth when compared to the immense resources of Foreign Institutional Investors. And the irony is that the prices for the divestment of the equity of the MTNL, the ONGCL, the VSNL, etc, are being laid down by foreign financial institutions (like, for instance, Morgan Stanley) who have been officially appointed 'fund managers' for the Euro issues of these companies.

The capital was recently agog with excitement over a major conference of foreign fund managers, organised by *Euromoney*. International finance capital has now truly conquered the capital, and the instrumentality for this has been the budget and related economic policies.

The 1994-95 budget has made clear cut plans for the sale of India's most prized assets. In the process, India's foreign exchange reserves may look good for a while, but the real cost to the people of this country is one that is difficult to measure.

Financial Expert or Wizard?

R M Honavar

If the heroically assumed revenue buoyancy does not materialise and if the finance minister is unable to contain non-developmental expenditure, as happened in 1993-94, we will be facing disaster

THE logic underlying the budget for 1994-95 seems to be as follows. The experience of 1993-94 would indicate that it is extremely difficult, if not impossible, to cut down non-development expenditure. Interest, which is the largest single item, is not amenable to any reduction so long as budget deficits exist and have to be covered by borrowing. The problem has been made more difficult by borrowing at higher and higher interest rates in recent years. The second item, defence expenditure, is equally intractable so long as Pakistan is our neighbour and so long as we are not able to forge diplomatic weapons to match those of Pakistan over Kashmir. The third item, subsidies mainly on fertiliser and food, also seems to have joined the intractable category this year. Till now ritual noises were made that these should be brought down. But this year Manmohan Singh questioned in his post-budget TV interview the very basis of this demand. He argued that even in developed countries where the farming population is not more than 3-4 per cent of the total population farm subsidies are a very sensitive matter as the GATT negotiations showed. In a country where 70 per cent of the population lives in rural areas he seemed to imply that contemplating any drastic reduction of fertiliser subsidy would be highly unrealistic, to say the least. Regarding food subsidy the point was made about targeting it to the right kind of people without mention of how it was to be done and by how much it would fall. Curiously enough the *Economic Survey* still maintains that 'resources needed for more public investment in irrigation, rural communications, schemes for control of land and water degradation and other agriculture related infrastructure are only likely to be available if the massive subsidies provided for water, electricity and fertilisers are scaled down'.

As for the rest of non-developmental expenditure Montek Singh Ahluwalia threw in the towel, again in a post-budget TV interview, saying that the saving of a few hundred crores of rupees would not be worth the hassle involved. It would be better, he argued, if we change our sights and seek a solution to own budgetary deficit problems in the thousands of crores we would be able to raise through taxes if only the tax system was simplified and better administered. We should give up the old fashioned way of raising the rates of taxation and rely on the buoyancy of the tax system which will yield higher and higher revenue as the GDP goes up. We should really try therefore to see that the economy grows at a satisfactory rate.

How is this to be achieved? By rationalising the tax system and cutting the rates of taxation. This would lead to better administration, better compliance and better revenue yield. The changes suggested with regard to excise and customs duties, the extension of the modvat system, the replacement of specific duties by *ad valorem* duties, the elimination of different tax rates for the same commodity according to use, the reduction of the tax categories and the reduction in duties—all seem desirable and overdue. So also the cut in corporation tax rate and the lending rate of banks.

But the finance minister's actions with regard to some other direct taxes seem surprising and liable to the charge that he is vote gathering. The raising of the exemption limit from Rs 30,000 to Rs 35,000 because trade unions among others represented to him does not make sense, particularly when there is a need to broaden the tax base by bringing in more people into the tax net. The concessions given almost consequentially to working women and senior citizens seem even more inexplicable. Finally, the raising of the limit of gifts given at the time of a wedding to Rs 1 lakh is almost bizarre. It is difficult to see why these concessions were made when the presumptive tax system introduced to bring more people into the tax system has proved such a total failure. Perhaps he, like writers in business magazines, has his eye on the 200 million strong Indian middle class and feels that these concessions will raise the demand for white goods, TV sets and audio systems and other durables and through them excise and customs revenues.

II

The budgetary situation has worsened seriously between the BE and RE 1993-94 for the following reasons. The fiscal deficit has increased by Rs 21,592 crore because customs and excise receipts and receipts from disinvestment of PSUs have gone down by Rs 9,266 crore while non-plan expenditure has gone up by Rs 7,774 crore and plan expenditure by Rs 4,775 crore. Non-plan expenditure increases are mainly on account of increases in subsidies by Rs 3,300 crore and defence expenditure by Rs 2,320 crore. The plan expenditure increase is on account of a step up of the central plan by Rs 1,771 crore and plan assistance to states and UTs by Rs 3,004 crore. As a result instead of being 4.6 per cent of GDP the fiscal deficit has risen to 7.3 per cent of GDP.

The larger fiscal deficit is sought to be met by increased borrowing of Rs 16,485 crore mainly through loans other than long-term and medium term loans and through short term loans. The rest is the increase in the budgetary deficit from Rs 4,314 crore to Rs 9,060 crore which will be met, one supposes, through borrowing from the Reserve Bank of India.

In 1994-95 the budgetary deficit is sought to be maintained at Rs 6,000 crore by increasing revenue receipts by Rs 9,918 crore and increasing expenditure by only Rs 7,827 crore. Other receipts are to increase by Rs 1,000 crore or so. Plan expenditure is higher than the RE for 1993-94 by Rs 556 crore only but non-plan expenditure is higher by Rs 7,271 crore.

The increase in tax revenue is as follows: Corporation tax Rs 1,980 crore, income tax Rs 1,425 crore, customs Rs 2,700 crore, excise Rs 4,950 crore. On the capital side disinvestment of PSUs is to yield Rs 1,500 crore more but loans other than mid and long term are to bring in Rs 2,992 crore less.

The increase in non-plan expenditure is mainly on account of an increase of Rs 8,500 crore in interest payment and an increase of Rs 1,510 crore in defence outlay. On the other hand, there is to be a decline of Rs 2,000 crore in major subsidies from Rs 10,300 crore in 1993-94 RE.

III

The whole revenue exercise banks heavily on growth of income. Income tax revenue is to increase by 15 per cent in spite of raising the exemption limit, rearranging the slabs and giving up the surcharge. The budget estimate of corporation tax revenue for the year 1994-95 is to be 19 per cent higher than in the revised estimate for 1993-94 in spite of a 5 per cent reduction in the rate of corporation tax. To achieve this would need an approximate increase of about 35 per cent in the corporate income assessable to tax. This would require a similar increase in sales or an increase in profitability of these on a lower sales increase.

The increase postulated in the customs and excise revenue would also require increases in assessments. The figures given below indicate in a crude way how much the increase will have to be.

	Customs Revenue (Rs Crore)	Imports (US $ Mn)
1992-93	23,776	21,882
1993-94	22,550 (RE)	21,179
		Estimated
1994-95	25,200 (BE)	22,633 (?)

Everything else remaining the same it will need a 7 per cent increase in total imports Since duty rates have been brought down the figure would be higher still And as this increase is to come mainly from machinery, project imports baggage, chemicals, metals, plastic parts of motor vehicles and instruments, the increase in imports of these items will have to be much higher than the overall increase estimated above

With regard to excise revenue the following table tells the same story

	Excise Revenue (Rs Crore)	Per Cent Growth in Index of Industrial Production
1992 93	30 831	1 8
1993 94	31 750	3 8
1994 95	36 700	13 8 (?)

Again as the increase in excise revenue will come from ferrous metals, man-made fibres and yarns, plastics, rubber products, detergents, machinery cement, petroleum products, cigarettes and cess on crude oils, etc, the growth in these items will have to be much higher

Assuming that there will be no slippages in non-development expenditure in 1994-95—unlike in 1993-94 this is a vital assumption if we are to learn anything from the experience of 1993-94—the success of Manmohan Singh's budgetary strategy hinges on a rapid growth of industrial output next year which will yield higher customs and excise revenue

For this to happen several favourable factors have to materialise Firstly, agricultural performance has to be good next year We have had two good monsoons in 1992-93 and 1993-94 and past trend indicates the possibility of a hiccup in 1994-95 If this happens certain agro-based industries may suffer and more importantly agriculture's demand for industrial goods may suffer If this happens the hopes for the required increase in industrial output may not materialise as also the buoyancy in revenues

Secondly, in theory with all the changes in excise and customs duties and concessions to exports they must boom and thus contribute to an expansion in industrial output The 20 per cent increase in exports in the first half of 1993-94 should lend credibility to such an assumption An examination of the figures, however, indicates that though an item like plastics and linoleum shows a 119 per cent increase the export items which are absolutely large are gems and jewellery, ores and minerals and oilmeals Manufactured items like readymade garments, primary iron and steel and leather manufactures do not show much of an increase If cost considerations were not the cause of their inadequate performance it is doubtful if they will move up next year as a result of these budgetary changes In that case even an export increase of a high order based on the same factors may not promote the growth of the domestic industrial sector

Finally, one comes to the question whether (because of the concessions given) more growth can be expected in those items of industrial output which have registered a 6 per cent growth this year? High growth rates have materialised in beverages and tobacco, jute textiles and leather and fur products which have small weights Textiles, basic metals and alloys and chemical products which together have a weight of 34 per cent have grown by a little over 6 per cent Can it be argued that these will grow even faster because of the concessions given and lead also to an investment upswing which will lift the machinery industry out of its current depression?

Will other industry groups experience an upswing because of the changes initiated? Are new investment plans going to be made because some costs have gone down and the profits of some companies will experience a sharp rise because of the 5 per cent cut in corporation tax (According to the financial press ITC is one of the biggest beneficiaries of this cut) Will this lead to a rise in overall demand which will usher in the recovery process? This may not happen at all and an alternative scenario may develop Private industry in this country has always cued itself to government expenditure so far as investment is concerned This mindset was evident from the admonition administered in the post budget TV interview by Manmohan Singh to a business executive who asked why government spending had not been pitched higher Therefore if the development expenditure of the government is only marginally higher the reduction in costs may not lead to any upward revision of expectations

Also there are a number of factors in the liberalisation process which have increased uncertainty in the system While reduced customs duties make imports cheaper by the same token they increase foreign competition to domestic producers The inflow of foreign capital has led to new alliances, mergers and takeovers and thereby increased uncertainty—a situation not conducive to greater new investment in many areas Opening up the economy has meant that relatively small high cost and technologically backward Indian firms have to face large internationally competitive firms Adjusting to the new environment is bound to be difficult and time consuming particularly when we have other institutional impediments like the absence of an exit policy inability to reduce excess labour, etc Besides this process of adjustment to global competition takes time as the finance minister himself has stated He, however seems to think that such an adjustment has already occurred which is debatable To expect that in such a situation cost cuts will lead to an investment upswing might well look not like a calculated risk but a triumph of hope over discretion!

IV

Suppose the gamble does not pay off, what happens then? Development expenditure gets cut and the budget deficit becomes smaller We will have stability but no or low growth Alternatively—the finance minister seems to prefer this route—nothing is cut so that the fiscal deficit reaches, say, the same level as in 1993-94, i e, 7 3 per cent of GDP The budget deficit will exceed Rs 6,000 crore and the money supply which probably will have increased more than 15 per cent by the end of this year will swell even more To control the resulting inflation we may run down food stocks and foreign exchange reserves We will then have the worst of all possible worlds not enough growth, rising prices and reduced manoeuvrability in the coming years As the interest burden will be more than half the revenue expenditure, much harsher fiscal discipline than when Singh took over as finance minister and low growth will be our lot for quite some time

The budget speech makes it amply clear that the finance minister knows all the right answeres that continued market borrowing is not good because it raises the interest burden to unsustainable levels that continued deficits financed by the Reserve Bank are not in the long term interests of the economy that subsidies should be contained that assets created out of borrowed funds should create adequate debt serving capacity, and that sale of assets should lead to extinction of debt and not to financing current expenditure He has promised that all these goals will be pursued next year onwards Why could he not have put into practice all these good things in this budget? After the budgetary debacle in 1993 94 could he not have cut non development expenditure whenever possible instead of scoffing at the little saving that could be made not given those concessions in direct taxes and contained the fiscal deficit? If revenue buoyancy is not realised and if for some reason or the other he is unable to contain non development expenditure as in 1993 94 we will be facing disaster The answer to such a question seems to be in the nature of our society we always want a free lunch except when we have our backs to the wall

I have always felt that what this country needs is not an economic expert as finance minister but a wizard His task is to tax nobody but spend as much as is needed to achieve growth alleviate poverty, generate employment minimise inequality, reduce regional imbalance and generally turn India into a modern nation by the year 2000 However, all this has to be done with stable, if not falling prices Let us hope that Manmohan Singh will turn out to be such a wizard!

Bahujans as Vanguards

BSP and BMS in Maharashtra Politics

Mahesh Gavaskar

In its bid to grab parliamentary power, the BSP has reduced the plural modes of contestation to a unidimensional offensive, failing to take into account regional variations. The BMS, in contrast, is attempting to give its movement a broader historical base through an exploration of negotiated patterns of cultural change.

AFTER making a significant dent on the electoral politics of Uttar Pradesh, the BSP supremo, Kanshi Ram, has rested his eyes on the south. Within a span of two months he held three rallies—one in Bhiwandi and two at Shivaji Park in Bombay. The recent one held at Shivaji Park on March 15 overlapped with a demonstration-cum-show-of-strength organised by the Bahujan Maha Sangh (BMS) at Kala Ghoda, Bombay. The BMS, a regional political formation working in close association with the Bharatiya Republican Party (BRP) led by Prakash Ambedkar, was formed in February 1993 and in the summer of that year its candidate won Kinwat legislative assembly seat, defeating Congress and BJP contestants. Since both BSP and BMS aim at consolidating the same social base, the simultaneous occurrence of the two rallies generated interest as to who mobilises more bahujans beneath its flag. Incidentally, on March 13, the RPI (Athawale) too held a rally at Shivaji Park to felicitate Sharad Pawar for bringing about the 'namvistar' of Marathawada University. Whatever the speculations regarding the attendance at the three sites, one note is clear: the bahujans, with their rapid political conscientisation since the Mandal unveiling, are now a highly contested terrain.

Emerging Theme

A couple of years ago the hindutvavadis were riding the crest of political wave and had succeeded in making religion and secularism the pivot of political debate. Now, under changed circumstances, caste is becoming a metanarrative of the Indian politics. Already the uproar over the Mandal had revealed the caste base of Indian bourgeois capitalism; now, the dalit-OBC coupling has exposed the caste base of Hindu nationalism. In fact, the metanarrative may do more. It may unmask the Congress and the Communist Parties as hide-outs for brahminism. It may dismantle the class base of trade unions and breed caste-based unions as an effective barricade against the privatisation drive.

The political potency of the Mandal report is gradually unfolding. The grouping of diverse, numerically small castes under the overarching category of the OBC has resulted, to use Gramscian terms, in a shift from the war of position to the war of movement on the Indian political map. No more does Kanshi Ram or Prakash Ambedkar talk of alliance with established parties. Self-respect and self-reliance are the catchwords. While Kanshi Ram, in his newly gained confidence, dismisses reservations as crutches, Ambedkar talks of contesting 288 Maharashtra assembly seats. What has given charm to this rhetoric is the fact that a non-Congress alliance slayed the hindutvavadi dragon in the heart of the cow-belt. In retrospect, the hindutvavadi frenzy has played a catalytic role in galvanising the backwards under a non-Congress banner. This aura of independence is being capitalised upon by Kanshi Ram and Ambedkar. A slogan of the BMS says: 'Bhik Nako Sattechi! Satta Havi Hakkachi!!' (We spurn the crumbs of power! We demand our rightful share!!). Twenty-odd years after Dalit Panthers' frontal attack on Congress lordship in the state, once again the 'chavni' (camp) has begun to move. This time more united and more numerous.

In contrast, Ramdas Athavale's felicitation of Sharad Pawar exposes him to the danger of being seen as a vassal and a mendicant. Kanshi Ram's success has whetted the political appetite of the backwards. Given the rise in their self-esteem, the upper caste identity of the benevolent Congress leader can prove to be a liability rather than an asset. In fact, the swiftness with which the issue of namvistar was resolved, given that it was pending for 15 long years, showed that the decision was more a political rescue operation of Sharad Pawar than a fulfilment of an agenda for social justice. Buffeted by winds of change from within and without, Sharad Pawar, a skilled manipulator, recently inducted Babanrao Dhakane, a vanjari, into the party-fold. Arun Thakur coins Pawar's move as an attempt to build 'Madhav Sena' (Ma-dha-v: malis-dhangars-vanjaris) wherein Chhagan Bhujbal, Shivajirao Shendge and Babanrao Dhakane represent the three numerically dominant, landowning castes from non-Maratha communities of Maharashtra. This move is in tune with the history of state Congress which up till now has progressed by making strategic co-optations to ensure stability of its government. On the other hand, the BSP is reported to be concentrating on kunbis, kolis, bhandaris and agris—the last three being non-agricultural communities. A significant feature of these communities is their militancy, nurtured by Shiv Sena over the years. Kanshi Ram aims to capture this base and channelise it for his own firebrand politics. If this happens, Shiv Sena will be left lame, and this can push it further in the extremist direction.

Subversive Principle of Enumeration

Sudipto Kaviraj, commenting on the structural change in cognition that accompanies the transition from traditional societies to modern nation-states, labels the former as fuzzy communities and the latter as enumerated communities. The fuzzy communities, he remarks, "...did not see historical processes as things which could be bent to their collective will if people acted concertedly on a large enough scale. Since they did not ask how many of them were in the world, they could not consider what they could wreak upon the world for their collective benefit through collective action" (1992:55). In contrast, the numerical notion directly feeds into the concept of nation. In India, three sources can be identified which promote numbers as a major part of argumentation: (a) the census, introduced by the British administrators, objectified for the natives their strength in numbers; (b) the electoral politics, based on simple majority, further institutionalised the game of numbers in the post-independence era: (c) the reservation policy, besides enrolling numbers on the side of social justice, added the dimension of proportional representation. The statements of the bahujan leaders reflect the polemical mileage that can be garnered from these sources of numerical discourse.

The consequence of clubbing numerous castes under the OBC category is the conception of a homogenised block of 52 per cent of voters. This demographic giant, if mobilised, becomes a numerical capital confronting the cultural and financial capi-

tal of 'jat-dandge' (caste bullies) and 'dhan-dandge' (wealthy bullies). Already the BMS has termed the 27 per cent reservation quota sanctioned by the Mandal Commission for 52 per cent OBC population as 'half-justice'. It aims to amend the related clause in the Constitution and deliver full justice, tallying the quota with the OBC proportion in population. Numbers can also be employed to erect sharp contrast between assumed and actual positions. Thus, the Congress absolutism in Maharashtra can be reduced to a dynastic rule of mere 137 households. The incongruity can be projected by recounting that 50 lakh vanjaris have two MLAs, 80 lakh dhangars have one MLA, while one crore malis have just one ministerial berth. On the other hand, one per cent deshmukhs have four to five ministers and numerically equally insignificant patils have 10-12 ministers with key portfolios [Pawar 1994:11]. Such argumentative twist renders the universalistic claims of the Congress regime into a particularistic deshmukh-patil raj.

Disturbing Portents

Yet, unanimity does not prevail on the bahujan front. The BSP and BMS differ as to where to draw the line of essential contradiction in a society seething with caste tension. The BSP harks back to the pre-Poona Pact days when Ambedkarism had just freed itself from the illusion of emancipation within the Hindu fold and was burgeoning into a militant posture. The BSP looks upon the Poona Pact as a scalpel that cut short the life of a genuine revolution. The recent statements of Mayavati, the general secretary of BSP, labelling Gandhi as an enemy of dalits, stems from this belief. The point of interest would be as to how far the BSP succeeds in making the OBCs accept this view. For, in the Hindu society cultural deprivation has been a graded phenomenon and hence the felt-needs of the OBCs need not necessarily be coterminous with those of the dalits. The recent incidents in UP which exposed the casteist venom that the OBCs have for the dalits caution against a simplistic solution based on sharp polarities Notably, the BMS takes a sagacious stand on this issue. In its attempt to be literally majoritarian, it not only includes Gandhi among its revered figures, it also acknowledges the contribution of the 'varkaris' and the sufis of medieval times. This highlights its bid to search for deeper historical roots and for an acceptance of negotiated pattern of cultural change.

Moreover, in the Maharashtrian context Gandhi becomes a potent symbol for rallying secular forces against communal propaganda. Gandhi, assassinated by a Poona brahmin, proves handy in stigmatising the Sangh parivar in public eyes. Kanshi Ram, in his zeal to actualise the dream of Babasaheb, walks roughshod over political traditions of Maharashtra. His brazen national sweep will have to take into account the regional variations. Kanshi Ram's single-minded march to power may enthuse many a sympathiser of the downtrodden but his style of functioning is based on a myopic view of Ambedkar's vision. Ambedkar did exhort the downtrodden to become the ruling class of the country but beneath this exhortation lay a cognisance of a protracted struggle on various fronts. Kanshi Ram's naked bid to grab parliamentary power reduces the plural modes of contestation to a unidimensional offensive.

The Left Response

The left parties, too, held a demonstration on March 21 at Kala Ghoda, Bombay. But their goal was different. Five left parties—CPI, CPM, Lal Nishan (Bhosale), Satyashodhak Communist Party and PWP—gathered under the banner of Shramik Sangharsh Samiti to mobilise rural unorganised labour against the impending ratification of the GATT agreement in mid-April. As expected, the rally addressed the working class identity of the gathered masses. It mentioned them as anganwadi workers, sugarcane cutters, EGS and forest labourers, agricultural wage earners, etc. Interestingly, the social identity of this rural unorganised sector is prominently lower and middle caste in nature. It was this identity which the BMS leaders prioritised during their rally a week before. The identification of the masses in ethnic terms carries an emotional reward. It helps maintain a continuity of identity across diverse civic spaces. Thus, the absence of a dhangar in the cabinet can be made to designate the unimportance of dhangars in the overall decision-making process. Further, allocating the portfolio of animal husbandry to a dhangar reinforces the traditional occupational role, and this factor can be exploited to question the progressive image of the Pawar government [Pawar 1994:11]. The rhetoric based on primordial identities generates an immediate semblance of participation/non-participation in power structure. This sentiment can be especially acute in case of the backwards. For the relationship between the macro 'Hindu' identity and the micro caste identity becomes more and more parasitic as one descends the caste ladder. Thus, a totally different mentality operates at the lower orders of the caste society. Kancha Ilaiah articulates this cleft as follows: "While the educated upper castes feel very strongly about the Hindu identity in the context of the contending multi-religions in India... the feeling of the educated lower castes about their caste identities within the Indian market and power domains is even stronger" (1994-669). The left's rhetoric lacks this cutting edge.

The left has extended a cautious welcome to the BMS. It appreciates the BMS and BSP for having effectively politicised the materiality of culture and stemmed the tide of hindutvavadis [Desai 1993, Pansare 1994]. It envisages this development to prove beneficial in popularising the left's 'janwadi' politics. In the present context, where the local and the global are getting rapidly juxtaposed, the left has a crucial role to play in shaping the subaltern politics. Social groups, which have recently gained consciousness of their position in history, find themselves variously relativised in a globalised culture. Modernity has resulted in an existential dilemma for them. They approve of the economic benefits accruing from modernisation but want to resist its cultural advance. This has made them search for roots either apolitically, as in the case of Adivasi Ekta Parishad, or politically, as in the case of the BMS. Yet, making caste the basic unit of mobilisation need not mean justification of all its accoutrements Arguing for the validity of 'jati' panchayat, just because caste gives social mooring, is a case in point. The left, with its sharpened tools of historical understanding, needs to critically intervene and prevent the exploration from being merely formal.

References

Desai, Datta (1993): 'Bahujan Mahasangh aani Maharashtraicel Rajkaran', *Jeevan Marg* September 12-18, pp 10-11

Ilaiah, Kancha (1994): 'BSP and Caste as Ideology', *Economic and Political Weekly*, Vol XXIX, No 12, pp 668-69

Kaviraj, Sudipto (1992). 'The Imaginary Institutions of India' in Preben Kaarsholm (ed), *Modernisation of Culture and the Development of Political Discourse in the Third World*, International Development Studies, Roskilde, pp 41-63

Pansare, Govind (1994) 'Khedyanmadhlya Shramikana Sanghatith Karu', *Ravivar Dinank*, February 27

Pawar, Makharam (1994) 'Maharashtrachi Satta 137 Gharanyanchya Tabyaat', *Bahujan Mahasangha. Pathapradarshak Pustika*, pp 10-13.

Thakur, Arun (1994): 'Kanshiramanchya Kimayecha Anvayartha', *Maharashtra Times*, April 3

Atrocities on Dalits in Gulbarga

Upper Caste Hold on Police

Ambrose Pinto S J

The resurgence of the dalit movement in Gulbarga district of Karnataka has resulted in growing upper caste violence on the dalit with the police playing a partisan rôle and ignoring dalit complaints.

THE dalit movement has grown rapidly in Gulbarga district where dalits form 25 per cent of the total population according to the census of 1991. The maximum number of atrocities in Karnataka on the dalits have been in Gulbarga in the last two years.

The dalits have come to realise that there is a price to be paid for asserting their right to equality. Rights are never given. They have to be fought for and a price has to be paid for it. To the extent the dalits carry on their age old professions and do not question their caste masters, there is peace in dalit colonies. But the moment they refuse to continue with their hereditary occupations they incur the wrath of their caste masters. Take the case of Malkappa who was made to eat human excreta on November 3, 1991 in Busanur (Gulbarga). His only fault was that he refused to cut firewood. Though the police arrested Shivayya Guthedar, the culprit and a COD enquiry was ordered there was no further action. Guthedar was freed in no time at all on account of his connections to those in power. This is the same pattern of behaviour at Alagi (B) another village of Gulbarga. It was customary for the dalits to sacrifice buffaloes every year at the Laxmi Devi festival of the caste Hindus. But on instruction from Bhimsa, the dalit panchayati member, dalits refused to perform the sacrifice in June 1992. The caste people were informed of the dalits' decision two days prior to the festival. The caste people issued death threats to the dalits. Although the deputy commissioner and superintendent of police were informed of these threats to dalit lives, three leaders of the anti-buffalo movement–Bhimsa, Gurappa and Baksara were murdered, on June 3, 1992, the day of the festival in the early hours in the presence of the circle inspector of police and police forces. The murders were discussed in the legislature and crocodile tears were shed. In spite of the announcement in the assembly of the suspension of the circle inspector of police, he continued to be on duty. None of those involved in the murders have been punished.

Acquisition of land by dalits is another source of conflict. For the landlords and zamindars, dalits are cheap labour. When they buy land or are given government land, the labour situation significantly changes in the villages. The dalit come to acquire strength. Caste groups resist such attempts. Gurulingappa of Shamnur village was murdered on October 2, 1993 for buying five acres of land. The lingayats and BCs of the taluk had opposed Gurulingappa's acquisition of land. The dalits knew that there was going to be violence, once Gurulingappa bought land. But Gurulingappa was an employee of the police and he thought that because of his closeness to the police personnel he would be able to get police protection and went ahead huying the land. The DC and SP were given a complaint a month in advance by both Gurulingappa and the Dalit Sangarshan Samithi (DSS) about the danger to Gurulingappa's life. Yet the administration took no preventive measures. No arrests have been made as yet and no compensation given to the family.

The DSS is an articulate and widely representative organ of the depressed classes in Karnataka. Started by untouchable youths, it is in its fifteenth year of existence. The movement has highlighted atrocities on dalits. Dalits have been made aware of their basic rights of equality and justice in remote corners of the state. In the process of conscientisation, the dalit power has been awakened causing a major rift between dalits and the upper castes.

At Yadgiri, Dandappa, a dalit had bought two acres of land. The upper castes were quick to encroach on that land. The SP and the DSP in spite of complaints from the DSS, filed a case against Dandappa as an anti-social after being given a bribe from the upper castes. The case is still going on. At the nearhy village Yamunappa and Shankarappa had four acres of land each. They have been cultivating the land for 10 years. When applied for regularisation, the caste people objected to it and threatened the dalits with consequences. In Tollasanahalli of Chittapur taluk, government land was cultivated by dalits. The land was annexed by vokkaligas. The upper caste want no change in the situation of SCs and STs. Any attempts to empower them by measures such as providing land and property is resisted by the upper castes.

Whenever the dalits have stood up as equals they have invited the wrath of caste Hindus in Gulbarga. Gundappa's body with wounds was found in a well in December 1992. The post-mortem report was that it was a natural death. The administration expediently linked it up to the Ayodhya episode. Huliguppa's murder at Vadi under mysterious circumstances is yet to be investigated in spite of a written complaint to the DC and SP from the DSS. Jayanth, the tractor driver of the local landlord was murdered. The version of the landlord was that Jayanth's death was accidental. After postmortem the body was taken for cremation and the parents of Jayanth were informed of the murder. Why should Jayanth have been cremated when the normal practice among the dalits is burial is a question that would not find an answer. The post-mortem report describes it as an accidental death. On October 23, 1993 Mariappa, a lorry cleaner was murdered. There have been other such deaths that have not come to the notice of the DSS. The DSS has filed complaints in each one of these cases to the DC and the SP. Yet none of these cases are investigated and none will be.

Encroachment of government or public land by caste Hindus is a common phenomenon in Gulbarga. At Hagara Gundige the dalits had applied for a piece of land years ago for the construction of Buddha Vihar. The site is close to the dalit colony. Yet when the dalits attempted to build the Vihar for their activities on December 6, 1993 on Ambedkar Jayanthi they were attacked and assaulted by caste Hindus.

Two dalit houses were burnt, 11 dalits were injured and eight houses were damaged. At Pet Ammapur it was a demand for a cup of tea by a group of youngsters in the public restaurant that provoked the wrath of the caste Hindus. One dalit was murdered, six were injured and 11 huts were burnt. The village imposed a social boycott on dalits. They were provided with no coolie work, no provisions in the shop were sold to them and they could not draw water from the public well.

To protest against the total indifference of the district administration to atrocities on them DSS organised a novel 3,000-strong half naked peaceful procession on January 24, 1994. The administration determined to break the DSS backbone; came well prepared to handle the situation, with full police force. On flimsy grounds that the processionists were insisting on a particular route for the procession which was a security hazard, the police resorted to severe lathi-charge. Over 100 DSS volunteers mostly students were beaten up and 11 were seriously injured. The police later forced entry into the Jagajivan and Ambedkar student hostels and picked up the students at will and beat them up before taking them away. The dalit students were beaten up at the bus stand too. In all 127 students were arrested, taken into custody and charges were filed after brutally assaulting them. They were released on bail after two days in police custody. According to the victims, the police called them one after the other, beat them up on their legs, heads, backs, and private parts till the victims became unconscious.

TABLE 1: CASES OF CIVIL RIGHT VIOLATION AGAINST DALITS IN GULBARGA

Year	Cases Registered	Cases Punished	Cases Over
1990-91	85	—	—
1991-92	69	—	—
1992-93	49	—	—

When Ambarayyan asked for water when he became conscious, he was told he would be given urine. Many of those who have been beaten have fractures and wounds still on their bodies. Two have become handicapped for life. In the case of Ramesh Kumar, as soon as his sick mother saw him returning from the police station two days after the arrest she died from shock on seeing his wounds.

Nexus between Police and Upper Castes

The DC of Gulbarga is Ashok Kumar Manoli, a dalit. So is sub inspector of police Kattimani. Yet these police officials could not protect the interests of their own people. Both have been 'co-opted' by the upper castes. In fact the two officials are detested by the dalits and the DSS. At the lathi-charge and later at the third degree punishment meted out to DSS workers at the barracks these two police officials were actively involved. According to the DSS the procession was a peaceful one and the pelting of stones was done by the people hired by the police. A huge police force was brought to Gulbarga that day to crush the dalit power. That the whole police administration is closely aligned with caste interests is clear to the dalits. Even those who were from their own ranks meant to safeguard their interests, once in office, conveniently bypass them. Then there was the director of social welfare Kantappa whom we had a chance to meet. He is in-charge of SCs' hostels. Yet when the police entered the hostels, he was bypassed. Though he possesses a great love for his own people and was quite sad at the events, he has not been able to take an independent stand on behalf of the DSS. He looked quite helpless, confused and unable to assert in the interest of his people.

A question worth pondering is whether those who through reservation have occupied the seats of power as representatives of the oppressed groups will ever be able to represent their own class interest? Some one in power are co-opted, others find themselves quite helpless, given the socio-political structure. It is a fact that many dalits once in power do not want to associate themselves with their own people. Ashok Kumar Manoli, the DC is a good example. An efficient bureaucrat, he has married into the brahmin fold and his attitude is typically brahminical. The other police officials in Gulbarga are no different. On the other hand the director of social welfare has been taken for granted by the establishment. Being weak, he has been a mere spectator to the events incapable of making any interventions on behalf of his people.

Dharam Singh, the social welfare minister visiting Gulbarga soon after the police atrocities went to the two hostels from where dalit students were forcibly taken. The minister pulled up the superintendent of the hostels for permitting the police to enter the hostels and beat up the students. The superintendent said that he was not in office when the police arrived. As soon as he came to know about it, he had complained to the SP. The minister promised to take action against officials who entered the hostels without permission. The DSS wanted the suspension of the DC Ashok Kumar Manoli, CPI Balakrishna Badigere, sub inspector Kattimani and SP Jeevan Kumar Gaonhar. Dharam Singh promised to look into the demands, and to examine all cases of atrocities against dalits in different villages of Gulbarga and assured punishment to the guilty.

Later at a press conference, Dharam Singh said that the civil rights enforcement cell in the state would be strengthened. While releasing Rs 80 lakh, he assured sufficient staff, vehicles and equipment for the cell. Gulbarga district was identified as sensitive and a mobile squad was posted there. Orders were given to the police administration to screen all the 127 arrested students and release the innocent among them immediately.

An assurance was given to the DSS that a senior police official would be deputed to investigate the lathi-charge. Accordingly the director general of police (crimes and training) F T R Colaso DGP and the deputy inspector general of police, civil rights enforcement cell Srinivasan were sent to Gulbarga to enquire into the police-dalit tussle and the increasing incidents of atrocities against SCs. Within a few weeks the minister promised a meeting of ministers, legislators, MPs, prominent political leaders, DSS and social activists to discuss the cases of atrocities against dalits in the district.

The chief minister visited the place. An amount of Rs 21,500 was disbursed towards the loss of property to 10 victims at Pet Ammapur. At Kudala Hangarga Rs 34,200 was disbursed to five families and Rs 23,000 to 10 persons at Hagargundagi. At the assembly tears were shed at the loss of lives and property of the dalits in Gulbarga. With that the Gulbarga dalit problem was given a burial. At the time of the crisis the government makes numerous promises. Once the crisis is over the state fulfils none of these promises.

The Police Response

As a first step to appease the DSS, Badigere the CPI and Kattimani the SI were asked to go on leave by the government. But the policemen were quick to act. Over 200 of them went on a snap strike for more than two hours protesting against the government order of sending the two police officials on leave. Mallikarjuna Kharge, co-operation minister condemned the snap strike. He wanted the policemen to ventilate the grievances to the government through proper forum instead of going on a snap strike. He alleged that the police were trying to suppress the dalits' protest against atrocities committed on them and hold the government to ransom. Gundappa Korwar, Rajya Sabha member condemned the strike by police. The striking police termed the reports on dalit atrocities as false and biased.

Later the social welfare minister and Krishna Bhat, the police union leader held a discussion. It was not clear what transpired at the meeting, but both the minister and Krishna Bhat denied that the police were on strike but could not explain how exactly the incident of policemen deserting their station *en masse* could be described. The two officers were back on duty. The order asking them to proceed on leave was rescinded. The police in fact had called off their strike following the withdrawal of the orders against the two officers. Soon after, the police also took out a victory procession. The government looked helpless and easily gave in to the brutal police demands. While the dalits are not given their legitimate right to protest against atrocities committed on them through a march, how is it that the police managed to get support from the establishment for their heinous crimes and illegal procession?

The two senior officials F T R Colaso DGP and the deputy inspector general of police Srinivasan who conducted the inquiry gave a clean chit to the police. The report justified police lathi-charge. In a press conference, the DGP even observed that more police were injured in the incident than dalits. There is no truth in police excesses, Colaso observed. It was without doubt a partisan report to protect the police force. The key player in the whole game is the DC Ashok Kumar Manoli. Bent on destroying the DSS movement and his own people he is much involved in dividing the dalits. While submitting totally false reports to the government on all the incidents where dalits have been killed and wounded, he has projected himself as an upright officer. According to the DSS, he has bought up people, paid for false witnesses and acted against dalit interests.

In the midst of all this, the DSS strategy of struggle has been admirable. In spite of the lathi-charge, they continued their struggle in an organised manner. Whenever they have perceived threats to their lives by upper castes, the DC and the SP have been informed, though they have failed to provide them with necessary protection. Wherever there was a death or assault on the dalits the organisation has filed a complaint at the police station and obtained a receipt. All the protests and the measures of the DSS have been constitutional. In a society when caste laws are more

Table 2: Cases of Atrocities against Dalits, January-February 1994

Month	Cases Reported	Cases Investigated	Final Report	Still under Inquiry	Cases Punished
January	53	29	9	17	—
February	41	16	3	22	—

powerful than constitutional laws, they have of course not been able to obtain justice.

In Gulbarga, while trying to define the dalit identity outside the Hindu fold, the movement has provided much needed courage and inspiration to ordinary dalit men and women in remote corners of the district to stand up for their dignity as human beings. While the ordinary dalits still celebrate some of the Hindu feasts and festivals, the DSS as a whole is moving away from Hinduism, a religion responsible for their untouchability to 'Ambedkarism' and 'Buddhism'.

Most of those against whom lathi-charge was made and those who have died among the dalits have been their leaders. Police and the caste people have targeted the leadership to crush the movement. Yet with a view to build up a strong movement the educated have united with the impoverished majority of their own community. To broaden the social base for revolt all sections among the dalits—the holeyas, madigas, chaluvadis, dhors, jhadamales and others—have come together. They are becoming proud, assertive, independent and active in their own cause.

In all the cases of death and damage the government was quite eager to win over the DSS by paying paltry compensation to the victims. The DSS has not been keen on monetary assistance but on getting the culprits booked. With the whole system against them, will its cries for justice be ever heard? A section of the dalits are painfully realising that the state is not going to look after their interests. It will continue to oppress them if they do not rise against it as one people. Constitutional methods are meant to delay and gradually deny justice to them. They have sufficient evidence to the fact. At the directorate of social work, Gulbarga, the figures of civil rights violations for 1990 to 1993 were available (Table 1)

The DC claims that the cases relating to civil rights violations and atrocities have decreased. But those who knew the situation in Gulbarga hold the opposite view. Cases have gone up, but dalits have lost faith in the state. If the cases have not been reported it is because they have lost faith in the capacity of the state to provide them with justice.

The message is clear to the dalits. The state professes to be on the side of the SCs/STs, weaker sections and the oppressed groups. Laws are enacted against untouchability and providing land to the landless. Special schemes under 'Aradhana' and housing are initiated for the benefit of marginalised groups. There are constitutional provisions for the empowerment of the socio-economically oppressed groups. But none of these are translated into action. The reason is simple. In spite of its loud pronouncements the state serves the interests of the upper castes and classes. There is a close nexus between caste and power in the state.

What is the alternative left to the dalits? As a result of the DSS demand, a judicial probe into all the atrocities against the dalits has been ordered. The report is to be out in three months. Is not this one more state gimmick to cheat the DSS? Those who have aligned themselves with the state will never be punished. Yet the DSS has accepted the probe. What is tragic is that the committee set up has been constituted with no reference to dalits. The DSS as a well organised political movement may rest by constitutional means when they know the Constitution, the courts and the administration does not provide them with justice.

Viability of Rural Bank Branches

Analyst

The income tax rebate available to banks at the rate of 4 per cent of average rural advances has been raised to 10 per cent in the current year's budget. This has tremendous implications for rural credit expansion as well as the overall post-tax profitability of banks.

THIS note has reference to an earlier letter (*EPW*, August 21, 1993) in which it was mentioned that the profitability of rural branches has received a big boost with the income tax rebate available for banks at the rate of 4 per cent of average rural advances from the year 1993-94 as against 2 per cent rebate allowed earlier. In the current year's budget the tax rebate has been raised to 10 per cent of average rural advances with effect from April 1, 1995. This has tremendous implications for rural credit expansion as well as the overall post-tax profitability of the banks. Its result will be that banks which expand healthy rural credit will report very high post-tax profit and profitability.

For analytical purposes, we may make some calculations based on the rural advances of banks given in an earlier study ('Myth of Non-Viability of Rural Branches', *EPW*, May 1, 1993). The tax rebate for the year 1991-92 was 2 per cent of average rural advances plus 2 per cent of gross profit made during the year. The sum of these two items was lower than the other route for tax rebate, namely, bad loans written off, and consequently the rebate provision based on rural credit was not made use of. For calculating the post-tax profitability of branches (grouped by population), the income-tax paid for the year may be distributed amongst branch groups according to their contribution to pre-tax profits. Using the same methodology, we may work out the post-tax profitability of branch groups taking the enhanced tax rebate of 10 per cent of average rural advances. The tax rebate at 10 per cent of rural advances far exceed the gross profit of rural branches. For analytical purposes, the excess tax rebate is also treated as income of rural branches and the amount has been proportionately deducted from the gross profit of branches in other population groups. By this method we may arrive at the post-tax profit of branch groups, as shown in the accompanying table.

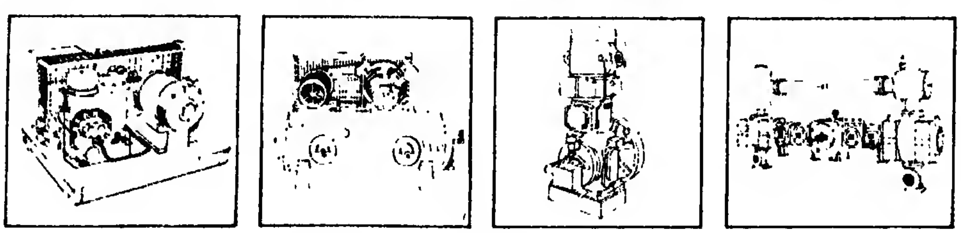
With the tax rebate the post-tax profitability of the bank goes up to 1.24 per cent and those of rural branches to an incredible 4.97 per cent. We have worked out these figures on the basis of 1991-92 business figures when rural credit constituted 21.5 per cent of total credit. If by 1995-96, the share of rural advances could be raised to 25 per cent even as total credit remains unchanged, the overall post-tax profitability of the bank will go up to 1.31 per cent which is very comfortable. By 1994-95 the bank would have met the accumulated provision needs leaving only the normal annual provision which may be taken at 0.6 per cent of average loans or say 0.3 per cent of working funds. This leaves a net profit of 1 per cent of working funds for appropriation to reserves and payment of dividend to shareholders.

In this perspective, for the medium-term the crucial task before the public sector banks is taking steps to enhance productive rural credit. Looked at from this angle, it goes to the credit of a bank such as the Punjab National Bank that, notwithstanding the banking industry's general demand for reduction in priority sector credit or closure of rural branches, its Corporate Plan for 1995-96 recognised the importance of priority sector credit for the profitability of its rural branches as well as the bank as a whole. The plan included strategies for boosting priority sector credit in general and direct agricultural credit in particular. But transforming that goal into reality is not an easy job. Banks have to undertake many innovative practices to enhance the flow of productive rural credit. The earlier strategy of compulsory target lending will not yield the required results.

TABLE

(Rs crore)

Branch Groups	Working Funds	Post-Tax Profit	Profitability (3 as Per Cent of 2)
1	2	3	4
Rural	3496	174	4 97
Semi-urban	3800	12	0.33
Urban	5471	20	0.37
Metropolitan	7005	39	0.55
Bank as a whole	19772	245	1 24



Union Budget and Decline in Educational Effort

K S Chalam

The budget proposals and the budget rigidity towards education in the central sector might bring educational inequalities in the long run because they indirectly encourage private sector growth in education.

THE government budget is an annual statement of public expenditure and revenue envisaged for a financial year. It is a process "through which the wishes of the electorate are translated into concrete projects and programmes designed to satisfy the demands for public goods". It is a cycle through which continuous process of expenditure for various government projects are proposed to be approved and ultimately executed. Therefore it contains in-built mechanisms like taxation to initiate structural change and provide broad directions of development.

The preparation of the union budget and its presentation in the parliament attracted great significance when Manmohan Singh took over the portfolio of the finance minister in June 1991 under exceptional circumstances. He has created a sense of confidence and brought unbridled economy under control through various macro-economic policy variables. He has introduced the so-called structural adjustment model (SAM) which consisted of three main elements, namely, exchange rate adjustment, fiscal correction and structural reforms in the area of trade and industrial policy. The main concept which was significantly discussed during the budget and also in post-budget deliberations was the concept of gross fiscal deficit. The concept of fiscal deficit "reckons the total resource gap in terms of excess of total government expenditure over revenue receipts and grants. This concept fully reflects the indebtedness of the government". It was envisaged that the fiscal deficit would be reduced by 2 percentage points from 8.4 per cent of GDP in 1991-92 to 6.5 per cent of GDP during the year 1992-93 and it would be further reduced to 5 per cent thereafter. This deliberate policy of the government reduced the fertiliser, food and other kinds of subsidies that were given by earlier governments. The immediate next year created a sense of complacency among the government functionaries as the policy was really creating some results. In this context the government was not conceding to any kind of criticism that the reduction in expenditure on social sectors would further deepen the inequalities and poverty. Human resource development was not considered at that time as a priority area though the same government modified its National Policy of Education in 1992.

The concept of human resource development takes into consideration sectors like education, health, family welfare, employment, nutrition, etc. Here, we concentrate only on education as it is a major sector that come under human resource development. There is a marked difference in the current budget formulation towards priorities of the economy and society. The simple manner in which the budget was introduced by Manmohan Singh with lot of transparent concern for the social sectors indicate that there is some political element in the budget-making as the current year is an election year in five major states in the country where non-Congress governments are in power. However, the shift of emphasis from purely liberalisation, globalisation mode to that of helping the middle classes appear to be an important departure. If one links the speech delivered by the prime minister Narasimha Rao at the World Economic Summit and the present budget, it is clear that the rigour in the profound belief in the market appears to have decelerated and the peculiar socio-cultural realities of the country seem to have attracted the attention of the prime minister and the finance minister in making the present budget. Perhaps it may also be due to the postponement or temporary elimination of the political and economic crisis which the present government had encountered when it came to power in 1991. Therefore the present budget has made some popular moves in the social sector that attract the attention of middle class opinion-makers. But the policy of liberalisation which was initiated in the previous years in the education sector like that of privatisation and capitation colleges may not really help the people to get these declared benefits.

Educational Concessions

The amount of concessions that the finance minister announced for the education sector during the year 1992-93 and during the current budget include: (1) 100 per cent tax rebate on the contributions to recognised educational institutions, (2) Tax exemption to the extent of Rs 25,000 per annum on repayment of educational loans including interest up to a cumulative total of Rs 2 lakh, and (3) 5 per cent cess on imported technology for the development of R and D. These concessions are applicable to higher education. The constitutional obligation of providing free and compulsory education to all in the age group of six to 14 years has remained as an elusive ideal. After realising this problem, perhaps the prime minister who is a former HRD minister has announced recently that the government is committed to spend 6 per cent of its GNP on education. The 6 per cent GNP syndrome has been attracting the attention of various categories of people for the last one decade, ever since the Kothari Commission envisaged that 6 per cent of GNP be devoted for education by 1986. Even this figure is arrived at by the Kothari Commission under the assumptions of a population growth of 1.5 per cent and the rate of growth in national income of 7 per cent and per capita expenditure at the rate of Rs 75 by 1986. This is a controversial figure as the 6 per cent of GNP can be either public expenditure or public and private combined. In fact the total central and state government expenditure on education plus the private individuals' expenditure on education constitute around 6 per cent of GNP by 1990. The Kothari Commission projected this figure in 1966 assuming that the per capita expenditure would be Rs 75 in 1986 in current price and Rs 54 per capita in constant prices. But the fact of the matter is that the per capita expenditure in 1986-87 was Rs 112.7 in current prices. Therefore there is no sanctity in the figure of 6 per cent of GNP. However, the prime minister's commitment to the figure will bring positive results in future since the proportion of public budget expenditure on education to the GNP has still remained below 6 per cent. This may be kept in mind while arguing for more funds for the education sector. The literacy rate of the country has remained at 52 per cent and half of the illiterate population of the world are in India. Therefore, the concessions announced by the finance minister will positively influence enrolments at higher levels of education only.

Higher education in India, particularly the professional and technical component has been a prerogative of the privileged few for the last four decades. Yet, the total enrolment in the system of higher education constitute around 7 per cent of the

corresponding age group while it stands at around 20 per cent in some of the advanced OECD countries and in countries like South Korea, Japan, etc, in the Asian region The IMF/World Bank experts have developed a theoretical argument that higher education is increasingly benefiting the private individual and "unless educational development becomes less dependent on public funds, countries will not be able to tap fully the profitability of further educational investments" This rhetoric by the World Bank experts in 1986 helped the government of India to formulate a National Policy of Education, 1986 The NPE 1986 has for the first time admitted that most of the courses that are taught in our educational institutions are redundant The liberalisation process in the economy was also started more or less around this period Further, privatisation of higher education gained momentum with the declaration of the delinking of degrees from jobs Out of every hundred students enrolled in higher education 45 belong to liberal arts and 21 are from commerce The remaining 34 are admitted in different categories of sciences and professional and technical courses available in the mainstream education system But, during the last few years courses in the area of computers, electronics accountancy, etc are being increasingly offered by non formal private institutions The mushrooming of these institutions in the metropolitan centres and even in semi-urban areas is a visible change in the system of higher education in the country The number of universities and colleges have also increased during the period 1986 87 to 1991-92 The most significant part of this increase is that 60 per cent of these colleges have come up in the four states of Andhra Pradesh, Madhya Pradesh, Maharashtra and Karnataka If one looks at the management of these colleges it will be clear that most of these colleges are established with political clout and quite often with a communal overtone It is reported that teachers working in these colleges have made their way up to the college/university level even without crossing their district border Therefore the quality of education in these institutions needs to be critically reviewed by agencies like the UGC

The NPE 1986 has produced an accompanying document on 'Programme of Action' (POA) on each sector and subsector of education However this was reviewed and reviewed In July 1991 CABE appointed the chief minister of Andhra Pradesh to review the POA and it has given its report with 100 recommendations The new POA 1992 has devoted considerable part of its report to the achievements made so far and outlined future programmes in education It is significant to note that for the first time the government *Economic Survey* devoted a separate chapter to social sectors that included education The 1992-93 survey contained only 18 lines on higher education But the message in the survey is very clear The survey indicated that 'increased involvement of voluntary and private agencies' will continue in higher education In the case of professional and technical education, the government intends to support the five elite IITs and five IIMs in the country It is also indicated that the existing subsidies for higher education will be withdrawn by raising tuition fees and the distance mode is the alternative source of education for the weaker sections of the society The World Bank was approached with a major project of upgradation of polytechnics in the country wity 1 650 crore

Some of the important achievements which are likely to continue in future include the introduction of NET, enhancement of salaries and promotional opportunities for teachers in colleges and universities autonomous colleges and departments, establishment of state council of higher education, academic staff colleges development of model syllabus in 23 disciplines through centres of curriculum development, country-wide class room, etc These initiatives in the higher education system of the country it is envisaged would rejuvenate the system to reach international competitiveness and world standards There is very little that the government intends to do to raise the levels of literacy when single teacher schools are being closed for want of staff In Andhra Pradesh alone it is reported that 5 000 single-teacher schools were closed in 1993.

The World Bank/IMF structural adjustment model which has induced the government to reduce the fiscal deficit has already shown its impact on social sectors in general and education in particular The budget allocations for higher education have declined The expenditure on social sectors in real terms and as a proportion of GDP and total budget expenditure remain constant Similar conditions have been reported in other third world countries where SAM was introduced

In India the Supreme Court has declared education (including higher education) as a right of the citizen The same court has later allowed the neo-capitation colleges to emerge and collect huge tuition fees in the name of management quota along with a special provision for NRIs in the Unnikrishan vs state of Andhra Pradesh case The major thrust of this policy seems to encourage privatisation in the education sector The long-run implication of this measure is clear It creates an inequitable society by providing opportunities to those who have the money power and deny the entry into the system to others In a democratic technological society entry into power, privilege and bureaucracy is possible through higher education If the entry to the education sector is blurred, the poor and the socially and educationally disadvantaged groups will remain outside the system for ever The World Bank experts and their supporters are arguing that open learning system is thrown open to such groups It is further argued that those who do not have economic support can still be benefited by the private sector through the slowly developing credit market in higher education This is exactly what the finance minister has done in his 1994-95 budget by providing concessions to

TABLE 1 FACULTYWISE ENROLMENT IN INDIA

(*Percentage to the total*)

Year	Arts	Science	Commerce	Engineering	Medicine	Education	Agriculture	Law	Veterinary Science	Others	Total
1960 61	44 90	30 00	10 20	3 60	2 70	1 50	1 30	2 30	0 50	3 00	100
1970 71	44 30	31 70	11 50	3 00	3 30	1 80	1 40	2 30	0 20	0 40	100
1990 91	40 40	19 60	21 90	4 90	3 40	2 30	1 10	5 30	0 30	0 80	100

TABLE 2 STATUS OF HIGHER EDUCATION IN US 1991

			Sources of Revenue (Per Cent)		
	Enrolment (Per Cent)	Expenditure (Per Cent)	Tuition Fee	Federal State Grants	Others
Public Institutions	78 77	63 5	16 1	54 3	29 6
Private Institutions	21 23	36 5	40 4	18 4	41 2

Source *US Chronicle of Higher Education* August 1993

educational loans. The intention is to create a loan market for education which the World Bank had prominently mentioned in its 1986 policy prescriptions.

The three major policy options suggested by the World Bank in 1986 for developing countries are being implemented now in India. These policies include (1) recovering the public cost of higher education and re-allocating government spending towards the level that produces the highest social returns, (2) developing a credit market for education, together with selective scholarships, especially for higher education, and (3) decentralising the management of public education and encouraging community and private supported institutions. These policy measures would largely benefit the privileged and well-to-do sections of the society as the entire mechanism of admissions is now based on the market forces. Some economists have also started using Adam Smith's classical argument that the salaries of teachers in universities and colleges be left to the free play of market forces as the output contributed by these newly recruited lecturers is not commensurate with the increase in their salaries. But the problem in third world countries is that the disadvantaged groups are not aware of the advantages of education and therefore, quite often they under-invest in themselves. It is precisely for this reason that the state is given a role to play here and invest in the human capital. Even in the advanced countries like the US, France, the Netherlands, etc, 50 to 70 per cent of the higher education enrolment is in public-supported institutions and the fees constitute less than 20 per cent of the public cost (Table 2). The remaining cost of education is augmented through several ways including private endowments. These are the countries which have achieved a minimum of 20 per cent enrolment in higher education through public support and achieved the critical minimum effort in education to provide the necessary base during their early stages of development. Comparing the leaders like South Korea in Asia is pertinent here in terms of its structural adjustment model and the educational effort made by this country. South Korea and some Asian countries have restructured their economies towards highly modern technology by producing scientific and technical manpower in the initial years through public investments. In the west, successive governments and people have already invested in their countries' human capital during the last century and early part of the present century to carry out the development process which South Korea did in 1980s. Data from UNESCO (1991) suggest that there were 50,000 technicians per million of the population in South Korea in 1981 while there were less than 800 technicians per million population in India as late as 1990. South Korea manages to have half of India's strength in R and D personnel with about a 20th of India's population. And with a GDP per capita that is nearly seven times that of India, South Korea invests 2.1 per cent of its GDP in R and D as against 0.9 per cent in India. The recent UGC Proposal to convert first degree courses into vocational stream in 100 institutes in the country is still in the formulation stage.

The concessions announced by Manmohan Singh in tax rebate for contributions to educational institutions in the previous budget and the concessions announced to students who took loans for their studies during the current budget appear to be positive and encouraging. But if one looks at the allocations for the social sectors including education during 1994-95 budget *vis-a-vis* the previous budgets, there is a decline in the allocations for the education sector. Allocations for the education sector in the revised estimates is Rs 2,644 crore for the year 1993-94 and the amount allocated for this sector during 1994-95 budget is Rs 2,623 crore (plan + non-plan). This constitutes 1.7 per cent of the total budget expenditure in 1994-95 compared to 1.8 per cent in 1993-94 revised estimates. It may be further argued that the allocations of the central government towards education constitute less than 2 per cent of the budget as education is a concurrent subject and much of the expenditure on education is met by the state governments.

The expenditure on social sectors particularly education will effect the state expenditure on education as the central grants to states have remained constant. Therefore the overall effect on the education through budget process appears to be negligible in terms of the recent budget proposals. Further the public sector disinvestment may affect the enrolment at various stages of education because of the fact that most of the public sector undertakings have been maintaining their own educational institutions and the withdrawal of the investment might affect the development of education in future. Further, investment in public sector was made possible because of the sacrifices made by the illiterate and socially and educationally backward masses by foregoing their education in the past. These investments were also made out of the savings contributed by these sections and by diverting the funds to the public sector which should have been utilised to improve the quality of human capital of the poor and deprived. Therefore, the money belongs to them. The present government has no moral right to take away the savings and sacrifices of the past generation and convert them into private investments to benefit the few privileged through public sector disinvestment. The money belongs to the socially, educationally and economically deprived sections as they have postponed their investment in human capital and also contributed through indirect taxes as consumers. Therefore, these disinvestments should go for the development of education, health and nutrition of these groups through subsidies and not to pay for the inefficiencies of the few and to safeguard the interests of the private individuals.

The concessions announced by the finance minister during the current budget in repayment of loans relate to undergraduate and postgraduate courses in medicine, or management or postgraduate students in pure sciences, applied sciences, mathematics or statistics. If this concession is analysed from the point of loanee, it must be clear that those who have some assets and are capable to repay will alone be eligible. But those who do not have the necessary wherewithal may not benefit from these concessions. It may even alienate the poor people from higher education as the value of paid seats in some of the private professional institutions amount to several lakhs of rupees and the announcement of this concession prompt the managements to strengthen their regulations for the payment of the fees with a plea that loans are now available for the economically poor. This may even motivate some of the poor but bright boys to take a loan and become a professional. They may become modern honded labourers to the banks after their education and continue to repay huge sums as loan instalments.

The proposal to collect a cess of 5 per cent on imported technology and the amount thus accrued will be kept with the department of science and technology for R and D is the most progressive step in the budget proposals. Because, this will discourage all kinds of imported technology from outside and help to indigenise the imported technology with the money available through collection of cess. This was executed hy Japan in the initial period of its development process

New Policy of Containment

Robi Chakravorti

The objective of US foreign policy from now on would be to shape the world order so that the basic structural criticisms of US interests are neutralised. This is likely to be attempted through a 'soft co-optation' of leaders and groups in the third world countries.

GEORGE KENNAN, reputed to be the founding father of the policy of containment which is supposed to have led to the decline and dissolution of Soviet Union, was recently felicitated by the Council on Foreign Relations in New York in celebration of his 90th birthday.

Kennan gave a speech which was excerpted in the op-ed page of the *New York Times* (March 14). He acknowledged that his article published in the *Foreign Affairs* under the pseudonym X had inspired the US policy of containment originally aimed at halting the expansion of Soviet power into central and western Europe.

According to his current interpretation of the original policy outlined by him over four decades ago, he views it mainly as diplomatic and political acts, "though not without military implications". He complains that instead of conducting negotiations with Soviet leaders following successful operation of the Marshall Plan and Berlin Blockade and other measures, western countries targeted the goal of 'unconditional surrender' which led to the development of consequences such as unnecessary military expenditures, development of nuclear weapons and their disastrous potentialities and the communist control of East Germany, Czechoslovakia and Hungary.

The new world devoid of threats such as Hitler, Japan and Stalin's Russia, which dominated foreign policy thinking, poses a new challenge for the US foreign policymakers. This topic dominates the writings of various foreign policy experts, offering different suggestions clothed in the morality of freedom and free market and the special place that the US holds in mixing these two concepts and translating them into policies and programmes in other countries. One must view Kennan's opinion in this context.

Kennan recommends that the foundation of the new policy be based on sound principles—"principles that accord with the nature, the needs, the interests and the limitations of our country". Then, he quotes the celebrated liberal politician of the 19th century, John Quincy Adams. The quotation is produced to support his contention that the situation that the US faces today is not new in the country's historical experience. "Similar situations," he claims, "existed in the early years of the republic and again toward the end of the 19th century."

Kennan's references to the past history of the US foreign policy are selective both in facts and their interpretation. During the early stages of the formation of the US republic, several states could be annexed or added because of the conflicts between the big powers of the time such as France, Spain and England.

The point of this criticism is to show how past history can sometimes be reinterpreted in support of the so-called new global order viewed from the US perspective, while hiding the dynamics of the contradictions between the enunciation of principles and their actual practice.

Kennan's point about preparing a new foundation for the post-cold war foreign policy is well-taken, but the stated moral basis of its operation and its historical precedent can be questioned by critics of the US policy. The dissolution of Soviet Union and the weaknesses of the Marxist utopia are important factors to be taken into consideration; but these two factors and their jingoistic assessment may lead to new forms of abuse of power for the 'needs and interests' of the country. When Kennan mentions "the limitations of our country", he is apparently suggesting a careful use of military power in future.

On the other hand, one can interpret the limitations factor as the 'need and interest' of maintaining the US economic structure facing increasing pressure for change. The pressure comes from two broad sources: increasing global competition for resources and labour, and the concomitant demands for social and economic rights in different countries taking different forms. Seen from this perspective, Kennan's formulation for a new foreign policy approach acquires a different meaning.

In this context, we can cite two documents: one relating to what Kennan himself said in a secret memorandum to the State Department which Noam Chomsky exposed in an article published in the *Monthly Review* (September 1985); the other one illustrating a historical precedent of how political moral principles enunciated by liberal intellectuals can degenerate into handy justifications for crude intervention. John Quincy Adams, whom Kennan applaudingly quotes, formulated the concept of the Monroe doctrine founded on the moral principles of self-determination in the western hemisphere which was later used as a justification for different types of intervention.

Let us examine the second illustration first. John Quincy Adams, the sixth president of the US, is credited with the creation of the Monroe doctrine when acting as the secretary of state under president Monroe who preceded him as president. Adams was a liberal in the true sense of the term. He opposed slavery.

The Monroe doctrine, since its official announcement in 1823, remained the moral basis of American foreign policy for over a century. While the doctrine was preached on the moral grounds of the right to self-determination in the western hemisphere, its interpretation shifted to suit what Kennan now describes as the nature, needs and interests of the US. President Polk in 1845 interpreted it as the right of the people of the western continent to decide their own destiny. Teddy Roosevelt in 1904 declared that the US was an 'international police power'. Teddy Roosevelt, interestingly, was also associated with the policy of the 'big stick' in the Caribbean area and 'dollar diplomacy'. In 1912, senator Lodge carried through Congress a resolution extending the Monroe doctrine to non-European areas like Japan. Instances of US intervention in early decades of this century are numerous, such as in Haiti (1915-34), Santo Domingo (1916-24) and Nicaragua (1912-33). These interventions took place before the emergence of the fear of the Nazi devil followed by the communist devil.

According to historian William Appleman Williams (*America Confronts a Revolutionary World*, 1776-1976), the postulates of the Monroe doctrine were later extended as the Open Door policy applied to Asia and the rest of the world using "the rhetoric of self-determination to mask a policy of sophisticated imperialism." President Woodrow Wilson, too, according to this interpretation of the continuity of economic and political interests under the guise of moral pronouncements, defended his policy in precisely similar terms. The purpose of the Monroe doctrine, in the early period, was to acquire contiguous agricultural land; later it was modified to meet "the needs of capitalist markets and raw materials", according to Williams.

This sample of historical cases is presented to stimulate an analysis of basic similarities of gap between the rhetoric and reality of foreign policy and its operation in the past and the future. While

Kennan, in his speech quoted above, advocates the foundation for a new post-cold war foreign policy on a blend of moral and practical grounds and quotes the liberal hero, John Quincy Adams, the secret memorandum that he issued as the head of the State Department's Policy Planning Staff in 1948 shortly after the publication of the article in the *Foreign Affairs*, spells out the 'earthy' needs and interests' aspect of his policy pronouncement

In the memorandum quoted in the article by Noam Chomsky in the *Monthly Review*, Kennan wrote "We have about 50 per cent of the world's wealth, but only 6.3 per cent of its population In this situation we cannot fail to be the object of envy and resentment Our real task in the coming period is to devise a pattern of relationships which will permit us to maintain this position of disparity We need not deceive ourselves that we can afford today the luxury of altruism and world benefaction We should cease to talk about vague and unreal objectives such as human rights, the raising of the living standards and democratisation The day is not far off when we are going to have to deal in straight power concepts The less we are then hampered by idealistic slogans, the better This statement should be seen in the contemporary context of the widening gap between the rich and the poor in the third world countries

Several publications including respectable professional journals have pointed out the increasing income disparity in third world countries Two examples of such analysis from the world system and dependency viewpoint can be cited Two articles published in the *American Sociological Review* the official journal of the American Sociological Association in 1990 linked with supportive data, the global expansion of economic dependency with income inequality and consequent protest movements One article suggested that while the effects of dependency on generating rebellion through economic growth and income inequality are straightforward the effects through repression differ by the character of the regime ('Dependency and Rebellion A Cross-National Analysis' by Terry Bosswell and William J Dixon *ASR* August 1990, p 555)

The other article also, presenting impressive data about protest movements following economic growth with "austerity measures" concludes that while the long-run consequences are unclear, "social unrest provides a motive and an opportunity for certain third world states, especially the new democracies, to reassert an economic nationalism based on reduced dependence" ('Global and National Sources of Political Protest Third World Responses to the Debt Crisis' by John Walton and Charles Ragin, *ASR*, December 1990, p 888)

To sum up, economic inequality accompanies economic growth and there are different forms of repression resulting from economic dependency often linked with military dependency. An important point to add in this kind of analysis is the political instability currently plaguing what was once called the second world and the consequent weakness in projects of organising countervailing forces against the domination of the US power

The policy of containment that George Kennan outlined led to interventions in other countries in three basic forms (a) high visibility-high cost, example Vietnam, (b) high visibility-low cost, example Gulf war, (c) low-intensity-low cost, examples Nicaragua, Chile The cost in all these cases relates to American manpower and financial power

The first type of intervention is likely to be avoided in future The occurrence of the second type will depend on the range of foreign resources, secondary and monetary, available and a convenient concatenation of events which does not afflict American population and economy The third type of intervention will continue in various forms as in the past A fourth type of intervention that is likely to proliferate in future can be described as low visibility-low cost intervention involving 'soft co-optation' of leaders and groups in third world countries

An article published in the *Christian Science Monitor* (August 14, 1990) by Joseph S Nye Jr entitled, 'Soviet Power and America's Soft Power', presented a succinct description of this tactic It will involve the structuring of "the political agenda and the framework of debate in a way that shapes the preferences others express" According to this approach, the ability to affect what other nations want is associated with "intangible power resources such as culture, ideology and institutions" Institutions like the World Bank and GATT are cited as examples of the success of such 'soft power'

The US has two special advantages in this area One is the proliferation of think-tanks and service organisations with the objectives of spreading the message of 'freedom and free enterprise' Many such organisations claim to be non-governmental but maintain close links with the military-industrial complex Reagan administration's clandestine dealings with Iran and Nicaragua, revealed during the Iran-Contra hearings, exposed the undercover activities of one such organisation with the name of the National Endowment for Democracy

Oliver North, the shady figure who won media publicity during the Iran-Contra hearings, was appointed to head the Project Democracy which this organisation runs Funds were given by this organisation openly to foreign book publishers, labour unions and other institutions and often secretly to forces to destabilise regimes critical of the US foreign policy Some of the organisations like the National Endowment for Democracy often openly honour opposition political leaders in other countries The Heritage Foundation, for instance, hosted dinner parties for the Zulu chief Buthulezi and Angola rebel leader Savimbi during their visits to Washington eight years ago

The second advantage is illustrated by the recent visits of the former president Nixon to Russia and the secretary of state Christopher to China These visits show how Washington's foreign policy-makers are following a clever tactic of keeping contacts not only with the people in power but, also, those opposing them. In the past, it was generally done indirectly or covertly, not it is being done openly and often officially This does not mean that covert contacts are obsolete There have been allegations, for instance, of secret CIA contacts with Islamic fundamentalist elements in Egypt Omar Abdul Rahman, accused in the bombing plot of the World Trade Centre in New York, was charged by Egyptian president Mubarak as a secret CIA agent This was denied by the CIA, but his contacts with Saudi Arabia and Afghan rebels are well-established

The tactic of soft co-optation can take many forms American experts may go to a country in case of problems such as labour disputes threatening the disruption of links with the American market to offer expertise on 'conflict management' While contacts are made both with government leaders and key opposition leaders, in some cases there may also be undercover assistance to the people in power in both areas threatened with challenge from grass roots militant opposition An American diplomat who was killed in Georgia last year while riding in a car with the chief bodyguard for Edward Shevarnadze, was later reported to be a CIA agent sent to train Shevarnadze's security force

Political instability and unco-ordinated discursive types of protest plaguing eastern Europe, former Soviet Union and other parts of the world offer the US a wide field for different types of intervention, consisting of old and new forms The objective of the strategy will be to contain dissent and shape the form of the political order so that the basic structural criticisms of the US interests are neutralised These interests were clearly spelled out in the secret memorandum of George Kennan quoted earlier

Japan's Constitutional Debate

S P Seth

As the post-cold war era is catapulting Japan into playing a global role, a national debate is raging in the country on how best to amend or side-step Article 9 of the constitution which forbids it from maintaining armed forces.

THE post-cold war era has suddenly catapulted Japan into a global role. During the long cold war period, Japan was America's junior partner in a bilateral security treaty. Its defence against a global communist threat (mainly from the Soviet Union) was America's responsibility. The US had imposed a 'peace' constitution on Japan following its defeat in the second world war. Which, under Article 9, forbade Japan from making war or maintaining armed forces.

But, with the cold war escalating in the 50s, the US decided to co-opt Japan as part of its global strategy of containing the communist threat. Japan was returned its sovereignty in 1952, but was required to sign a security treaty with the US to become part of the 'free world'. At about the same time, under a new interpretation of the Japanese constitution, the US urged Japan to raise its own armed forces for self-defence. American pressure led to the creation of a 'police reserve', later upgraded to Self Defence Forces (SDF) in 1954.

Such 'creative' interpretation of Article 9 of the Japanese constitution created a dichotomous situation for Japan—of maintaining armed forces when the constitution expressly prohibited this. In the post-cold war period such dichotomy is only too evident. Japan is now a global power in its own right, being the world's second largest economy. Even though it is still America's security partner, the rationale for this alliance is wearing thin. Japan is seeking permanent membership of the Security Council. It is being asked to contribute troops to the UN peace-keeping operations. As the tensions between the US and Japan grow on trade and other matters, pressures within Japan for autonomous defence are bound to increase. But Japan's pacifist constitution will stand in the way of legitimacy for such a role.

A national debate has been raging about how best to amend or side-step Article 9 of the constitution. Article 9 has two paragraphs which read as follows:

> Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of settling international disputes.
>
> In order to accomplish the aim of the preceding paragraph, land, sea and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognised.

Article 9 is, therefore, very explicit that Japan would not maintain armed forces. The debate in Japan on this, however, betrays tremendous confusion. Okazaki Hisahiko, a former senior diplomat, recognises the need for amending the article. But, at the same time, he feels that even without its amendment, the government need not be hamstrung. It can always take the plea that the "inherent right of individual or collective defence" is recognised even under the UN charter. Or else, the constitution can simply be side-stepped.

In this regard, Okazaki Hisahiko gives his own example. He says, "I worked for 40 years as a civil servant, and though I wouldn't say I ignored the constitution, I must admit that I carried out my duties without much thought to it." He adds, "Really, though, it seems to me that the greatest skill of those conversant in the law is their ability to weave their way through problem areas where the law does not show the way." This is precisely how the Japanese establishment has so far been getting around Article 9—by legal obfuscation or simply by pretending that it did not exist.

But in the post-cold war period, with Japan poised to play an increasingly autonomous global role, this kind of sophistry and obfuscation has its limit. Therefore, Nakanishi Terumasa is adamant that, "...the SDF must be given explicit approval by the constitution" to give it legitimacy. However, this is easier said than done. Because the amendment to the constitution requires two-thirds majority in both houses of the Diet (parliament) and ratification by a majority vote of the people.

This will not be easy as many Japanese abhor military power. Therefore, according to Moroi Ken, a member of the Constitution Study Council set up by *Yomiuri Shimbun* (a Japanese newspaper), "a much more realistic option than of trying to pass an amendment" is to reinterpret Article 9 in the new circumstances. But the language of the article does not lend itself to any interpretation other than pacifism. The constitutional anomaly will thus continue to exist.

Besides, as Nakanishi Terumasa points out, "Once Japan started down that road [of reinterpretation], it would find itself forever redefining what constitutes a dire threat to its interests and reinterpreting Article 9 to meet each change in circumstances". He adds, "This would deal a fatal blow to the notion that Japan is a law-abiding nation, and once respect for the law goes, the other ideals [democracy, human rights, etc] would go with it." Therefore, amending Article 9 is the only viable option.

As is well known, Japan's present constitution was imposed by the US on a defeated nation. It is only natural that the Japanese people, at some stage, should want to modify it to reflect their new status. Japan has two choices in regard to Article 9: (i) to ignore or reinterpret it with a view to overcoming its constraints; or (ii) to amend it under valid constitutional procedures. The first will always suffer from doubtful legality. The second is a painfully long haul as it requires forging a broad-based national consensus. Clearly, the second course has much to commend it as it discourages the temptation for short-cuts. Such shortcuts tend to subvert the entire system. It has happened to Japan before (in the 30s and 40s) and should, therefore, be a salutary lesson.

For the Attention of Authors

The compulsion to limit the size of issues on account of steeply rising newsprint and other costs and a sizeable backlog of material awaiting publication lead us to request that papers submitted for publication be not over 10,000 words, including tables and notes and references.

It is helpful if contributions in word-processed format are accompanied by floppy disc copies, in Wordstar preferably. The latter will be returned after use.

Goan Intellectuals and Goan Identity

An Unresolved Conflict

Pramod Kale

At the centre of the conflict of identity that Goans face today is the 'paradise lost' syndrome. Being Goan and being an Indian are becoming increasingly two different things.

GOA, one of the smallest states in the Indian Union, a former Portuguese enclave, occupies a unique position in the history of European colonial adventure. When Alfonso de Albuquerque conquered Goa (which consisted of an area of 166 square kilometres of estuarine islands, called collectively *Ilhas* in Portuguese) from the Moslem rulers, he in effect established the first European colonial foothold in Asia. With the two small buffer districts—Bardez in the north and Salcette to the south—acquired by 1533, a total area of 785 square kilometres came under direct rule of the Portuguese king. It was here in this region known as *Velhas Conquistas* (Old Conquest) that a distinct Goan identity was shaped through four and a half centuries of European political, social and cultural domination.

During the early years of their colonial rule in Goa, the Portuguese administration and the Roman Catholic church through the Holy Office (Inquisition) established in Goa in 1560 unleashed a reign of intolerance and terror for the new Christians. The injunctions, prohibitions and restrictions covered aspects of daily life such as preparation of food, what clothes to wear as well as the observance and practice of rituals and performances connected with birth, marriage, and death and aspects of culture such as music. The aim was to bring about a generic change in the local population by cutting it off totally and irrevocably from its roots. To a certain extent the colonial policy succeeded and led to what Tristao Bragancsa Cunha, a Goan political leader and intellectual, characterises as 'denationalisation' of Goans.

"In the whole in India, no people is so denationalised as Goans. A complete lack of national consciousness and the most shameful subjection to foreign rulers, either Portuguese or British, render the Goan Christian a stranger in his own land. A servile follower of everything foreign to his country, hybrid in manners and habits, living in disharmony with his natural surroundings, his strange behaviour makes one doubt the purity of his race, which nevertheless in no way differs from that of the neighbouring Indian. He is considered to be of mixed blood on account of the Portuguese names he has adopted and the western manners he affects. He has even been qualified as a Portuguese Mongrel by a Catholic missionary."[1]

The policy of Christianisation or Europeanisation did not succeed in ridding the Christian population of Goa of its Hindu caste system based on birth. It still retains, after 400 years of conversion, its division into brahmin, kshatriya and sudra castes. It created a paradoxical situation where the new Christians retained their caste affiliations and status grouping, while subscribing to the doctrine and practice of their new faith. The two higher status caste groups amongst the Goan Catholics were the bamons and the charados, corresponding to the brahmin and kshatriya castes of the Hindus. Converts from the 'lower' Hindu castes were grouped together as sudirs, corresponding to the sudra cluster of Hindu castes. The untouchable, atisudra castes such as the mahars and the chambhars, retained their Hindu disabilities even after conversion. Converts from the 'tribal' group such as kunabi gavadas more or less retained their identity and remained only nominally Christian.

The Hindu population which resisted conversion was subjected to numerous humiliations such as deprival of their rights and expulsion from core Catholic region. Many Hindus left their ancestral homes and settled in neighbouring areas. The Hindu migration was followed by the migration of a large number of new converts, who fled the excesses of zealous inquisitors who were more powerful than any civil or military authority the Portuguese administration had. The first wave of Goan migration was thus caused by the policy and practices of the Church with its narrow counter-reformation ideology. During the two centuries of its almost total ascendancy, the Church institutionalised its control over the local Christian population. The office of *Pae Dos Cristaos* was created to watch over the privileges and special interest of the native Christians.

The second wave of migration which started in the late 18th and early 19th century was the result of the stagnation of local economy and the decline of Portugal as a colonial power. During the Napoleonic wars the British occupied Goa for strategic reasons and although they withdrew later, it made Goans aware of jobs and opportunities offered for advancement. Goan migration, which has continued for the last two centuries, has not been confined to any one caste group amongst the Catholics. The upper caste emigrants (bamons and charados) have followed careers as colonial administrators, academics, lawyers, doctors, journalists and technocrats. The sudirs go in mainly for 'sirvis' (service).

More than the Portuguese civil and military authorities, it was the Church hierarchy, dominated by European clergy, that wielded real power in Goa. 'Viceroy comes, viceroy goes, but the Paulist Father stays here forever,' says a Goan proverb (*'vice-rei vai, vice-rei vem, O Padre Paulista sempre tem'*).

One can discern several major elements which have contributed to the formation of Goan[2] identity. Firstly and most importantly, it is the Roman Catholic Church which has shaped the Goan identity through the last 400 years, giving the Goans not only their names but a belief system which they shared with their colonial rulers. The continuance of a hierarchical social system based on Hindu castes has been a contradictory, though important force which has overtly and covertly contributed to the formation of this identity. No less important to identity formation are the contributions of the Goan diaspora and the Goan intellectuals of various persuasions and ideologies. These various elements have not always been harmonious with one another and the conflict of identity that Goans face today has its roots in them.

In the 16th, 17th and 18th centuries the intellectual life of the Goans (or the Canarins as the Portuguese called the neo-Christians) was dominated by the foreign clergy. Seminaries like those at Pilar, Rachol and Saligao which trained the clergy for propagation of faith throughout Asia, were centres of traditional religious instruction and operated within the intellectual boundaries set by Rome and counter-reformation. Of the three religious orders in Goa, the most influential was the Jesuit in the district of Salcette. (The

Dominicans, also in charge of the Inquisition, ruled in Ilhas which contained the capital city, Cidad da Goa. The Franciscans were given the northern district of Bardez.) Although brahmin converts were trained for parish priesthood up to 1600, a strict colour bar existed against the admission of native converts as clergy in all religious orders till 1750. It was only after Marquis da Pombal removed the civil and religious inequities to which the Canarins were subjected that a class of non-clerical native intellectual began to emerge (the non-Christian population in Goa had to wait for another 150 years before they could enjoy the same benefits of civil and religious liberties, early in the 20th century.

The early intellectuals amongst the Goans were, predictably and inevitably, influenced by the European models of the day. They were divided in their polemics as Royalists and Republicans, conservative Catholic dogmatists and secular anticlerical reformers and humanists. Europe shaped their thoughts and European concerns were their concerns. Most of them were educated in Europe and spent much of their time there imbuing their minds with new ideas that represented the spirit of the age. They mastered many European languages. They wrote in Portuguese mainly, but also in French, English and Italian. They were civil servants and administrators who served the Portuguese in Goa and other colonies. They were doctors and lawyers. The were scions of the landed gentry (Bhatkar) in Goa. They lived in their palatial houses in Goan villages. They collected honours and titles from the Vatican and from various European courts and republics, they got their biographical sketches and titles entered into publications meant for that purpose. They subscribed to European magazines and journals. They wrote novels and plays in Portuguese and acted them out in Margao and Panjim. Their social life generated a unique syncretic culture marked by performances such as Mando and Dekani. The colonial rulers granted these Eurocentric metropolitan intellectuals the status of 'asimilados'. These asimilados were role models for the upper class Goans.

From the Eurocentric intellectuals arose a class of intellectuals in Salcette area in and around Margao, who began to concern themselves with ideological issues and participatory, elective politics at the local, provincial and colonial levels. Noteworthy amongst these is Bernardo Peres da Silva, a member of the Portuguese parliament from 1822-1844 (representing Margao constituency), a partisan of the liberal party, friend of Prince Regent Don Pedro, who rewarded him with the Prefectship (a stand-in title for governor general) of Goa. The Prefect lasted only for two weeks in January 1835 when he had to flee to Damao because the Europeans in Goa refused to accept his authority. Rogerio de Faria, a wealthy Bombay merchant, lent his active support to organise an expeditionary force to help the deposed Prefect. This diasporic connection failed to achieve anything. The onset of monsoon defeated it.[3] A towering figure amongst the Goan intellectuals of mid-19th century was Francisco Luis Gomes, a parliamentarian, novelist and biographer of Pombal.

Menezes Braganca's life and politics later in the century provided a bridge between the Eurocentric intellectuals of the 19th century and a new breed of intellectuals for whom Goan autonomy became a goal—a possibility. His anti-clericalism and anti-colonialism soon marked him out as a pioneer of 'Goan nationalism'. His younger kinsman Tristao Braganesa Cunha can be called the first 'Indian nationalist', a Goan intellectual who looked upon Goa's political struggle and destiny as a part and parcel of the Indian national struggle for freedom.

Broadly speaking, the historical movement amongst Goan intellectuals appears to follow the path which Gramsci has charted in his discussion of the typology of traditional and organic intellectuals.[4] The traditional Goan intellectuals come mostly from the elite class and the two upper castes, bamon (brahmin) and charado (kshatriya). The upper castes distinguish themselves from the sudirs (sudras), a blanket term used to describe converts from all other castes which include a number of occupational groups of varying social status. Although no census figures are available from pre- and post-independence sources, it is evident that the sudir caste is numerically largest amongst Goans. Historically members of sudir group worked as tenant farmers (mundkars). They also worked as menials and servants in landlords' houses and places of business and as small independent tradesmen: carpenters, tailors, barbers and cobblers. They received their rudimentary education in

the three Rs and in music at the parochial schools run by the clergy in the village. For them the clergy and the teachings of the Church were of much more importance than for the upper castes. The first wave of Goan migration to British India was from this group. The early Goan emigrants to Bombay, for instance, worked as cooks, butlers and domestic servants for the British. With their familiarity with western music and instruments they found employment as players and bandmasters. A large number worked as shiphands, sailors, cooks and stewards on passenger and cargo lines. These 'shippies' (tarwatis) earned good wages, saved substantial sums with which they were able to buy land and build houses. A sizeable part of this money was also spent in ostentatious living, prompted by a desire to compete with the landlords of the bamon and charado communities. At present this tradition is continued by Goans who earn their living in the Gulf countries and many of whom come from the same background. The 'Gulf Goans' are a very vocal and powerful group in shaping the identity of Goans today.

The sudir community shows some characteristics of the subaltern group. The intellectuals amongst this subaltern population seem to have a different worldview and different sense of identity than the elite intellectuals have. Their literature, their theatre as well as their politics reflect a distinct worldview which seems to be a convergence of three elements. At the very bottom is the traditional (Indian) belief in a strict hierarchical ordering within the family and the society which is based on prescriptive rather than ascriptive norms of relationship between its members. The second one is provided by religion, a belief in the sanctity of the Church and the clergy, of suffering and martyrdom, of humility and poverty, in divine intervention and miracles wrought through prayers, rituals and penance. The third is acceptance of the western way of life a nostalgia for the symbols of European colonial rule. This worldview is reflected in popular Konkani Tiatrs and in Romanses (romantic novels) in Konkani. It is also expressed in the 19th century and contemporary Goan journalism in Konkani, English and Portuguese published from Goa and outside Goa. The migrant subaltern Goan from Bombay, Karachi, Nairobi, Lisbon, London, New York or Toronto has contributed as much to the shaping of a common ideology and dream of Goa as the Goans living in Goa.

During the last 30 years, since the Indian troops marched into Goa to make it a part of the Union of India, the Roman Catholic society in Goa has undergone radical changes. Vatican II has brought about changes in the Church which reflect, to a certain degree, in the more liberal attitude toward the formal aspects of religion evinced by the upper caste Catholics—the BC's as they are called in Goa. Culturally many have traced and reaffirmed their pre-conversion roots in the use of names and surnames. Historically, Goans have been migrating out of their region but very few outsiders, if any, have migrated into the state after the inclusion of *Novas Conquistas* in the 18th century. During the last 30 years the Goans have faced migration into Goa from other parts of India. These are job-seekers, entrepreneurs and labourers from the neighbouring states in India. Numerically, the migration has not been great, but it has certainly affected the 'quality of life', as Goans remember it from the unhurried days of Portuguese rulers. From the isolation and stagnation of a colonial dependency, the Goans find themselves thrust into a world of fierce economic competition. In this world the Goan emigrant worker in the Gulf, and the traditional landed gentry feel equally threatened by the outsider. This has forced them to make political alliances. During the last five years these alliances have achieved some positive results. Konkani has been recognised as the official language. Goa has been granted statehood after being a union territory for a long time. The alliances have also been instrumental in winning power and pre-eminence for Roman Catholic political leaders. There have been three Roman Catholic chief ministers during the last three years in Goa, a privilege they did not have for three decades after Goa's integration into Indian polity.

These political gains are not unmixed blessings for the Roman Catholic community in Goa. Under the colonial dispensation of the Portuguese, the Roman Catholics and the Hindus lived peacefully with each other. There were no communal riots in Goa. The two communities existed in separate spheres—not so much in harmony with each other, as in ignorance of and indifference to each other. This was the paradise of peace and tolerance (*Bhuvaicunta*) that Goa was, as imagined by the Goans. It is this 'paradise lost' syndrome which is at the centre of the conflict of identity that Goans face today. Being Goan and being an Indian are becoming increasingly two different things. This crisis directly affects the praxis of politics and culture in this very small state. As a state, Goa draws a large share of its income from tourist trade. The Goans have a love-hate relationship with the tourists, especially what are called, not so lovingly, the 'Indian' tourists who are regarded as uncouth, cheap and messy. Goans also dislike the young European-backpacking sun-worshipper as tourist. At the same time Goans do not want five star tourism and have organised themselves to fight it as the Army of Awakened Goans (Jagrit Goykaranchi Fauz). The most recent example of Goan resentment is the opposition to the Konkan railway, a coastal railroad network, passing through Goa linking it with coastal areas of Maharashtra, Karnataka and Kerala. The intellectual leadership for organising this protest comes from a group of Goans who are concerned more with ecology than with the unique historical experience of Goa.[5] They come mostly from the upper crust of Goan society. Although they have formed a loose coalition with the subaltern sections of the community, in practical terms they do not share common interests especially where economic development of Goa is concerned. The kind of ecological restraints advocated by the environmentalists would probably not sit too well with the kind of development which the formerly subaltern groups, such as the 'Gulf Goans', flush with their money want in Goa. This might provide another dimension to the conflict of identity generated by enlightened self-interest amongst the various groups of Goans.

Notes

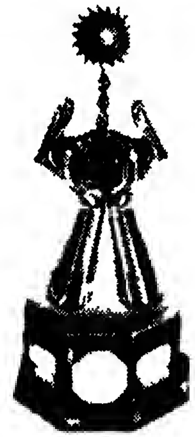
1 Goa Congress Committee, *Denationalisation of Goans*. Bombay, 1944 Although anonymously published, the pamphlet is definitively attributed to Cunha in Antonio da Cruz, *Goa Men and Matters*, Vasco da Gama, Goa, 1964, p 14

2 The term Goan has been used to describe the Roman Catholic population of Goan origin (for the most part descendants of the Hindu converts from the Velhas Conquistas—Conquest districts of Tisswadi, Bardez and Salcette in the 16th century) Historically they have been designated as Canarins, Luso-Indians or Assimilado The Hindu population of Goa was in various historical epochs, described as Gentoos, Hindus or Indigenas Currently in the state of Goa the Roman Catholic population is less than 48 per cent For the purpose of this paper the term Goan excludes the non-Roman Catholic population of Goa

3 Teotonio R de Souza, 'Capital Input in Goa's Freedom Struggle', *Indo-Portuguese History: Old Issues, New Questions*, Concept, New Delhi, 1985, pp 107-111

4 Antonio Gramsci, *Selections from the Prison Notebooks of Antonio Gramsci*, (edited, translated and annotated by Q Hoare and G N Smith, New York, 1971)

5 The position of the environmentalists and 'reawakened Goans' on the issues of tourism and Konkan Railway can be found in Alvares, Claude (ed), *Goan Fish Curry and Rice: A Citizen's Report on the Goan Environment*, Ecoforum Publication, distributed by Other Indian Bookstore, Mapusa, Goa, India, 1993.



Explanation and Prescription

Sumanta Banerjee

Five Lectures in Marxist Mode by Randhir Singh; Ajanta Publications, Delhi, 1993; pp 131, Rs 65.

IN an age, where non-committal ambivalence has become the sign of etiquette in debates in the academic *beau monde*, it is refreshing to find someone like Randhir Singh making his position clear at the outset without the post-modernist obligatory humming and hawing. What he said at a conference of the Andhra Pradesh Civil Liberties Committee in April 1991 (which is included in the present collection) is worth quoting, since it is the spirit behind that which inspires all the writings which make up this slim volume. While introducing the topic on which he was requested to address the conference ('Terrorism, State Terrorism and Democratic Rights'), he said: "Mine will be in fact a straightforward political and partisan exercise in the sense that in a class divided, exploitative society like ours all worthwhile thinking is, inevitably as it were, political and partisan. In such a society, on all important issues, in philosophy as in real life, neutrality is an illusion. Here everything said or done, or left unsaid or undone, helps one side or the other".

The present collection of seven of his writings (including three excerpts) is an excellent example of Randhir Singh's forte—a combination of impassioned involvement with, and a simultaneous rigorous analysis of, the issues about which he writes. Although encompassing different topics—separated by both time and space (e g, crisis of socialism in the Soviet Union, communalism and casteism in India, democratic rights in Punjab and Kashmir, the Ghadar revolutionaries of 1914-15)—there are some common recurring threads that bind them together and make this collection an important companion for both academics and activists who are either interested, or involved in, the movement for a socialist transformation of Indian economy and society.

All through the collection, the reader will discern (i) a stress on the necessity of linking theory and practice—a harking back to the old Marxist concept; (ii) urging upon practitioners to return to the old communist norms of personal conduct and moral elan; (iii) a reassertion of class-based ideology as distinct from caste or ethnic loyalties—traditions which are being harnessed by small-time political operators and legitimised by new-fangled theories by certain academics; (iv) a demystification of the ruling class concept of nationalism and replacing it with socialist concerns; and (v) an attempt to restore the terms of discourse (which have been derailed and appropriated by the state and the ruling classes) to the original tracks of the basic economic and political problems.

One of the abiding concerns that permeates the writings is the need to restore the moral elan of the revolutionary moments of the early communist movements and the revolutionary nationalist movements in India. Writing about the betrayal of the democratic norms that were enshrined in the objectives of the international communist movement, Randhir Singh refers to the building of the hated Berlin Wall by the communist regime of East Germany, quotes Bertolt Brecht's prescient lines from a poem of his (composed during the communist suppression of a workers' uprising in Berlin in 1953), and then makes an observation about the then communist rulers of East Berlin which, strangely enough, I find equally applicable to the present Leftist rulers of West Bengal: "Whatever the motivations or extenuating circumstances, this stubborn refusal to see or hear or speak, when it was their revolutionary duty to see, hear and speak, constitutes an act of historic complicity on the part of these leaders and functionaries that is crying out for atonement, which must visibly express itself, above all, in a return to communist norms of personal conduct and a better, revolutionary practice of Marxism" ('Crisis of Socialism'). Are the younger cadres of the CPI and the CPI(M) willing to listen to this voice of a senior comrade of theirs? The article from which I quoted the above is both emotionally nostalgic and theoretically challenging, a combination which always marks Randhir Singh's best speeches and writings, like his talk at Jalandhar in September 1992, 'In Memory of Punjab Revolutionaries of 1914-15', where he recalled the three vital aspects of the Ghadar movement, which were to be inherited by the later day Indian communists, but which "got lost somewhere along the way"—a clear strategic aim, an independent, alternative politics and the moral elan.

Way back in 1974, writing about the crisis in the Indian economy and its impact on the middle classes at that time, Randhir Singh observed: "This also produces a type of opposition to the government that is not based on the study of society or a grasp of the failure of the capitalist system in India. Moved only by economic hardship, such opposition can... easily play into the hands of the extreme right-wing, fascist or semi-fascist opposition" ('Concerning Indian Economy'). Sixteen years later, the author comes to grips with manifestations of such opposition—the agitations over the issue of job reservation for OBCs and the communal outbursts of the Hindu fanatic organisations—in two interesting speeches (included in this volume under the titles 'Of Reservations' and 'Communalism in Contemporary India'). In both, he reasserts the need for the Left to establish and function on the terrain of independent class-based people's politics, in order to counter the various groups of the elite which are tapping the divisive potential of communalism and casteism. On the rise of Hindu communalism in particular, he reminds us that Gandhi and the bourgeois-led Indian nationalism, along with its other limitations, carried a great deal of Hindu communal baggage, and he therefore warns against simplistic, though well-meaning attempts to fight communalism with nationalism: "...a struggle against communalism from the standpoint of nationalism is, if not entirely misleading, highly inadequate and problematic".

The other dangerous dimension of this type of nationalism-versus-the-rest discourse is the public socialising into accepting growing intrusion of the state apparatus into our social existence. In his inaugural address at the Andhra Pradesh Civil Liberties Committee conference in 1991 ('Terrorism, State Terrorism and Democratic Rights'), Randhir Singh described how in the context of 'terrorist violence', such intrusion and violation of human rights by the state were accepted (both by the public and the academic circles) as necessary in 'national interest'. In such a metaphysical mode of thought, "all distinctions are blurred or obliterated, and everything, all such protests, resistance or struggles are simply lumped together into one omnibus thing called 'terrorism'." While fighting this mode of thinking, Randhir Singh again stresses the need for analysing state violence in terms that should go beyond merely the 'human rights' dimension, and for viewing it as a manifestation of "class violence, as an expression of class domination or policies, as a part of the ongoing open or hidden class struggle in society".

Randhir Singh touches upon issues which divide Indian Marxists, and challenges them to formulate a common theoretical approach to problems like the rise of caste-based movements, the offensive by communal organisations, the concept of 'nationalism' and 'national interests' as propounded by the Indian state—problems which demand bold ideological interpretations and innovative solutions. As is obvious, it is a vast and complex gamut, encompassing fundamental and contentious issues like the place of religion in Indian society (and the Marxist attitude to it), the role of the different castes in our rural society and their changing attitudes, the perception of India as a nation (whether it is shared in common with the majority communities by the various religious, ethnic, regional minority communi-

ties) While I agree with his basic thrust on restoring the class-based politics of the communist movement (which has been ousted from the mainstream in the Hindi Hindu belt—obsessed as it is with casteist and communal concerns —and has been derailed and distorted in the original Left strong holds, thanks to parliamentary power politics), I feel that the traditional Marxist concept of polarisation of the people along class lines (in the context of 19th century West European politics, between the capitalist class on the one hand and the industrial proletariat on the other) does not cut much ice with the poor classes here who appear to be more motivated by their caste loyalties than class interests —even among those Bihar poor peasant villagers who under the influence of the various naxalite groups seem to be willing to kill members of their own class just because they belong to the upper castes, to the extent of even killing their children! It is an uphill task to introduce class based politics to replace caste based hostilities among these people

This brings me back to a deeper fundamental question— which Randhir Singh touches upon when he writes about the crisis of socialism why after 70 years of a socialist system that apparently assured economic equality to all the different ethnic, religious and linguistic communities members of all these communities today are breaking away and engaging in the worst forms of communal conflicts Obviously, it was not merely because of Lenin's "unworthy successors" (as Randhir Singh suggests in one of his speeches) that the socialist system collapsed, but due to more deep-rooted and built-in tendencies in the very strategy of building socialism in the Soviet Union (that was shaped by Lenin himself) and later in the East European countries

Readers can differ with Randhir Singh on his analysis and suggestions, but can certainly share the belief that inspires him ' in all human activity, whose characteristic is purpose, knowing and doing are so related that explanation is invariably suggestive of prescription, just as a diagnosis always points to the treatment' It is this that should prompt his readers to join him in exploring the complex Indian socio political scenario and seeking a solution

A Tale of Two Countries

China and India

Ashima Goyal

Uneven Development in the Third World: A Study of China and India by A S Bhalla, Macmillan, London, 1992, xix + 353

I

APART from its intrinsic merits, this volume will be widely read because of its topicality At a time when some liberalisation and export led growth are coinciding in China and India tries to embark on the same route, many are looking to learn from the Chinese experience Bhalla has provided a timely and in depth analysis of many dimensions of a possible comparison Precisely because of this the study unwittingly highlights just how careful one has to be in making such comparisons

Following Hirschman's seminal contribution the author uses the idea of uneven development as a cutting edge to organise his work He focuses on the role of inter and intra sectoral balance and general aspects of equality as possible strategies of development He then searches for imbalance in the outcomes of the development process whether it occurs in growth, consumption or income across different sectors and groups or in the access to technology health and education India and China are systematically compared in all these aspects

Part I of the book surveys concepts of uneven development and applies them to the examination of the Indian and Chinese case These relate largely to inter-sectoral linkages and investment shares Part II presents a detailed factual presentation of the outcomes of development according to the sub-headings outlined above The period covered spans the 50s through to the 80s The first chapter of the book motivates the study by listing the similarities and contrasts between the two countries The last concludes by analysing factors of the political economy in each country, and largely holds them responsible for flaws in strategies and outcomes

The search for balance empirically takes the form of linkages between different sectors and their shares in investment and other services The political economy similarly is analysed in terms of the conflicts between different sectors and groups One aspect of Hirschman's advocacy of imbalance was that as pressures built up, there would be strong incentives through the market, that would induce development This aspect is not highlighted, which is a lacunae, given the current emphasis on market-led growth There are insights on this, scattered here and there, but one has to search for them Correspondingly, in the last chapter, the concerns of current theories which endogenise institutions such as property rights, strategise group dynamics and seek to discover an optimal mix of government and market activities are neglected

Apart from the obvious resemblances between the two countries the divergences in institutions, such as property rights and the nature of governance, make a comparison illuminating, and perhaps illustrate why their experiences have been so distinctive They started off with analogous levels of development in the 40s, and followed the same sequence of strategies that led from a reliance on heavy industry, to agriculture-led and finally export-led growth with greater reliance on the market The author blames flaws in the design of strategies and in their implementation for shortfalls in both countries Even so, China has always overtaken India both in rates of growth and in switch points between strategies What is the reason for China's consistently better performance? Let us search for answers Another aspect on which the book can throw light because of its focus, and because of China's lead in growth rates and policy switches, is the changing nature of the interaction between agriculture and industry in different stages of development

In order to fulfil this objective we first gather some stylised facts from the book The very useful collection of data makes it possible

II

Per worker productivity grew much faster in China as compared to India The quantum leap in growth in the former, occurred in the 60s for industry and the 70s for agriculture However, in both countries, the increase in total factor productivity was small, and much of the growth came from a rise in inputs As an example, chemical fertiliser use in China in the 80s was three times and the power irrigated area two times that of India The high yielding varieties of seeds in use for grain production in China lead those used in India by a generation There is evidence that credit is more freely available for the rural sector in China relative to India Price subsidies on non-farm inputs have been as high as 30 to 40 per cent The incremental capital-output ratios are lower in China The share of investment in Indian agriculture is more than double that in China The composition of agricultural investments differs in India In the latter, the large hydroelectric or irrigation projects have very low capacity utilisation and poor water management systems

In making these contrasts, it must be remembered that there are wide variations in concepts and coverage of data between the two countries For example, investments in collective farms and in labour were not included as part of agricultural investment in China Capital goods were underpriced in China and overpriced in India

In both countries, productivity is much higher in industry than it is in agriculture Although the gap is decreasing in China since 1971, it is widening in India The share of industry in Gross Domestic Product in China was 50 per cent in 1987, more than double that of India While this partly reflects higher growth in the former, it is also due to the low share of the tertiary or service sector in a communist regime Such sectors

were regarded as unproductive. With the widening role of the market, this sector is growing rapidly now. Some of the rapidity of current Chinese growth can perhaps be explained by a long suppressed proliferation of service establishments!

There has been a widespread development of rural industry in China. Rural nonfarm enterprises enter into joint ventures with urban industry for the processing and marketing of farm products. Like Indian, Chinese agriculture is largely subsistence, so that output linkages with other sectors are low. This means that an increase in agricultural output does not cause a large stimulus of production in other sectors. Bhalla suggests that another reason for this could be that, in China, before the liberalisation in 1979, the agricultural price policy was such that procurement prices were deliberately kept lower than market prices. Producer incomes were therefore low and translated into low demand for input supplying industries in the manufacturing sector. At the same time forward employment linkages were high, due to additional employment generated in the storage, processing, transportation and distribution of agricultural output, and this has grown particularly after 1979. In India the structure of employment linkages, while high for select sectors, was different. Varying labour market institutions probably provide a large part of the explanation for this.

III

What are the insights from the book on the ways in which institutions differ across the two countries and their effects on the respective growth processes? Firstly, labour markets are very different. In China, there are restrictions on the free movement of labour. This may form part of the explanation for (i) the large gap between productivity of labour in industry as compared to agriculture, and (ii) the much more widespread development of rural industry. Wage differentials have been low, although they are increasing now. Income and consumption inequalities are much lower than in India but not regional inequalities. The initial land reforms, public distribution of food and rationing, and narrow wage differentials ensure greater equality.

As regards health China has provided better access than India, although with the current greater dependence on the market, facilities are improving for those at the upper end of the income spectrum, and worsening for those at the lower end.

In the post-Mao period the New Education Policy has accorded the highest priority to the expansion and improvement of higher education. It is recognised that the programme of the four modernisations requires an adequate supply of highly qualified manpower. Some degree of elitism is creeping in. This contrasts with the current emphasis on primary education in India.

The nature of Chinese government and the cultural ethos seems to have allowed a large degree of regimentation of the individual. Yet there was a decentralisation of decision-making and intense competitiveness across regions, particularly in the post-Mao period. It would seem that the initial revolutionary fervour, combined with party discipline and redistribution of assets allowed labour and savings to be extracted from the individual, without adequate compensation in terms of increasing consumption. The low growth in total factor productivity indicates that much of early Chinese growth came from accumulation of inputs. The current stress is on augmenting labour productivity both through a raising of pecuniary incentives and of skills.

Although Chinese policies have been much more successful than Indian, there have been shortfalls and imbalances compared to expectations. Even so, policy-makers have shown a flexibility, an ability to extract the maximum from one mode and then rapidly switch to the other. In India the current fashion is to bewail the mistakes of the past, in China it seems to be recognised that the success of one strategy of development depends on skills built up during the earlier one. The present market-friendly mode, while it has yielded very rapid growth, is throwing up some problems. One such problem is a decline in investment in agriculture. In the Mao period, the agricultural price controls were partly blamed for the poor performance of agriculture, but rising agricultural incomes in the 80s have not lead to rising investment in agriculture. Instead there has been a large increase in expenditure on consumer durables and of investment in non-farm activities. Public investment in agriculture has also declined, leading to serious expected infrastructural constraints on the expansion of agricultural output. Over 1980-85, while the planned investment in Chinese agriculture was set at 11-14 per cent, the actual turned out to be only 3-4 per cent.

India's more democratic structure gives people more freedom to make their own choices (or is it mistake?). Sadly, any possible gains in information, due to freer individual decision-making, have been frittered away by arbitrary market controls and bureaucratic ossification. It was as if in the absence of redistribution of assets, equality was sought to be imposed by taking more and more for the government. Unfortunately, this was not used as efficiently as it could have been. On the positive side, as Sen has argued, democratic institutions and the pressure they can put on public policy have perhaps meant that India has been more successful than China in preventing famines, although it has not been able to prevent endemic malnutrition among the poor.

IV

Theoretical macromodels in the structuralist framework [Bose 1989; Rakshit 1989] have shown that when demand for industrial goods from agriculture is high, then an increase in real wages can lead to a rise in growth of industrial output. Otherwise, as wages rise and agricultural prices follow, demand for industrial products falls. Industrial profits are squeezed from the cost and revenue side. Murphy et al (1989) demonstrate that it is when agricultural per capita incomes are high and evenly distributed, that demand for industrial goods from agricultural incomes is high. Growth in the latter can then fuel industrial growth. Perhaps fortuitously, the combination of policies in China allowed them to achieve this kind of growth. Communism led to even distribution of income. Policies, including restrictions on labour movement, encouraged a decentralised development of rural industry, so that employment and wages could rise. Bhalla reports that the number of TV sets possessed per 100 rural households rose from 0.1 in 1978 to 6.6 in 1988. With the move to greater market incentives and shift to consumption demand, the fall in investment in agriculture could lead to supply shortfalls and inflation.

What can our policy-makers learn from this comparison? In particular, the necessity of stimulating investment and ensuring its correct allocation. Market forces have been insufficient to ensure adequate investment allocation to agriculture in China. The importance of policies that encourage rising productivity through competition, learning and technology spillovers. A deemphasis on technical education is obviously inconsistent with this. In the new information age, there is a real possibility of generating high productivity employment in agriculture, and in decentralised industry, taking advantage of economies of scope. Both countries may see a shift from subsistence agriculture to one more oriented to the market. In general, the virtues of flexibility. The lesson that policies that operate on endowments are a more efficient way of ensuring equality than detailed intervention in market processes. The proviso should be kept in mind, that insofar as initial conditions and history are important, and institutions take a long time to adapt, there are limits to what policy-makers can do.

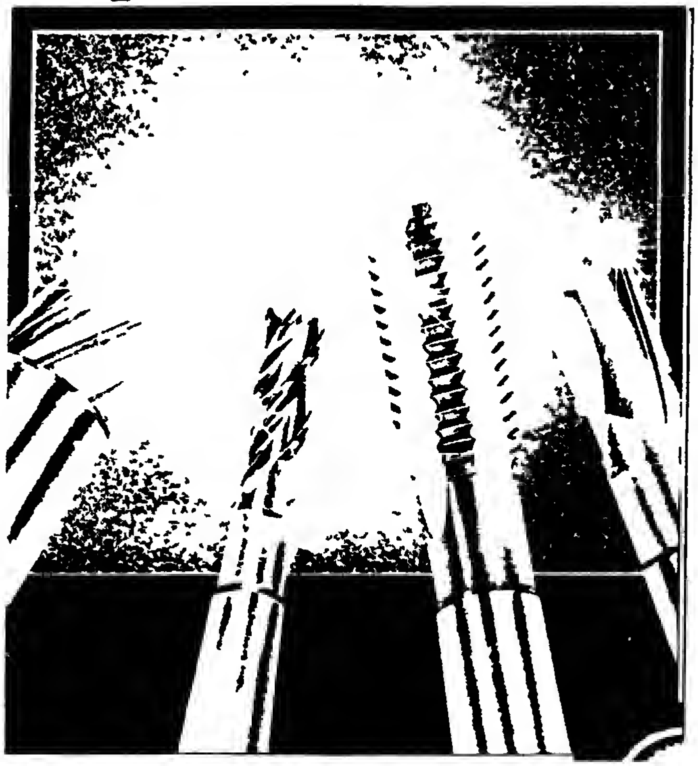
One book has taken us far. What more can we ask? Some discussion of macro balance and foreign inflows would have been useful as China reels from inflation and a deluge of foreign inflows and India courts both.

References

Bose, A (1989): 'Short Period Equilibrium in a Less Developed Economy' in M Rakshit (ed), *Studies in the Macroeconomics of a Developing Economy*, Oxford University Press, Delhi.

Murphy, K M, A Shleifer, R Vishny (1989): 'Income Distribution, Market Size, and Industrialisation', *Quarterly Journal of Economics*, 537-64.

Rakshit, M (1989): 'Introduction' in M Rakshit (ed), op cit



Macro-Economic Policy in Times of 'Globalisation'

Prabhat Patnaik

Why, under certain circumstances, does a government find itself incapable of pursuing expansionary economic policies even in situations characterised by industrial stagnation and accumulating foreign exchange reserves? This is an important theoretical issue suggested not only by the current Indian context but also other historical contexts, e g, Thatcherite Britain.

This paper is addressed to this issue. The author's basic argument is that this represents another facet of 'globalisation'. In an economy which has no control over capital flows and where the policy regime favours a retreat of the state from the arena of production, such a combination of stagnation, reserve accumulation and government impotence can easily arise

Critics of 'market-friendly' regimes in the context of third world economies have typically emphasised the possibility of capital outflows and dwindling reserves as constituting, almost exclusively, the inherent danger of such regimes But this is a partial view. Such an economy is threatened as much by accumulating reserves as by dwindling reserves If the adverse consequences of the latter are more dramatic, those of the former are by no means less significant

I

HE experience of the Indian economy in ie recent months has been quite bizarre: oreign exchange reserves have kept piling p, with the government apparently not nowing what to do with them, even as conomic growth continues to atrophy It nay of course be the case that these reserves, large as they are relative to the level wo-and-a-half years ago, are still not as omfortable as should be; it may be the case iat with large debt-service payments fallig due in the coming months these reserves 'ould vanish in no time; it may even be the ase that they would vanish anyway, built up s they are on the basis, to a significant xtent, of hot-money flows. But these are all pecific, *empirical* issues which I shall not e discussing in the present paper. My conern is somewhat different. The current uild-up of reserves is not a deliberate policy ecision, and nobody from the government as claimed that it is. This raises the queson: why, under certain circumstances, does government find itself incapable of pursug expansionary economic policies even in tuations characterised by industrial stagation and accumulating foreign exchange serves? This is an important theoretical sue suggested not only by the current idian context but also other historical conxts, e g, Thatcherite Britain, and the present iper is addressed to this issue.

My basic argument is that this represents nother facet of 'globalisation', i e, in an onomy which has no controls over capital ows (or which is in the process of lifting ich controls) and where the policy-regime vours a retreat of the state from the arena production, such a combination of stagition, reserve accumulation and governent-impotence can easily arise. Typically, itics of 'market-friendly' regimes in the context of third world economies have tended to emphasise the possibility of capital outflows and dwindling reserves as constituting, almost exclusively, the inherent danger of such regimes.[1] But this is a partial view Such an economy is threatened as much from dwindling reserves as from accumulating reserves. If the adverse consequences of the former are more dramatic, those of the latter are by no means less significant

II

In Sections IV and V of the present paper I present a simple model to clarify my argument that a 'market friendly' regime can well be characterised by a combination of economic atrophy and accumulation of reserves. The essence of the argument however is briefly summarised in this and the following sections. Once controls over capital-flows are lifted and the economy seeks to attract capital from abroad, the interest rate which foreign depositors can get has to be pitched at a level which is sufficiently favourable compared to what rules abroad. Since the structure of borrowing and lending rates of banks has to have some internal consistency (and interest rate discrimination is increasingly abandoned, together with domestic finance rationing, as the economy gets more 'liberalised'), this more or less fixes the entire structure of interest rates, so that we can, without any loss of generality, talk of *the* interest rate being fixed by international considerations.[2] Now, suppose at this interest rate, the inflow of foreign funds increases at a faster rate than the net foreign exchange requirement on the capital account for the given exchange rate, then foreign exchange reserves would pile up.

In the face of this pile-up of foreign exchange reserves, the government can do any one (or a combination) of the following things. First, it can, for the given exchange rate, lower the interest rate But if it did so, since the foreign exchange inflow cannot be fine tuned, it runs the risk of putting off foreign investors altogether setting up expectations of a deteriorating balance of payments, and precipitating an actual payments crisis. It would on the whole prefer not to rock the boat, and continue, aside from marginal changes, with the interest rate that seems to 'work' as far as attracting foreign exchange inflows is concerned.

Secondly, it may try to keep the reserve pile up under control without altering the interest rate. But this would have the effect of pushing up the exchange rate which would precipitate domestic deindustrialisation and affect adversely the export performance. And it would not even stem the inflow of foreign exchange; on the contrary, by setting up expectations of further upward movements in the exchange rate, it may even enlarge the magnitude of foreign exchange inflow. In other words, the policy of desisting from reserve accumulation when foreign exchange inflow is large amounts to letting the current account of the balance of payments adjust to the capital account through upward movements in the exchange rate. Foreign exchange inflows on capital account are accommodated not by piling up reserves which amounts implicitly to capital exports but by enlarging the current account deficit through lower exports and larger imports (at the expense of domestic producers), both of which are brought about by a rise in the exchange rate. This is exactly what happened in Britain: capital inflows stimulated by North Sea gas boosted the value of the pound to the point where large segments of British industry became uncompetitive, resulting in the much-talked about 'deindustrialisation' of the British economy

But this cannot be either a sensible or a feasible policy in an economy such as ours,

whose becoming a rentier as opposed to a manufacturing nation would make little sense.

The third alternative before the government is to expand domestic demand at the prevailing exchange and interest rates. This also has the effect of enlarging the current account deficit to absorb the foreign exchange inflows on the capital account, but does so not by domestic deindustrialisation but by increasing domestic activity. Such an increase however is not easy to bring about for a government that is committed to retreating from the sphere of production. Typically, the instrument which the government can use for increasing the level of domestic activity is a larger fiscal deficit. And the obvious, direct and sensible way of enlarging the fiscal deficit is to step up public investment in areas of high social priority. But a 'market-friendly' regime which swears by privatisation is unlikely to do this. If it does enlarge the fiscal deficit at all, then it does so through tax-concessions (usually to the rich, so that foreign 'confidence' in the economy is retained) or through stepping up unproductive (usually defence-related) expenditures, or a combination of the two.

This way of dealing with accumulating reserves is of course socially undesirable. Tax concessions scarcely result in larger private investment in productive assets (as the US experience under Reagan, not to mention our own experience of the recent past, abundantly shows[3]); they only succeed in stimulating luxury consumption which amounts to frittering away reserves in a manner which not only has low social priority, but threatens the social stability of the regime.

What is more, even this way of keeping reserves under check is not always open to a third world government, for two reasons: first, since the 'market friendly' regimes are under thraldom to the IMF, the latter's disapproval of large fiscal deficits limits the scope for government action. And secondly, in a largely agricultural economy, since agricultural output can fluctuate a good deal, the liquidity overhang provided by a large fiscal deficit that is not used for augmenting productive capacity, especially in agriculture, would sooner or later come crashing down upon the economy in the form of an inflationary upsurge. Even this avenue for frittering away reserves in other words cannot be pursued with impunity.

Finally, the government can choose to do nothing about the accumulating reserves. Even this however is a course of action that is fraught with danger. There is, to start with, the obvious point that the interest rate earned on average on the reserves held is much lower than the interest rate paid out to foreign creditors on the basis of whose portfolio-choice the reserves have been built up. The economy's portfolio in other words is not only inoptimal, but must impinge adversely on its balance of payments in the long run. There is however an additional factor to which I now turn.

III

As reserves accumulate at the given interest rate, the lending capacity of the banking system increases, and does so, *ex hypothesi*, faster than the ex ante demand for credit arising for purposes of commodity production and exchange, which depends essentially on the growth of real income (that is assumed to be slower than the growth of reserves) and of commodity prices (that have not figured in our discussions until now and that can be assumed to be growing at some independently-determined rate, which, for simplicity, and most unrealistically, I take to be zero). As a result the unutilised lending capacity of the banks would *ceteris paribus* start rising. Banks, which, again in a 'market-friendly' regime, would be keen on profits, would not just stand by and idly watch an increase in their excess reserves. They would directly or indirectly create a larger demand for credit by acting in a manner which raises prices, if not of commodities then at any rate of securities. In other words, accumulating foreign exchange reserves would be accompanied by a boom in financial assets, typically a stock-market boom.

Now, in conventional, including Keynesian, economics, a boom in security prices has the effect of stimulating investment through lower interest rates. But where the interest rate itself is fixed for reasons we discussed earlier, a boom in security prices can at all occur if the expected rate of return on securities (i e, the effective 'own' interest rate on securities plus the expected rate of their price appreciation) exceeds this interest rate. In other words, a securities boom is necessarily associated with a rate of return, which taking into account the expected price appreciation, is higher than the interest rate. If entrepreneurs, at the margin, compare this rate of return with the prospective yield on productive investment, i.e, if they reach an 'interior' equilibrium, then the rise in this rate of return would affect productive investment adversely. On the other hand, if investment decisions depend upon the growth of demand and are insensitive to the rate of return on alternative assets, i e, if entrepreneurs reach a 'corner' equilibrium (as we have assumed in our assertion that tax-concessions do not stimulate investment, and as is likely to be true for the oligopoly sector), then investment would remain unaffected.

But no matter what happens to investment to start with, the rise in the rate of return on securities would stimulate further inflows of foreign exchange on the capital account of the balance of payments. As a result the accumulation of reserves would further accentuate giving rise to a cumulative movement. And, what is more, once such a cumulative movement has got under way and the excess reserves of banks have dwindled owing to the increased demand for credit for meeting financial transactions, the cost of bank credit itself would increase. Once this happens, productive investment by the small entrepreneurs, who, in contrast to the oligopoly sector, do take into account the cost of credit in their investment decisions, would be adversely affected, further compounding the problem. In other words, a combination of speculative boom in securities' prices, economic atrophy, and accumulating foreign exchange reserves, would not only characterise the economy but would be come more and more pronounced over time. This cumulative process would go on until there is a collapse either in foreign confidence in the economy owing to rising debt relative to GDP, or in the stock-market bubble. In short, in a situation of this sort, 'doing nothing' cannot be a sensible policy on the part of the government either.

This last argument, about what happens to the economy if the government merely fixes the interest rate, the exchange rate, and the ratio of the fiscal deficit to the GDP, and passively goes on accepting foreign exchange reserves, is illustrated by the following model.[4]

IV

I shall continue to assume throughout my argument that both domestic as well as foreign prices and money wages are given and unchanging. This of course is highly unrealistic but inflation is not my current concern and I make the assumption for simplicity, the argument can be easily recast to take account of rising money-wages and prices both at home and abroad. Now, if we denote the net inflow on capital account (we ignore for convenience all foreign 'aid' and other forms of non market inflows) by F and the rate of return earned by this inflow in the domestic economy by r, and use subscripts to denote the time period and the superscript e for 'expected', then a simple postulate for the behaviour of this inflow is:

$$F_t / F_{t-1} = 1 + a + b.(r^e_t - r^*) \quad .. \quad \text{(i)}$$

where a is some autonomous rate and r^* represents the 'alternative' rate of return (e g, that prevailing abroad).

Now the expected rate of return in the domestic economy is assumed to be the higher of the two rates, namely, the interest rate which is policy-determined, and the expected rate of return on 'securities', which are the only other financial asset (and have, let us say, a perpetual life). In other words,

$$r^e_t = \max\,(i, j^e_t) \qquad \text{... (ii)}$$

where i denotes the administered interest rate (we do not draw any distinction between the borrowing and the lending rates of banks and ignore all considerations of risk) and j^e_t the expected rate of return on securities. This latter consists of two parts: if k denotes the annual flow income assured by the holding of a unit of security and P_{t-1} its price at the end of the previous period (i e, at the beginning of the current period) then the own rate of interest is simply k divided by this price In addition however there is the expected rate of price appreciation. We therefore have

$$j^e_t = k / P_{t-1} + P^e_t / P_{t-1} - 1 \qquad \text{... (iii)}$$

For the expected security price at the end of the current period I shall assume that it is based on an extrapolation of the previous period's price-increase, subject however to two provisos. First, as long as it is generally believed in the economy that over time (i e, for any two consecutive periods) the rate of return on securities cannot be lower than the interest rate, the expected price of securities must have a 'floor' P^* given by

$$P^* = k / i \qquad \text{... (iv)}$$

And secondly, there would be certain independent factors, which are in the nature of erratic influences, which enter additionally into the picture. Taking both these provisos into account, and denoting the erratic element by ϵ, we have:

$$P^e_t = \max\,(P_{t-1} \; P_{t-1}/P_{t-2} + \epsilon ; P^* + \epsilon ; P^*) \qquad \text{.. (v)}$$

In other words, at the 'floor' price, erratic factors can only raise the expected price, but cannot lower it. As for the actual P_t, I postulate the following: the higher the expected rate of return on securities, relative, say, to the interest rate, the greater would be the demand for securities, and hence the greater would be their actual price. But how much greater would surely depend upon the state of excess reserves of the banks, i e, how much credit the banks can advance. This argument however does not hold symmetrically when the expected rate of return on securities is less than (or even equal to) the interest rate, because in such a case the actual price would get tethered to P^*. Denoting the state of excess reserves of banks by E (to be defined later), and some minimum critical level of excess reserves they wish to maintain by π we can say

$$P_t = P_{t-1} \cdot [1 + (E_t/\pi - 1)\,(j^e_t - i)] \text{ when } j^e_t > i,$$

$$\text{and } = P^* \text{ when } j^e_t \leq i \qquad \text{... (vi)}$$

The index of excess reserves of banks which figures in (vi) is an ex ante concept (relating to the end of the period) in the sense that it refers to the ratio between the maximum money-supply that the banks are capable of creating and the demand for money that would have arisen with the current period's income and the securities prices prevailing at the beginning of the period, i e,

$$E_t = \bar{M}_s / f(P_{t-1}, Y_t) \qquad \text{. (vii)}$$

where f is positive with respect to both the arguments of the function.

The maximum money-supply in turn depends on the following. Since the government maintains a fixed proportion of GDP as fiscal deficit, then in effect the magnitude of high-powered money which forms the reserve base of banks depends crucially upon the foreign exchange reserves of the economy. This determines the credit-creating capacity of the banks, and hence the potential money-supply in the economy, i e,

$$\bar{M}_s = (q.R_t/e) \qquad \text{(viii)}$$

where q is taken (as a first approximation) to be a constant and e is the price of the domestic currency in terms of foreign exchange.

The net foreign capital inflow must equal the current account deficit plus the addition to foreign exchange reserves. I assume that imports bear a given ratio to income and that exports bear a given ratio to the magnitude of world trade, both ratios being dependent on the exchange rate; I also assume that the investment-income outflow is the cumulative net foreign capital inflow times the interest rate We thus have

$$F_t = D_t \,.\, i + m(e) \quad Y_t\, e - h(e).W_t + R_t \quad R_{t-1} \qquad \text{. (ix)}$$

where W_t is the total value of world trade and

$$Dt = \sum_{0}^{t-1} F_t \qquad \text{(x)}$$

Now, using superscript g for the government and p for the private sector, we have the following national income identity

$$Yt = C^p_t + C^g_t + I^p_t + I^g_t + X_t - M_t - D_t \,.\, i/e.$$

If we assume that government consumption, government investment and taxation bear fixed proportions to income, denoted respectively by n, μ, and t (so that the deficit is a fraction d = n + μ − t of income), and that private savings are a fixed proportion of post-tax income, and hence, by virtue of our assumption about the tax ratio, a fixed proportion s of total income, then the level of income is given by:

$$Y_t = (I^p_t + h(e).W_t/e - D_t.i/e)/(s-d+m) \qquad \text{... (xi)}$$

For private investment we assume that there is a one-period lag between investment decisions and actual investment and that the magnitude of private investment decisions in any period (and hence actual investment in the next) relative to the total capital stock in the economy depends upon the level of capacity utilisation in the economy and the expected rate of return on holding financial assets in the following manner

$$I^p_{t+1} = \alpha(r^e_t)\,(u_t - u_0) \quad K_t \qquad \text{... (xii)}$$

where K denotes the total capital stock in the economy, u_0 is some critical level of capacity utilisation, $\alpha'(r^e_t) < 0$, and

$$u_t = O_t / \beta .\, K_t \qquad \text{(xiii)}$$

β being the technologically-determined output-capital ratio.

The level of output, as distinct from income, is

$$O_t = Y_t + D_t \,.i \qquad \text{... (xiv)}$$

Total investment is the sum of private and public investments, so that

$$I_t = I^p_t + \mu .\, Y_t \qquad \text{... (xv)}$$

And finally, we ignore depreciation, so that

$$I_t = K_{t+1} - K_t \qquad \text{... (xvi)}$$

This completes our system of equations. Let us turn now to an analysis of the system.

V

The investment-output story told in this model is a variation of Kalecki's well known model of the early-30s, which has been analysed extensively.[5] The variation is in respect of three things: first, we are talking about an open economy; secondly, we have net capital inflows on which there are investment-income outflows, because of which output and income of the economy are not synonymous terms; and thirdly, we have the rate of return on financial assets entering into investment decisions. In our model, for any given rate of return on financial assets, i e, for a given value of α, the behaviour of investment through time would be captured by an equation of the following sort:

$$I_t = a' I_{t-1} + a'' X_{t-1} - a''' D_{t-1} - b' K_{t-1}$$

If exports and interest payments always happened to grow at the same rate as output in the economy, then there would be steady-state growth provided that a' was sufficiently large and of course greater than 1 relative to b'.[6]

Using this result, we can in fact analyse the steady-state possibilities of our total system (given by the 16 equations), consist-

ing of the real as well as the financial sectors. If the erratic element entering into expectations of security-prices is ignored, i e, $\epsilon = 0$, then the system can give a steady state result in the sense of equal rates of growth of foreign capital inflow, of income, of output, of capital stock, of cumulated net capital inflows and of reserves, only if the following conditions are satisfied (i) there exists some level of the administered interest rate at which, if it prevailed as the rate of return in the economy, the rate of growth of net foreign capital inflow is the same as the rate of growth of investment and ouput, (ii) the growth of world trade happens to coincide exactly with this rate of growth and (iii) the level of the initial net capital inflow to that of the initial debt is exactly equal to this growth rate

Now satisfying these conditions is of course a tall order But let us for a moment deliberately make assumptions such that a steady state exists Let us assume that the level of the exchange rate, instead of affecting the share of the country in an autonomously growing world trade, actually affects the rate of growth of exports so that the obstacle represented by condition (ii) is overcome through the choice of an appropriate exchange rate Let us also assume that the ratio of the fiscal deficit to income can be chosen at will in which case by manipulating d in eqn (xi) any rate of output growth (within a range of course) can be achieved by the government for a particular level of the interest rate And finally let us assume that the initial conditions i e the ratio of I to D_0 are such that they admit the possibility of a meaningful steady state growth rate to be brought about through the manipulation of the policy variables Then, by manipulating the three policy variables at its command, namely, the interest rate the exchange rate, and the ratio of the fiscal deficit to income, the government can achieve a steady state path

This path, however, would be an unstable one, in the sense that if the expected security prices happen to exceed the floor level for some reason, then the boom in the security market would continue for some time until the security prices collapse back to the floor level Moreover, once we introduce the erratic element i e $\epsilon \neq 0$, then even if the government sets its three policy variables in such a manner that a steady state path would be attained in the absence of the erratic element, its presence would necessarily ensure that the economy would never be on the steady state path Instead, it would show fluctuations of the following kind erratic factors, which operate in only one direction when security prices are at their floor level, would start a stock market boom, whose consequence would be to attract larger net capital inflows, even as productive investment is adversely affected This would go on until the stock-market boom collapses owing to liquidity-shortage (if chance factors do not intervene in the interim), and security prices collapse to the floor level, but they would not stay at the floor-level, where steady state growth could, in principle, be experienced, because erratic factors would dislodge the economy once again from this perch

The average state of affairs through these fluctuations would be a lower rate of income growth than on the steady state and a higher level of reserves But even this is not enough Since with higher reserves in any one cycle, a more pronounced stock market boom can be sustained in the next cycle, the stock-market fluctuations would *ceteris paribus* become larger and larger in amplitude, and correspondingly the rate of growth of income would become smaller and smaller In short even when the government has full freedom to choose its policy variables, even when we abstract from all considerations of commodity price inflation, even when we assume that any export growth rate can be achieved simply by fixing the appropriate exchange rate and even when we assume that the government is both wise and knowledgeable enough to choose its policy variables in a manner so as to achieve steady state growth the actual behaviour of the economy would be to proceed towards economic atrophy combined with growing foreign exchange reserves and stock market booms of larger and larger amplitude If of course steady state growth is not possible or the government does not have sufficient freedom in fixing its policy-variables, then the behaviour of the economy would become even more bewildering, bizarre, and, in all likelihood, detrimental to growth

A typical illustration of this latter situation is where the interest rate has to be set so high in order to attract net capital inflows that the required magnitude of the fiscal deficit for ensuing a corresponding output growth-rate turns out to be impossibly high This may not merely be because of pressures from the IMF and other such bodies It may have to do with the fact that substituting government bonds for foreign exchange reserves in the portfolio of the banking system would build up a serious inflationary potential as far as the commodity markets are concerned which would get realised in the event of a stray supply failure, and such a denouement would be more likely if the increase in the fiscal deficit is used not for purposes of investment, but for stimulating consumption, either of the government itself, or of the private rich through tax-cuts Since this latter is usually the only way open to the government in a 'liberalised' economy for stimulating economic activity, the strait-jacket which such a policy sets up for itself is obvious

VI

The fundamental fallacy underlying the argument for this sort of 'globalisation' is the premise that productive investment has

become highly mobile across the world and that if only the economy is 'liberalised' in the manner approved of by the Fund and the Bank, rapid industrialisation would follow. As a matter of fact what has become highly mobile across the world is not productive capital but finance capital, especially in the form of hot money. It is speculative funds rather than direct foreign investments which have flowed into our economy, notwithstanding all the talk of how many foreign investment proposals have been approved; and even such DFI which is coming into the economy is for capturing our market rather than for using our soil in order to manufacture for the world market. In fact, one can go further. The very profitability of speculation acts as a deterrent to all productive investment, i e, while we wait for 'liberalisation' to produce its bonanza the economy actually retrogresses.

But this deterrence, it may be thought, acts only in the case of the domestic private sector. If foreign exchange is coming in, why can it not be converted to productive capital through the intermediation of the state? The answer to this question which has been at the centre of this paper consists of two parts: first, it is risky in any case to use hot-money as the basis of an investment-drive. A country which does so is in effect 'borrowing short to invest long', i e, getting into a more and more risky portfolio-mix. But, important though this consideration is, it is not overriding. The state could always choose a pattern of investment, eg, in quick-yielding projects which have the effect of raising supplies of potentially-exportable commodities (raising agricultural output would be a good example) which minimises the risks of an investment drive.

The more serious constraint arises from the fact that under the logic of 'liberalisation' the state is withdrawing from the role of a principal player in the arena of production itself. *As a result, 'liberalisation' leaves the economy without any agency capable of transforming potentially investible resources into actual productive investment, i e, capable of using the 'slack' in the economy to set up its rate of growth.* Direct foreign investment does not flow in, to any significant extent, to take advantage of global markets; domestic private investment dwindles owing to low inducement to invest (which removal of protection entails) and the greater profitability of speculation; and the state progressively reduces its role as an investor. Not surprisingly, economic atrophy ensues even as speculation thrives and foreign exchange reserves accumulate.

Under these circumstances, the state may be tempted to do what the 1994-95 budget has in fact done, namely, to try and reflate the economy by stimulating luxury consumption through tax-cuts for the rich. But this represents the worst of all possible worlds. It does not add to productive investment and hence the growth-potential of the economy; it adds very little to aggregate demand (because of large import 'leakages') and hence employment through the multiplier; it fritters away foreign exchange reserves; it greatly increases the riskiness of the country's portfolio-mix: if 'borrowing short and investing long' is itself a risky policy, 'borrowing short and not investing at all' is of course far worse; it greatly increases the inflationary threat to the economy because the liquidity-overhang caused by the fiscal deficit is not matched by any additional capacity-creation; and finally, the fiscal deficit created with this rather unedifying objective of stimulating luxury consumption not only accentuates consumption (i e, 'flow') inequalities in society, with detrimental consequences for social stability, but, in common with any fiscal deficit as Kalecki had argued long ago, also worsens wealth inequalities.[7]

If the dead-end that macro-economic policy has run into is a consequence of the regime we have adopted, the question naturally arises: what specific lessons can we draw from our experience? To say that we live in a world of highly mobile finance capital and that we have to strategically relate to such a world is quite different from saying that we should open our economy to the untrammelled operations of such capital. The former amounts to the recognition of a valid constraint that the existence of powerful international rentier interests pose to any national economy; the latter amounts to prostrating the economy before such interests whose 'euthanasia' as Keynes had underscored[8] is essential for the revival of productive activity. It is scarcely surprising that only those economies in the third world which, whether by accident or by design, have managed hitherto to keep international rentier interests at bay, have performed remarkably in terms of growth; China is an obvious example in this context.

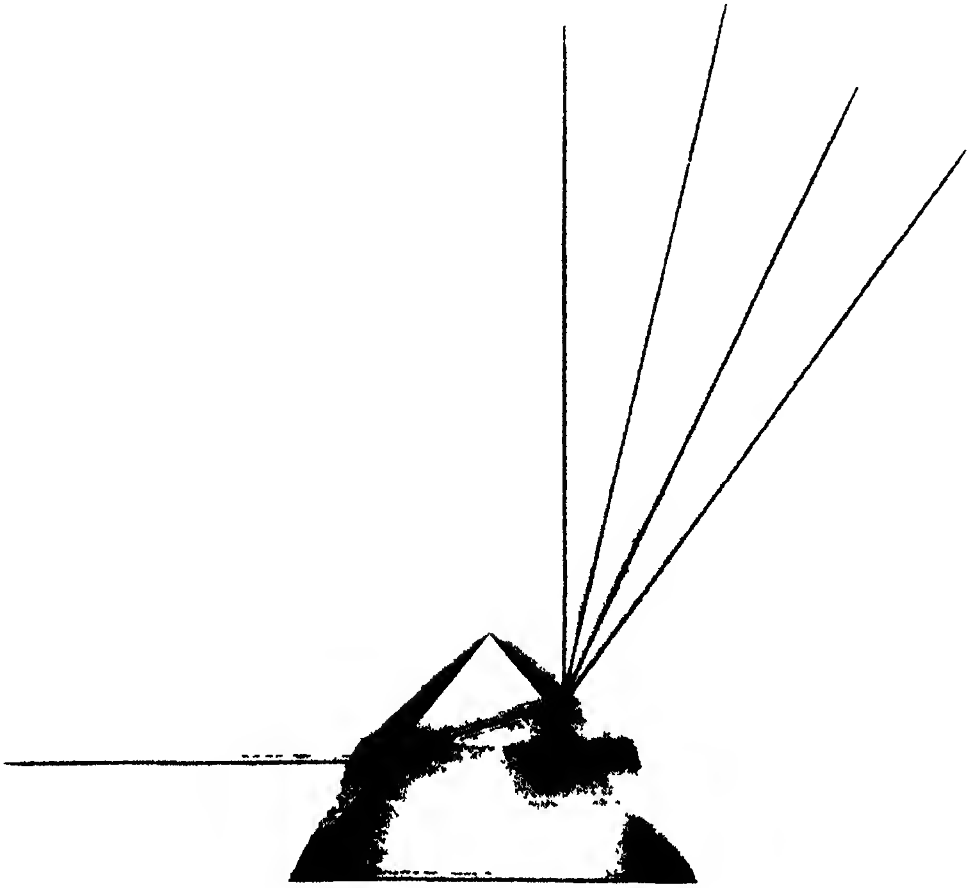
Any macro-economic policy of course has to be a part of an alternative development strategy. I have discussed elsewhere what the contours of such an alternative development strategy should be and shall not repeat that discussion here.[9] But the macro-economic policy supporting such an alternative must eschew at least three specific aspects of the current policy-direction: namely, the move towards freeing capital movements, the move towards financial liberalisation, and the move towards withdrawing the state from the arena of production. Reversing policy in these spheres to be sure would require complementary reversals in policy elsewhere as well, but these represent the proximate elements behind the transformation of the economy into one where international rentier interests exercise hegemony. Both the problems highlighted in the model presented earlier, namely, the problem of the instability of the growth-path leading to atrophy over time, and the problem of having to maintain an interest-structure which is so high that it chokes off productive investment, are ultimately related to these three elements. Encouragement for export-oriented DFI should be provided with a selective set of measures, as the Chinese have done, without going through the gamut of 'liberalisation' measures which turn the economy into a playground for speculation by international rentier interests; if such DFI comes in response to these selective measures, well and good, if it does not then so be it. More generally, the need today is for intelligent, selective and discriminating measures, not for enacting the cliches of a pre Keynesian *laissez-faire* discourse.

Notes

1 I have argued along these lines in Patnaik (1991).
2 This of course is an old argument advanced in the context of economies like Britain by Keynesian economists. See for example, Robinson and Eatwell (1974).
3 For the behaviour of productive innvestment during the Reagan boom, see Sweezy and Magdoff (1987)
4 The model outlined here is an offshoot of joint work-in-progress with Jayati Ghosh, who however should not be held responsible either for the specific form of the model or for the manner in which it is used in the current paper.
5 See, for instance, Oskar Lange's 'Mr Kalecki's Theory of the Business Cycle' reprinted in Lange (1970).
6 In such a case there would be two possible steady-state growth rates, the smaller of which would represent an unstable trend. In the discussion which follows we therefore ignore this unstable trend. It can be verified that the stable trend rises with a rise in the ratio of fiscal deficit to total income.
7 Kalecki's argument that deficit financed government expenditure is worse from the point of wealth-distribution than tax financed government expenditure is contained in Kalecki (1971), pp 84 86.
8 See Keynes (1936), Ch 24.
9 See Patnaik (1994)

References

Kalecki, M (1971) *Selected Essays on the Dynamics of the Capitalist Economy*, Cambridge.
Keynes, J M (1936): *The General Theory of Employment, Interest and Money*, Macmillan, London.
Lange, Oskar (1970): *Papers on Economics and Sociology*, Pergamon.
Patnaik, P (1991): 'Devaluation, Dual Exchange Rate and the Existence of an Equilibrium in a Flexible-Rate Regime', *Economic and Political Weekly*, September 28.
—(1994): 'International Capital and National Economic Policy: A Critique of India's Economic Reforms', *Economic and Political Weekly*, March 19.
Robinson, J and J Eatwell (1974): *An Introduction to Modern Economics*, McGraw Hill.
Sweezy, P M and H Magdoff (1987): *Stagnation and the Financial Explosion*, MR Press, New York.



Money and Public Finance under Structural Adjustment

The Indian Experience

Mihir Rakshit

The Economic Survey *1993-94 and the Budget papers for 1994-95 display inadequate appreciation of the macro-economic mechanism giving rise to a series of paradoxes which have characterised the Indian economy since the initiation of the Structural Adjustment Programme in July 1991, and during 1993-94 especially.*

In order to identify the economic forces behind the emerging scenario this paper takes the developments in the financial sector as its point of departure, mainly because the primary concern of the government remains reduction of the fiscal and monetised deficits. Section II of the paper summarises the behaviour of money and credit during 1993-94 and draws attention to some serious limitations of the official explanations of some financial developments.

Section III attempts a resolution of the paradoxes taking into account the interaction between the financial and the real sectors. In terms of the analytical framework used in this context, Section IV provides a critique of the budgetary proposals for 1994-95 and suggests some policy alternatives.

The final section summarises the main results.

We must beware of Sirens' song and give their flowery meadow a wide berth I alone, Circe suggested, might listen to their voices, but you must bind me hard and fast, so that I cannot stir from the spot where you will stand me, by the step of the mast, with the rope's ends lashed round the mast itself. And if I beg you to release me, you must tighten and add to my bonds.

—*Odyssey*, Book XII.

I propose to phase out the government's access to *ad hoc* Treasury Bills over a period of three years. In 1994-95 the net issue of *ad hoc* Treasury Bills should not exceed Rs 9,000 crore for more than 10 continuous working days at any time during the year. If this happens the Reserve Bank will automatically sell Treasury Bills in the market to reduce the level of *ad hoc* Treasury Bills.

—Budget Speech, Finance Minister, Government of India, February 28, 1994.

I
tate of the Macro-Economy: Some Puzzling Features

NCE the initiation of the Structural Adstment Programme (SAP) in July 1991, pecially during 1993-94, the Indian onomy has displayed a number of intering features which have important implitions for fiscal and monetary policies. rst, for the first time since 1969, there pears to have occurred a switch from a gime of credit rationing to a situation of mand constraint in the loan market. Second, the excess liquidity in the system has iled to stimulate production and does not em to have had a significant impact on ices either (Table 1). Third, the increase in mmercial bank credit to the government s been far in excess of the requirement under the statutory liquidity ratio (SLR) (Table 2) Fourth, the fiscal deficit, after registering a decline in the first two years of SAP, has shot up to 7.3 per cent of GDP this year Indeed, if one does not use the trick of (a) clubbing revenue receipts with some capital receipts like recoveries of loans and sale proceeds of shares in public sector undertakings and (b) excluding market borrowing by public enterprises in the absence of loans routed through the treasury [Rakshit 1991], the fiscal deficit will be close to 9 per cent of GDP. However, contrary to the conventional wisdom this rise in fiscal deficit has been accompanied by a significant decline in current account deficit from 2.1 to 0.5 per cent of GDP between 1992-93 and 1993-94 (Table 1). Fifth, the gross domestic saving ratio declined from 24 to 22 3 per cent during 1990-93. The decline in private saving was steeper—from 23 per cent to 20.2 per cent—and occurred in the face of substantial tax concessions, especially in respect of income and other direct taxes (Table 1). Finally, production in the capital goods sector has fallen by 8.8 per cent during 1993-94 even though banks are flush with funds; the corporate sector raised Rs 29,000 crore from the primary market during 1993 (against Rs 16,600 crore in 1992), and there has been substantial inflow of foreign funds by way of Euro-issues by Indian companies and foreign direct and institutional investment What is no less important, despite the favourable turn of events on the trade front and the jump in foreign exchange reserves from $ 2 24 billion on April 1, 1992 to $ 13 billion by the third week of February 1994, the flow of foreign direct investment has been quite modest and the credit rating of India remains as low as it was in 1991.

An examination of the factors behind these developments appears necessary for an assessment of the policy package proposed by the ministry of finance. The importance of such an examination assumes urgency in view of the fact that the *Economic Survey 1993-94* and the Budget papers for 1994-95 display inadequate appreciation of the macro-economic mechanism giving rise to the paradoxes noted above. In order to identify the economic forces behind the emerging scenario we take the developments in the financial sector as our point of departure, mainly because the primary concern of the government remains reduction of fiscal and monetised deficits and the finance minister has proposed automatic sale of Treasury Bills by RBI when its net credit to the government crosses a pre-specified limit. Section II summarises the behaviour of money and credit during 1993-94 and draws attention to some serious limitations of the official explanation of some financial developments. Section III attempts a resolution of the paradoxes taking into account the interaction between financial and real sectors. In terms of the analytical framework used in this context, Section IV provides a critique of the budgetary proposals for 1994-95 and suggests some policy alternatives. The final section summarises the main results

II
Excess Liquidity and Its Manifestations

The most striking development in the financial sector during 1993-94 was the emergence of substantial excess supply. While it is not easy to provide a quantitative estimate of the extent of excess supply in the

loan market, the symptoms of demand constraint faced by banks and other financial intermediaries are clearly revealed in the following developments.

During April-January 1993-94 the growth of reserve money, currency with the public and money supply (M_3) were 20.4, 16.1 and 14.1 per cent respectively (Table 2). Thus the fairly steep fall in the (incremental) money multiplier occurred not only in the face of a cut in cash reserve ratio (CRR) on net total demand and time liabilities (DTL) and of the removal of 10 per cent incremental CRR imposed earlier but also when the growth rate of currency with the public lagged far behind that of reserve money. Under the standard analysis these factors should have raised significantly the value of the incremental money multiplier. Indeed deposits with scheduled commercial banks increased by only 13.8 per cent against a more than 25 per cent rise in their holding of reserve money. Rough and ready calculations on the basis of the prevailing base and incremental CRRs suggest that in the absence of any demand constraint in the loan market the additional amount of bank deposits and credit (in all forms) during the first 10 months of 1993-94 could have been larger by more than Rs 15,000 crore.[1]

Second, excess supply in the loan market has also been manifested in the remarkable change in the portfolio of scheduled commercial banks. During April-January 1993-94 non-food advances -constituting the most profitable asset of banks– rose by only 4.2 per cent while 'investments' recorded a growth of 18.8 per cent (Table 2). Priority sector advances in fact declined by Rs 210 crore while investment in government securities jumped by Rs 18,796 crore against an increase of Rs 8,764 crore in the corresponding period in 1992-93 (*Economic Survey 1993-94*, p 38). The interesting thing to note in this connection is that under SAP, reductions in SLR and CRR are deemed essential for diverting bank credit away from the government to finance productive investment in the private sector. However, while the incremental SLR has been reduced to 25 per cent the rise in the ratio of investment in government securities to additional bank deposits during 1993-94 has been more than 50 per cent.

Third, symptoms of excess liquidity are also in evidence outside the banking sector. Large companies have repaid a substantial part of their debt in advance of the maturity date and/or invested their funds in units of the Unit Trust of India (UTI). UTI is having trouble with finding suitable outlets for its funds, has been forced to buy Commercial Paper and refused to accede to the request of companies for premature retirement of non-marketable debentures acquired through special placement.

Finally, excess liquidity has caused a decline in interest rates, but by not enough to eliminate excess supply in the loan market. Of the three interest rates figuring in Table 3, only the call money rate may be regarded as market clearing and the fall in this rate is also the steepest. However, the significance of this interest rate in effecting the flow of funds from the savers to the ultimate users of credit is severely limited. Of crucial importance in this regard are the institutional lending rate and the (minimum) interest on bank loans both of which are administered. The administered rates have, to be sure, responded to market forces but the response has been sluggish and far from perfect (Table 3).

Official Misperceptions of Financial Developments

Before explaining the features noted above and seeking to relate them to factors operating in the real part of the economy, it is useful to clear the deck by dispelling some serious flaws in the official perception of current financial developments. The explanation of the ministry of finance of the slow growth of commercial bank credit, especially non-food advances, runs partly in terms of adherence to 'prudential norms' by banks in advancing loans, but mainly in terms of the rise in the yield on government securities and the zero risk weight assigned to them under the new norm (*Economic Survey 1993-94*, pp 38-39). The rise in fiscal deficit has in fact been identified as the villain of the piece. "An important underlying reason for the limited increase in credit to the non-food commercial sector is the large borrowing requirement (fiscal deficit) of the government. A high fiscal deficit has led to high interest rates on bank advances to commercial sector, which has made some investments unviable, and also pushed the private sector looking for other sources of finance. Containment of fiscal deficit is therefore, an important policy tool for freeing bank resources for injection into the agriculture, industry and commerce" (*Economic Survey 1993-94*, p 39).

Note first that during the period under consideration the return on government securities was around 11.5 per cent against the then prevailing minimum lending rate of 15 per cent on bank advances. Be that as it may the official explanation would have made sense only if banks were fully loaned up or not burdened with excess reserves. We have drawn attention to the low growth of deposits in relation to accumulation of reserve money by banks, even though the base CRR was reduced and the requirement relating to incremental CRR withdrawn. We have also provided a rough and ready estimate of the excess supply of bank credit. Indeed, excess reserves have induced banks to buy Commercial Paper at a yield of 11.5 per cent in violation of the tacit agreement that the yield should be 12.5 per cent. The point to note here is that even at the minimum lending rate there was not enough demand for loans by creditworthy borrowers to absorb the potential supply of bank advances. Un

Table 1: Key Macro-Economic Indicators 1990-94

(Per cent)

	1990-91	1991-92	1992-93	1993-94
Variations in				
GDP	4.9	1.1	4.0	3.8
Agricultural production	3.0	1.9	3.9	-0.9
Foodgrains production	3.2	–4.5	6.9	-0.5
Industrial production	8.3	0.0	1.8	1.6 (Apr-Jan)
Consumer price index	13.6	13.9	6.1	8.6 (Apr-Jan)
Wholesale price index (point-to-point)	12.1	13.6	7.0	7.6 (Apr-Jan)
Money supply (M_3)	15.1	19.4	14.1	14.1 (Apr-Jan)
Gross domestic capital formation	11.2	15.8	16.7	
Public	6.1	7.1	26.4	
Private	17.3	18.4	15.1	
Gross fixed capital formation	8.8	4.1	1.7	
Public	6.5	0.2	4.8	
Private	10.5	7.1	6.7	
Ratios to GDP of				
Fiscal deficit	8.4	5.9	5.2	7.3
Revenue deficit	3.5	2.6	2.4	4.3
Monetised deficit	2.8	0.9	0.8	1.0
Current account balance	3.3	–0.9	2.1	–0.5
Gross domestic saving	24.0	23.1	22.3	
Public	1.0	1.7	2.1	
Private	23.0	21.4	20.2	
Gross domestic investment	27.4	24.2	24.5	
Public	10.5	10.0	10.3	
Private	16.2	14.0	14.6	

Sources: (1) Government of India, *Economic Survey 1993-94*
(2) Reserve Bank of India, *Annual Report 1992-93*

der these circumstances increased investment in government securities by banks was not at the expense of bank advances to the commercial sector: a reduction in fiscal deficit would have raised excess reserves in the banking system without any enhanced deployment of bank resources to industry, agriculture and commerce.

The most curious aspect of the explanation offered by the ministry of finance is its eloquent silence on the link between depressed conditions in industry and agriculture on the one hand and poor growth in bank advances on the other. Indeed, the phenomenon of the change in the relative importance of 'investments' in gilt-edged securities and advances in the portfolio of commercial banks during depressions has also been observed in countries like the US [Bernanke 1983]. The basic flaw in the finance ministry's view arises from not taking account of the fundamental difference in the economic mechanism under a regime of credit rationing and in a situation where the demand constraint is binding in the loan market. An implication of the official reading of the situation is that here causation has run from low bank advances to stagnation of industrial and agricultural output, rather than the other way round. An instructive illustration of preconceived theories distorting the view of the observer.

III
Towards a Resolution of Some Macro-Economic Paradoxes

Given the fairly widespread misconceptions regarding the links between budgetary operations and the behaviour of the financial and real sectors, we propose to summarise first the major elements of the theoretical framework that appears relevant for explaining some of the puzzling developments of the Indian economy during 1993-94. For simplifying the exposition we focus initially on the demand and supply sides of the credit market and suggest how the factors operating on the two sides are related with the rest of the economy.[2]

Demand and Supply Constrained Regimes in the Financial Market

When interest rates are administered (as most of them are in India) or are slow to adjust, the loan market is characterised by a regime of credit rationing (CR) or of demand constraint (DC).[3] The importance of distinguishing between CR and DC arises from the fact that the behaviour of the economy and the effects of fiscal and monetary policies differ widely under the two regimes.

Whether the loan market will be characterised by CR or DC depends on the constellation of major economic forces operating in the credit as also the commodity market. Consider first the behaviour of the credit market. On the supply side it is useful to distinguish between two categories of loans, viz, bank and non-bank loans, and the latter may further be subdivided into (a) direct loans from savers to investors and (b) loans routed through non-bank financial institutions. At given interest rates and no demand constraint, the maximum potential supply of bank credit, *a la* the textbook money multiplier analysis, is determined by the supply of reserve money, cash reserve ratio and the demand for currency by the public. The potential supply of non-bank credit depends on the other hand upon the menu of financial assets available outside the banking sector, the structure of interest rates and the preference of the public between bank deposits and other forms of financial assets. An increase in reserve money, a scaling down of cash reserve ratio or a decline in cash drain from the banking system augments the supply not only of bank but also of non-bank credit. Development of the capital market, financial innovation, introduction of new instruments of credit outside the banking sector and an increase in yields on non-bank financial assets (supplied by the government, the corporate sector or non-bank financial institutions) relatively to interest rates on bank deposits--all tend to raise the relative importance of non-bank to bank credit. But this, contrary to the apprehension voiced by many a banker, does not entail disintermediation or a decline in the volume of bank deposits and credit [Rakshit 1986, 1993].

The major users of credit are the government, producers and investors. While the borrowing needs of the government may, as a first approximation, be regarded as a policy variable, the rest of the demand for credit is primarily for financing working capital and investment in fixed capital. Capital accumulation has not only a direct impact on the demand side of the credit market, but growth in investment also raises indirectly the demand for production loans with the operation of the investment multiplier in real or nominal terms.

Given the structure of interest rates and financial network in the system, the loan market will be characterised by CR or DC according as the aggregate demand for credit exceeds or falls short of the total supply of bank and non-bank credit.[4] Under credit rationing some of the production and investment plans remain unfulfilled. The result is a supply-side or a demand-side failure in the commodity market depending upon whether it is the producers or investors who are quantity constrained in the loan market [Rakshit 1986; Blinder 1987]. When the economy is characterised by credit rationing, government borrowing through SLR has a one-to-one crowding-out effect, but government expenditure through monetised deficit will have a (financial) crowding-in effect through the operation of the credit multiplier within and outside the banking system. When fiscal deficit is financed through the introduction of high yield assets like National Savings Certificates or funds are routed to borrowers (public or private) through establishment of Mutual Funds or other financial innovations, the supply of non-bank credit rises without any decrease in bank deposits and credit. Again, an across the board change in the lending rates of banks and financial institutions has little impact on the system; but an increase in interest rates on bank deposits relatively to that on other financial assets reduces non-bank credit with no significant change in the supply of bank loans.

Radically different are the effects of fiscal deficits and monetary policies when the loan market is demand constrained. Under such a regime it is the aggregate demand for loan and its distribution that determine the levels of bank and non-bank credit. Additional holding of government securities by banks then does not have a crowding-out effect. The value of both the money multiplier and the credit multiplier (the incremental ratio of total credit to reserve money) assumes the value of unity.[5] When the government or private borrowers raise funds from non-bank sources, there occurs a corresponding decrease in money and bank credit.

Table 2: Variations in Money and Some of Its Components

(Per cent)

	1991-92	1992-93	1992-93 March 20 to January 8	1993-94 March 19 to January 7
Money supply (M_3)	19.4	14.1	12.4	14.1
Currency with the public	15.2	12.4	8.2	16.1
Commercial bank deposits	19.8	16.4	14.0	13.8
Advances	8.0	21.0	16.7	6.6
Non-food advances	8.2	20.1	16.3	4.2
Investments	20.2	17.1	12.0	18.8
Reserve money	12.4	11.5	14.6	20.4 (Jan 14)
Net RBI credit to centre	6.7	2.3	9.7	10.8

Source: Government of India, *Economic Survey 1993 94.*

Evidence and Theory

In terms of the framework outlined above, it is not difficult to resolve some of the puzzles listed in Sections I and II and to identify the sources of the fallacy in official reasoning. In the list of factors held responsible by the ministry of finance for slow growth of bank advances during 1993-94 (*Economic Survey 1993-94*, pp 38-39), some operate under CR and others under DC; but the two sets of factors cannot operate simultaneously.[6] Hence our dismissal of fiscal deficit, of 'provisioning and capital adequacy norms' set for bank loans[7] and of the reduction in the gap between the banks' minimum lending rate and yield on government securities, as explanatory factors when the loan market is characterised by demand constraint.

To appreciate the behaviour of the system consider first the supply-side factors operating in the financial market. Between March 31, 1993 and January 7, 1994 the potential supply of bank credit increased substantially because of (1) the rise in reserve money by 16.9 per cent (the rise was 20.4 per cent during March 19-January 14); (2) a lower growth rate of currency with the public (viz, 16.1 per cent) *vis-a-vis* that of reserve money; and (3) a cut in CRR from 15 to 14 per cent along with removal of the 10 per cent incremental CRR imposed earlier. The net RBI credit to the government increased by Rs 8,686 crore compared with Rs 7,491 crore during the corresponding period in the previous year. Of the Rs 18,731 crore change in reserve money, net foreign exchange assets of RBI (excluding revaluation of gold) accounted for Rs 11,270 crore against (-)Rs 3,261 crore in March 31-January 8, 1992-93 (*Economic Survey 1993-94*, p 37). If we ignore the feedback from the commodity market through the incremental cash drain from banks, the *ex ante* variation in money supply (M_3) or total credit from the banking system (including RBI) was about Rs 65,000 crore while the *ex post* variation amounted only to Rs 51,279 crore.

Given the structure of the capital market and the returns on all financial assets, an increase in M_3 is associated with a more or less proportional rise in non-bank credit as well. But the capital market itself has been undergoing rapid changes over the last few years. Some of the factors—eg, growth of the equity cult, introduction of convertible debentures, new schemes for attracting funds initiated by the government, UTI, LIC and other financial intermediaries, and setting up of mutual funds and finance companies—have been in operation since the mid-80s and were instrumental in raising the value of the credit multiplier and in offsetting to some extent the crowding-out effect of growing fiscal deficits under the regime of credit rationing prevailing until fairly recently [Rakshit 1994]. Of special significance for the current scenario are the following developments during 1992-94:

(1) Repeal of Capital Issues (Control) Act, 1947 and removal of control over price and premium of shares.

(2) Permission to Indian companies to tap the international capital market through Euro-equity shares.

(3) Extension of facilities to non-resident Indians and overseas corporate bodies for subscribing to shares and debentures of Indian companies.

(4) Permission to Foreign Institutional Investors (FIIs) to invest in the Indian capital market on registration with Securities and Exchange Board of India (SEBI).

(5) Setting up of private mutual funds and finance companies.

These factors have produced a significant structural shift in the capital market: given favourable conditions the potential supply of funds from non-bank sources can now increase enormously in relation to M_3. During 1993-94, the favourable circumstances consisted of: (a) stock market boom leading to a sharp rise in the average price-earning ratio of shares; (b) recession in major industrialised countries; and (c) higher interest rates in India compared with those prevailing in the international money market. The conjunction of these events with the revised rules for the capital market under SAP has led to a substantial rise in the supply of funds from the primary market and in the inflow of foreign capital, mainly through Euro-issues and foreign institutional investments. During April-December 1993 the corporate sector is reported to have raised from the primary market Rs 21,600 crore compared with Rs 16,500 crore during the calendar year 1992. Add to that the issue of Commercial Paper by companies and enhanced access of importers to suppliers' credit due to recession in advanced countries, and it is not difficult to explain the jump in the availability of funds outside the banking system.

So far as the demand side of the loan market is concerned, the major increase has come from the government sector. Fiscal deficit rose from Rs 40,173 crore in 1992-93 to Rs 58,511 crore in 1993-94 (*Budget at a Glance*, 1994-95, p 1). Even allowing for the supply side effects of monetised deficit (via money and credit multipliers), budgetary operations seem on the whole to have had a larger impact on the demand than on the supply side of the credit market. The demand has also been boosted by the increase in public food procurement credit to the tune of Rs 4,336 crore during March 19-January 7, 1993-94 (against Rs 824 crore during the corresponding period in 1992-93). The explanation of excess supply in the credit market thus lies primarily in inadequate increase in demand from the commercial sector which in its turn may be traced to (a) stagnation in agricultural and industrial output; and (b) slow growth in investment, especially in gross fixed capital formation. Since an increase in the availability of credit has generally a favourable impact on production and investment, it is necessary to take into account the interdependence between the credit and the commodity markets. This we propose to do in the course of the resolution of puzzles noted in earlier sections.

Excess Liquidity, Composition of Bank Assets and Money Supply

The simplest puzzle to resolve in terms of the framework presented above is the change in the composition of bank assets, making inoperative the reduction in SLR. With inadequate demand for loans from the commercial sector, it is only natural for banks to lap up government securities in order to reduce their excess reserves, even though the return on these securities is less than the minimum interest rate on bank advances. Again, while stagnation of agricultural and industrial production has had an adverse effect on aggregate demand for credit, the effect has been much more pronounced on the demand for bank advances. The major part of bank loan is used for financing working capital and the variation in this source of demand depends primarily on the growth of agriculture and industry, and not so much of services (where production loan per unit of output tends to be lower than that in the commodity producing sectors). However, the variation in non-food advances (in nominal terms) during 1993-94 was only 4 2 per cent while the inflation rate was about 9 per cent The implication is that bank advances were not enough to sustain the production level reached in 1992-93. The explanation lies partly in the reduction in the use of fertiliser, but mostly in the switch from bank to non-bank sources of funds Under conditions of excess supply in the loan market, such a switch reduces the *ex post* supply of money as also the ratio of advances to 'investment' in the portfolio of banks. The phenomena of the fall in the incremental money multiplier and the change

Table 3. Interest Rates, 1992-94

	Institutional Lending Rate	Call Money Rate	Banks' Minimum Lending Rate
December 1992	17.5	10.5	18
December 1993	15.5	5.5	15
March 1994	14 5	2.0	14

Sources: Government of India, *Economic Survey 1993.*
Government of India, *Budget Speech, 1994-95.*

in the composition of bank assets are thus related both to the aggregate excess supply situation in the credit market and the substitution of bank loans by funds from other sources.

There appears in fact to have occurred a shift in the demand for credit by the commercial sector away not only from banks but also from the all-India financial institutions (AIFIs). Disbursements by AIFIs during April-December 1993 was only Rs 14,755 crore against Rs 15,393 crore during April-December 1992 (*Economic Survey 1993-94*, p 47). This works out to a more than 10 per cent decline in real terms and is due partly to inadequate demand for long-term investment. However, the corporate sector, as noted earlier, has at the same time mobilised substantial funds through capital issues in the domestic and international markets, and through issue of Commercial Paper.[8] Thus for AIFIs and banks the overall problem of demand constraint has been compounded by the shift to alternative sources of finance. In fact the corporate sector has used some of the funds mobilised to repay (and often prepay) debts contracted earlier. The amount of repayment during 1993-94 is expected to be Rs 10,000 crore which, if realised, is estimated to reduce the interest cost of the corporate sector by Rs 1,500 crore per annum and would add consequently to the woes of financial institutions (*The Economic Times*, January 28).

The most important reason for the shift away from institutional credit lies in the sharp change in the relative cost of finance from different sources. Interest rates on domestic loans in the wake of financial liberalisation under SAP were between 20 and 22 per cent, while some forex loans carried interest in the range of 24 to 28 per cent. The jump in domestic rates was due to unfreezing of maximum lending rates in a situation of credit rationing and the interest on forex loans largely reflects the high risk premium under the serious balance of payments problem plaguing the economy in 1991-92. By 1993-94 the situation in both the domestic and the international capital market changed dramatically. The domestic money market displayed symptoms of excess supply; recessionary conditions drove down interest rates in developed countries; and there was considerable improvement in the external balance of India. However, the adjustment in institutional interest rates, which are administered, was extremely sluggish. By December 1993 the institutional lending rates and the minimum interest on bank loans[9] were brought down by only one to two percentage points to 15.5 and 15 per cent respectively (Table 3). By contrast, there was a steep fall in the cost of raising funds from other sources. The yield on Commercial Paper was 11.5 per cent, and would have been much lower had financial institutions not indulged in oligopsonistic practices. Interest rate on suppliers' credit to importers hovered between 2 and 3 per cent. Net earnings of companies as a ratio of the price of their shares came down to less than 4 per cent.[10]. Interest on Euro-convertibles was as low as 3.5 per cent. No wonder it paid the importers and the corporate sector to opt for these cheaper sources of finance at the expense of banks and AIFIs and to prepay debts contracted in the earlier period.

Excess Liquidity and Stagnation: Causal Links

The coexistence of excess liquidity and stagnation in agriculture and industry would appear odd to anybody steeped in mainstream macro-economics: a sharp rise in reserve money and the (*ex ante*) supply of credit outside the banking system should normally generate an expansionary effect on production and investment, at least in the short run. Part of the explanation of the puzzle lies in the fact that in mainstream models, Keynesian or monetarist, all interest rates are assumed to be market clearing. However, in India interest rates charged by financial institutions (including banks), which still constitute by far the most important suppliers of credit, are administered and have been characterised by extremely slow and modest adjustment in the face of excess supply in the loan market.[11] While the existence of sticky interest rates throws some light on the connection between the money and the commodity markets in the Indian economy a satisfactory resolution of the paradox requires us to distinguish between factors operating in industry and agriculture.

In explaining agricultural stagnation it appears appropriate to focus on the supply rather than the demand side factors.[12] We have already taken note of the decline in the cost of raising funds from non-institutional sources. But these sources could be tapped only by large producers in the organised sector, while the vast majority of farmers have still to rely on banks and monopolistic money-lenders in rural areas. Adherence to the newly formulated prudential norms for banks might thus have been responsible for the denial of production loans to a section of the farming community and hence for the adverse supply-side effect on agriculture [Blinder 1987; Rakshit 1986]. The 0.7 per cent (nominal) growth in bank credit to agriculture during April-August 1993 (*Economic Survey 1993-94*, p 39) lends some support to the hypothesis of sectoral (or sectional) credit rationing[13] operating in agriculture. The problem was aggravated by the steep rise in the prices of phosphatic and potassic fertilisers following their decontrol. While this rise in prices reduces the profit-maximising quantity of fertiliser consumption (with no shortage of funds), the decline will be larger for producers facing the credit constraint.

The main source of agricultural stagnation seems however to lie elsewhere. In fact, stagnation in agriculture has set in since the late 80s and continued in the 90s in spite of a long spell of favourable weather conditions. The period 1990-94 was characterised by above average monsoon in all the years, but agricultural growth averaged only 1.1 per cent per annum against a more than 2 per cent increase in population. The reason lies in decline in agricultural investment, especially since the late 80s [Rakshit 1994]. Gross investment in agriculture in real terms was Rs 4,636 crore in 1980-81, but came down to Rs 4,580 crore by 1991-92 (*Economic Survey 1993-94*, p 124). Thus while variations in monsoon, availability of credit or relative prices of outputs and inputs can account for some changes in agricultural production around the trend in 'capacity output', over the last half a decade the growth in capacity itself has been extremely sluggish due to the declining trend in investment-output ratio in agriculture.

So far as the industrial sector is concerned, excess capacity appears widespread; there is no shortage of production loan; nor are producers quantity constrained in respect of raw materials and components imported from abroad. For explaining the poor growth rate in industries we have thus to look for factors operating on the demand side. The improvement in trade balance during 1993-94 could conceivably have produced an expansionary effect. But the largest increase (amounting to 38 per cent during April-September 1993-94) occurred in the export of agricultural goods, the production of which is basically supply determined. It is also worth noting that out of the Rs 1,245 crore increase in exports of manufactured goods in April-September 1993-94, gems and jewellery accounted for more than 40 per cent. Anyway, the rise in export demand was too small to have any perceptible impact on domestic industrial sector. The largest boost to demand has been provided by the government. Between 1992-93 and 1993-94 central government expenditure[14] in real terms increased by about 7 per cent. No less important was the cut in tax rates and the steep fall in government revenue both in absolute terms and as a ratio of GDP.

The expansionary forces unleashed by budgetary operations were not however strong enough to counter the recessionary tendencies in the system. Reduction in direct taxes, cuts in duties on items of luxury consumption both directly and indirectly (through reduction in tariffs on their raw materials and components), large transfers[15] by way of interest payments and subsidies, and the stock market boom—all have tended

to benefit the middle and upper income groups, but not other sections of the community. The fall in agricultural production had in fact a negative effect on the demand for inputs and outputs supplied by the industrial sector. While the production of sugar is expected to go down by 5 per cent in 1993-94,[16] fertiliser output recorded a decline of 10.6 per cent in April-December 1993-94. That the latter was due to the demand rather than the supply side factor is attested by the fact that even under the liberalised regime, fertiliser imports fell by 36.9 per cent during April-September 1993-94 (*Economic Survey 1993-94*, pp 85, 105). Stockpiling by Food Corporation of India (FCI) at enhanced procurement prices and the rise in the quantity and prices of agricultural goods sold abroad seem to have benefited the rural rich. At the same time people in lower income groups must have been hit hard by the steep rise in issue prices of foodgrains and substantial addition to their stock by FCI.[17] These factors together with the boost to upper class demand provided by budgetary policies and the stock market boom[18] go a long way in explaining the change in the production of industrial consumer goods. During April-January 1993-94 the growth in consumer durables was 14.3 per cent,[19] while production of all consumer goods rose by only 1.4 per cent. There was in fact a negative growth (of -1.6 per cent) in the production of consumer non-durables.

The steepest fall (of -8.8 per cent) in output occurred in capital goods industries and may be attributed (proximately) to (a) low investment, especially in fixed capital, and (b) diversion of demand from domestic to foreign sources of supply. During April-January 1993-94, gross fixed capital formation in real terms is reported to have grown by only 1.75 per cent. The growth in investment in machinery and equipment seems in fact to be negative. The demand constraint faced by the producers of these goods was made more severe by the then prevailing structure of taxes and policies relating to capital goods imports. The customs duties on capital goods and project imports were much lower than those on raw materials and components required for their production. There were no countervailing duties to neutralise the excise and sales taxes imposed on domestic capital goods.[20] Finally, import of second-hand machines and availability of suppliers' credit to importers at very low rates of interest have caused further diversion of demand away from the domestic capital goods sector.

Low Capital Accumulation, Excess Supply of Funds and Stock Market Boom

The industrial recession is no doubt due partly to substitution of foreign for domestic capital goods; but much more important has been the stagnation of aggregate investment demand itself. This, in the context of the surfeit of finance at the disposal of the corporate sector and the prolonged increase in share prices, constitutes perhaps the greatest puzzle of the Indian economy in recent years.

We have already drawn attention to the fact that while banks and AIFIs are flush with funds, the corporate sector has raised substantial amount of capital from the primary market, both domestic and foreign. Part of this fund has been used for retiring old debts carrying high rates of interest. This of course is an eminently sensible step from the viewpoint of individual investors. Nor does it have any adverse macro-economic consequence when the substitution is between domestic debts. But companies have also used funds raised through Euro-issues to pay off their debt from internal sources or to reduce their borrowing from banks and AIFIs. This, it may be noted, is an instance of individual interest running contrary to the interest of the economy as a whole. To see why, note that given the demand constraint operating in the domestic money market, such substitution does not involve any increase in capital accumulation or future growth in GDP. There is only a redistribution of the operating surplus from domestic lenders to producers and foreign creditors. Though companies earn more profits, there is a decline in gross national product and the country is burdened with the problem of servicing foreign debt.

What is puzzling is not so much the liquidation of costly debts with cheaper funds irrespective of their source, but rather stagnation in investment notwithstanding the steep fall in the cost of finance. The phenomenon underlines bleak expectations of investors relating to prospective yields and seems to confirm the old adage used in the context of asymmetrical effects of monetary policies during depressions and booms: though a horse may be dragged to the river, it cannot be forced to drink; but you can always prevent it from drinking water.

If investors indeed take a dim view of future prospects, how are we to account for the stock market boom? The answer to the question can at best be tentative and may perhaps be sought along Keynesian lines. Decisions regarding fixed capital formation are based on considerations of long-term fundamentals, and such investment, being lumpy and irreversible, attracts high risk premium. For 'investment' in the share market on the other hand what matters is expectations regarding the short-run movement of prices.

The bullish sentiment in the stock market may thus be traced to the following set of factors: First, reductions in corporate income and capital gains taxes, and exclusion of shares from taxable wealth of individuals have raised the attractiveness of shares, especially of profit-making companies. Second, after abolition of control over price and premium of new capital issues, many companies have raised the ratio of dividend to profits in order to reduce the cost of raising funds from the primary market.[21] Third, liberalisation and decontrol of (product) prices have raised earnings of relatively efficient companies, though others have suffered in the process. The market sentiment has been guided, as is often the case, more by the record of star performers than by the overall profitability of the corporate sector. The bullish sentiment generated by the performance of the select group of companies has given a thrust to the share prices of other companies as well. Fourth, the market has come to expect more and more concessions from the government in view of its avowed policy of reducing over time all direct taxes to levels prevailing in advanced countries.[22] Fifth, easy availability of funds, especially against shares, has helped bullish operations in no small measure. Finally, the phenomenon of rising share prices, unsupported by long-run expectations of producers, seems to owe much of its origin to herd behaviour and to the benchmark of market expectations set by the dizzy height share prices reached during the scam days.

Investment and Public Policy

The perceptive reader must have realised that the factors listed above would hardly weigh much with hard-headed businessmen taking decisions on investment in fixed capital. They would no doubt be all praise for the finance minister for the bonanza by way of cuts in taxes on profits and capital gains. But what matters for investment is not simply the increase in net profit on current operations, but the expected (a) demand in relation to existing capacity, and (b) availability and/or prices of inputs used in the process of production. An analysis along these lines may provide some clue to the puzzle of low investment in the Indian economy.

Note first that to the extent expectations are influenced by current happenings, the endemic and substantial excess capacity, whatever be its source, cannot but have a depressive effect on investment climate. The irony of the situation is that it is the slow-down in public investment and government policies relating to capital goods imports that have resulted in the sharp fall in capacity utilisation of units producing capital goods and most of these units belong to the public sector.[23] Under the programme for reform undertaken by the government, it will not make sense to the management of these enterprises to go in for any project for expansion of capacity.

Second, government fiscal and other policies have no doubt given a thrust to the production of consumer durables. However, apart from the fact that the weight of these goods is relatively low in industrial output, their imports are still on the banned list. With the threat of demolition of the protective barrier looming large, it is idle to expect large-scale investment in these industries.

Third, an important development in this context is stagnation of agricultural output consequent upon the decline in investment in agriculture. The basic reason here, as widely suggested, is twofold: cutback in government investment in irrigation and related areas; and presence of strong complementarity between public and private investment in agriculture. In a country like India viability of balance of payments, price stability and prospects of industrial expansion depend crucially on the growth of agricultural output [Rakshit 1991, 1994]. The implication is that when investment decisions are based on the knowledge of relevant macro-economic linkages, *a la* Lucas et al, bleak expectations concerning agricultural growth cannot but act as a deterrent to capital formation in industries.

Fourth, attention has repeatedly been drawn to the danger of serious infrastructural bottlenecks in the medium and the long run due to inadequate investment in power, transport and communication. The gap created by the decline in public investment in these fields has, contrary to expectations of the government, not been filled by private investment. The reasons are not far to seek. Given the large size and indivisibility of infrastructural projects, private investors will consider them worthwhile only if they expect a substantial increase in the future demand for these services. But expectations in this regard are unlikely to be buoyant in view of stagnation of industrial investment, which in its turn is due in part to uncertainty relating to the future availability of infrastructural services. Such co-ordination failures cannot be corrected through reliance on the free play of market forces.

Finally, long-run investment is influenced considerably by producers' perception of both the ability and commitment of the government to promote growth and full capacity utilisation. While the government's commitment to reform and liberalisation appears undoubted, its pronouncements relating to its priorities and policies for tackling recession and promoting growth are unlikely to inspire much confidence in the medium and long-run prospects of development of the economy. It is thus not too difficult to explain why foreign direct investment has so far been so modest and credit rating of India remains low in spite of improvement in trade balance and substantial inflow of foreign funds into the stock market.

IV
Union Budget 1994-95: Short-Term Response and Long-Run Perspective

In analysing the budgetary proposals for 1994-95, it is useful to relate them to two basic questions. First, what are the policy response of the government in tackling the current problems of low capacity utilisation, slow growth and unabated inflation? Second, how far does the Budget reflect a well-thought-out programme of development of the economy and alleviation of poverty? While the implicit analytical framework behind government policies remains basically the same as that under the standard IMF-sponsored SAP, during 1993-94 there were, to the horror of the establishment, quite a few violations of canons concerning fiscal deficit, monetised deficit and food and fertiliser subsidy. Some of these violations, it is claimed, were part of a programme of macro-economic stabilisation in the context of the substantial slack prevailing in the economy. Let us see how far the budgetary measures for 1994-95 are addressed towards the solution of short-run macroeconomic problems and how or if these measures are dovetailed in the overall policy for long-term development of the economy.

Macro-Economic Stabilisation

If the government indeed raised the fiscal and monetised deficits in 1993-94 to counter the recessionary tendencies in the system, the budget for 1994-95 shows a reversal of policy in this regard. The absolute levels of fiscal and monetised deficits in 1994-95 are slated to go down by 8.5 and 50 per cent respectively from their corresponding amounts in 1993-94 (revised estimates). This turnaround in policy, in the face of persistence of slack in the economy, is perhaps due to the fact that these measures were found ineffective (or even counterproductive) in tackling recession during 1993-94! The more charitable interpretation is that the net effect of all the budgetary measures taken together is considered expansionary in spite of the significant cutback in fiscal and monetised deficits. Let us consider the major provisions in the Budget that can have important effects on the short-run macro-economic behaviour of the system.

The direct impact of the budget in stimulating aggregate demand will be negative on two counts. First, while total government expenditure in nominal terms is to increase by 5 per cent, increase in revenue receipts is expected to be 13 per cent. With a 9 per cent inflation rate, this implies in real terms a decline in government expenditure by 4 per cent against a 4 per cent rise in revenue collections. Again, while the estimated increase in government expenditure is Rs 7,827 crore, the increase in interest payments by Rs 8,500 crore tilts the balance in favour of transfer payments against government demand for final goods and services. Thus given the size of the central government budget in relation to GDP,[24] there will be a sizeable contractionary impact, if the government can attain its expenditure and revenue targets.[25]

Second, in a situation of demand constraint in the loan market, government capital receipts, as our analysis in Section III shows, do not have a significant effect on aggregate demand eitherway. However, the lower growth in RBI credit to government along with the new norms for bank advances can, as in 1993-94, have a negative supply side impact on agriculture and small industries.

It is interesting to note that in spite of the cut in corporation tax, the government expects a 20 per cent increase in collections under this head during 1994-95. Presumably, the government expects a substantial improvement in the performance of the economy in general and that of the corporate sector in particular. This optimism is perhaps based on the expansionary effect budgetary measures are expected to have on private demand. The exemption limit for income tax has been raised; the average income tax rate is also reduced through adjustment in slabs; the minimum period of holding of units of UTI and Mutual Fund shares for calculation of long-term capital gains has been cut from 3 to 1 year; the exemption limit for gift tax has been raised from Rs 30,000 to Rs 1 lakh; and corporation tax rate has been reduced by 5 percentage points. No doubt, all these are expected to raise aggregate demand. But the tax concessions along with transfer through interest payments will, as in 1993-94, provide a further boost to the production of consumer durables and other items of luxury consumption. The only provision in the budget which will contribute directly to the demand for mass consumption goods is the Rs 2,000 crore increase in allotment for rural employment generation (provided there is no leakage from this source). Against this might be set the changeover to the system of *ad valorem* taxes, which, though justified on grounds of providing the much needed buoyancy to the tax system, will have the immediate effect of raising the prices of quite a few goods having large weights in the index of industrial production.

The Budget attests to the government's concern regarding negative growth of capital goods industries in 1993-94 and contains a series of measures to counter this trend. Here also the effect operating directly through government expenditure is far from expansionary. Government expenditure on capital account is in fact expected to go down by Rs 760 crore in nominal terms, or by about 8 5 per cent in real terms.[26] If we include investment expenditure expected to be incurred by public sector undertakings from internal and extra-budgetary sources the real growth in public sector investment will be near zero. This is of course on the assumption that expenditure on capital account of both the government and public sector enterprises does not (as happened in 1993-94) fall short of the target.

The boost to the domestic capital goods sector is sought to be provided through the following set of measures:

(i) cut in long-term capital gains tax on domestic companies from 40 to 30 per cent;
(ii) reduction in corporation tax rates by 5 percentage points;
(iii) extension of MODVAT to capital goods;
(iv) decrease in basic customs duty on project imports and general capital goods from 35 to 25 per cent;
(v) reduction in lending rates of banks and financial institutions by 1 percentage point;
(vi) scaling down of import duty on parts of capital goods to 25 per cent from the previous rates ranging from 25 per cent to 35 per cent; and
(vii) imposition of countervailing duty on imports of capital goods equivalent to the excise duty on domestic capital goods.

Measures (i) to (v) are intended to raise aggregate demand for investment, while (vi) and (vii) represent devices for preventing the diversion of this demand to imports even when there is no difference between the productivity of domestic and foreign capital goods.

Our analysis in Section III suggests that the provisions listed above are addressed to the periphery rather than the core of the problem of recession in capital goods industries. The correction of the anomalies in the tax structure via (vi) and (vii)—anomalies that run contrary to the standard principles of allocative efficiency—was of course long overdue.[27] But simply the prevention of substitution of foreign for domestic capital goods will be of little avail unless there is a significant increase in aggregate demand for investment. No major improvement on the demand front can be expected from the reduction in institutional lending rates by 1 percentage point, given the much lower cost of finance from other sources. Provisions relating to corporation tax and capital gains tax will help, as in 1993-94, more in generating bullish sentiments in the stock market than in effecting any significant improvement in the climate for investment. Under the package of policies presented in the Budget, growth in demand will primarily be in industries producing goods for upper class consumption and these goods are widely expected to be taken off the negative list of imports in the near future. Public investment in agriculture remains low. There is no move to assure private producers of the future availability of infrastructural services. In short, long-run policies reflected in the Budget cannot but make a rational producer extremely wary of undertaking investment on a large scale at the present juncture.

Long-Run Strategy

The upshot of our analysis is that in the absence of a sound strategy for long-run development of the economy, it will be difficult to avoid stagflationary tendencies in the system. The long-run policy under SAP is fairly clear and simple. There are also important elements in this policy which are eminently sensible and efficiency promoting However, the policy also has important gaps which need to be recognised and removed for realising the basic objectives of growth and poverty alleviation.

There are three major policy thrusts under SAP for which the government should be complimented. First, the attempt at simplification of the tax system and at removal of bureaucratic control and procedural hurdles producers had to face at various stages, cannot but have a salutary effect on the functioning of the economic system. Second, the clear signal given to managers of public sector enterprises that their job is to make profit and not to promote some non-quantifiable social objectives is essential for healthy growth of these enterprises. Third, the thrust on exports and cost-competitiveness of domestic industries is essential for long-run viability of balance of payments.

While the overall concern and policy on these three counts constitute a welcome departure from the *ad hoc* policies of the earlier decade, some of the steps taken by the government betray an inadequate understanding of some basic economic issues and often go against the implicit model behind SAP itself. We have already referred to the violation of allocative efficiency arising from the differential duties on capital goods and their components, and from the absence of countervailing duties on imports. While the 1994-95 Budget has removed some of these anomalies, others are permitted to persist (note 27). What is much more important, the government has not been quite consistent in following the principle of comparative advantage while promoting or discouraging industries

When consumer goods imports are banned, low customs duties on capital goods (and their components) cannot but have a distortionary effect on the allocation of resources between the two sectors. If the ban on consumer goods imports is intended to discourage consumption of some non-essentials,[28] the objective could be better served without violating the efficiency criterion by (a) imposing high excise duties on domestically produced luxury goods, and (b) allowing imports of these goods with countervailing duties If the objective is to raise the degree of capacity utilisation in consumer durables or other industries in view of the difference between market and shadow prices of imports [Rakshit 1986a, 1991, 1994], the ban should be supplemented by steps for discouraging investment in these industries Anyway, the argument applies equally well to capital goods industries. The differential degree of protection to consumer and capital goods industries can be justified only if the former are deemed to enjoy greater dynamic comparative advantage—a hypothesis that cannot apply to all consumer goods industries currently protected, and does not seem to have any solid foundation in empirical findings

The major flaws in the long-run strategy lie in two areas and there is no serious attempt in the Budget to correct these flaws We have repeatedly emphasised the importance of infrastructural investment and large-scale deployment of resources in selected industries in order to make them internationally competitive within a specified time frame This requires some indicative planning and close co-operation between the government and producers, public or private Second, the government does not seem to have any effective plan for raising agricultural investment and production—a lapse that augurs badly for the long-run internal and external balance of the economy

Removal of the two defects in government strategy requires, among other things, a significant step-up in public investment While the government is not perhaps unaware of this requirement, the stumbling block in this regard appears to consist in the problem of finance and the perception of the government concerning safe limits to fiscal and monetised deficits Elsewhere we have indicated why the concern of the government should be the revenue rather than the fiscal deficit, and how the

policy relating to interest rates, imports and public investment has led to the fiscal crisis in the Indian economy [Rakshit 1986a, 1991, 1994]. Unfortunately, the process of unlearning the orthodox tenets and of learning from experience appears extremely slow in official quarters and the economy has meanwhile to pay the price in the form of losses in jobs, income and consumption.

V
Conclusion

(a) Poor growth in agriculture and industry in the Indian economy has been accompanied by a substantial increase in the supply of finance, slow growth in bank advances, inflow of foreign funds, a jump in foreign exchange reserves, and a booming stock market.

(b) The key to the puzzles lies in (i) switch from a regime of credit rationing to a situation of excess supply in the loan market, (ii) interrelationship between demand constraint in the loan market, low investment and stagnation in agricultural output, (iii) differences in the factors operating in the share market and those affecting investment in fixed capital, and (iv) the way budgetary operations are related to (i), (ii) and (iii).

(c) Government policies under SAP have boosted the demand for consumer durable and contributed to the rise in share prices, but had an adverse effect on capital formation in both agriculture and industries.

(d) While measures aimed at simplification of the tax structure, removal of bureaucratic control, generation of profits of public sector undertakings, and export promotion should contribute toward efficiency and viability of the sytem, there are major flaws in tackling short-run problems and in the long-run strategy for development. The flaws consist primarily in the lack of any coherent policy relating to agricultural growth, infrastructural investment, promotion of activities in line with the principle of dynamic comparative advantage, and scale, composition and financing of government expenditure.

Notes

1 Ignoring the cash drain from the banking system that would have occurred with the concomitant rise in the level of economic activity.

2 For a more detailed exposition see Rakshit (1986, 1993).

3 Even when the central bank does not fix the structure of interest rates, strong oligopolistic elements in banking and finance tend to make the lending as also deposit rates fairly sticky. Neither does perfect competition by itself ensure market clearing interest rates since asymmetric information gives rise to the problems of adverse selection and moral hazard [Stiglitz and Weiss 1981].

4 There could no doubt be excess demand in some submarkets together with excess supply in others. Such coexistence does not invalidate the results relating to the overall working of the system.

5 Ignoring the feed-back from the commodity market associated with the use of credit.

6 Or rather, cannot be used for explaining the overall behaviour of the financial market.

7 Note that DC implies inadequate demand for loan by creditworthy borrowers. Apart from the fact that the imposition of norms can explain at best sectional but not overall demand constraint, there can be little doubt regarding the decline in demand for loans in real terms by creditworthy borrowers. Be that as it may, a boost in profitability in agriculture and industry would turn a considerable section of borrowers currently shunned by banks eminently creditworthy.

8 Most of which have found their way in investments on the asset side of the balance sheet of financial institutions including banks. However, the amount raised through Commercial Papers is fairly modest.

9 In a situation of demand constraint it is the minimum interest rate that matters.

10 The ratio was lower in the heydays of the period of scam.

11 To see the significance of administered interest rates in this context note that an increase in the supply of reserve money or non-bank credit will have no impact on aggregate borrowing for production and investment when all interest rates are fixed and the credit market is demand constrained.

12 The demand side factors are relevant more in explaining the composition of agricultural output than its total.

13 As distinct from overall credit rationing.

14 The whole of this does not constitute expenditure on final goods.

15 Strictly speaking, increase in emoluments of government servants should also be treated as transfers rather than public consumption, since they hardly raise the quality or quantity of public service.

16 During April-October 1993-94 the decline in sugar production was more than 55 per cent.

17 Since larger stockholding leads to higher prices in the open market. Note also that the increase in food subsidy was largely due to higher interest and other costs of maintaining large stocks, and hence did not benefit lower income groups, at least in the short run.

18 Through the Pigou effect, with share prices rising at a faster rate than the consumer price index.

19 Note that under the prevailing Exim policy there is no leakage by way of imports in respect of consumption goods (except through imports of their raw materials and components).

20 As we shall see, some of the anomalies are sought to be corrected in the Union Budget for 1994-95.

21 Most empirical studies suggest that an increase in dividends at the expense of retained profits tends to raise prices of shares.

22 This is partly borne out by the decline in share prices when the Union Budget for 1994-95 fell short of expectations.

23 We have elaborated elsewhere on the macroeconomic implications of such policies on fiscal deficit and public sector saving [Rakshit 1986a, 1991].

24 Central government expenditure as a ratio of GDP is more than 20 per cent.

25 The two targets appear to be inconsistent in that if expenditure is no more than the budget estimates, the revenue targets are unlikely to be attained.

26 Financial investment of the government largely reflects budgetary support for public sector investment.

27 However, there is still no import duty on fertiliser projects, duty on power projects is only 20 per cent, and imports on these two counts do not attract any countervailing duties. Again, there is no appreciation of the principle that even from the viewpoint of allocative efficiency, some subsidy is required for full utilisation of existing capacity in capital goods industries, though investment in these industries can be justified only on the basis of their long run viability [Rakshit 1986a, 1991].

28 This amounts to tacit admission of the failure of the direct tax machinery and government expenditure as means of promoting equitable distribution of income.

References

Bernanke, Ben S (1983): 'Non-monetary Effects of the Financial Crisis in the Propagation of the Great Depression', *American Economic Review*.

Blinder, A S (1987): 'Credit Rationing and Effective Supply Failures', *Economic Journal*.

Government of India, Ministry of Finance: *Economic Survey 1993-94*.

— Budget Speech 1994-95.

— *Budget at a Glance 1994-95*.

Rakshit, M (1986): 'Monetary Policy in a Developing Country', WIDER, Helsinki (mimeo).

— (1986a): 'On the Inflationary Impact of Budget Deficit', *Economic and Political Weekly*, Annual Number.

— (1991): 'The Macro-economic Adjustment Programme: A Critique', *Economic and Political Weekly*, August 24.

— (1993): 'Money, Credit and Monetary Policy' in T Majumdar (ed), *Nature, Man and the Indian Economy*, Oxford University Press, Delhi.

—(1994): 'Issues in Structural Adjustment of the Indian Economy', in International Economic Association, *Economics in a Changing World, Vol 4: Development, Trade and the Environment*, Macmillan, London, forthcoming.

Reserve Bank of India, *Annual Report 1992-93*.

Stiglitz, J and A Weiss (1981): 'Credit Rationing in Markets with Imperfect Information', *American Economic Review*.

On Inflation and Subsidy

Ranjit Sau

Contrary to the finance minister's claim, stabilisation of the Indian economy was not completed last year by his own criterion and data, nor will it be in this year. Should structural reforms be pursued without first stabilising the economy?

The finance minister intends to revive the capital goods sector through a Keynesian deficit-induced multiplier-accelerator mechanism. But if the historical linkage between capital goods industries and the government's own expenditure on capital formation is any guide, then the drastic budget cut on the latter's account would frustrate his objectives.

Here we shall describe a new type of inflation, unheard of by the monetarists and the structuralists alike. This inflation springs from the wealth effect that emanates, unlike its Pigouvian cousin, from the stock market. The budget will dig this channel of inflation deeper.

There is a widespread misconception about subsidy and its magnitude. The well publicised estimate that puts total subsidies at 15 per cent of GDP relies on a wrong formula and a false notion.

The professed 'middle path' has degenerated in reality into a 'middle-class path' with an inclination towards the top-rich.

FISCAL deficit is the root cause of two evils, namely, inflation, and the balance-of-payments deficit. For stabilisation of an economy that has fallen into crisis fiscal deficit, therefore, must be brought down—in the case of India precisely to 4 per cent of GDP. This is the quintessence of the macro-economic theory and policy of our finance minister. And it has been enunciated on several occasions.

Last year while presenting the budget in parliament the finance minister declared that India had successfully completed the onerous task of economic stabilisation. But today the ex-post data, now available, indicate that his claim was premature. In 1993-94 the actual fiscal deficit at 7.3 per cent of GDP was way above the budgeted target of 4.7 per cent of GDP, let alone the 4 per cent benchmark that was stipulated for such deficit in the original memorandum signed with the International Monetary Fund (IMF).

This year the finance minister has said that the fiscal deficit for 1994-95 will be 6 per cent of GDP, which by itself is 50 per cent higher than the norm earlier set by himself. Besides, our simple arithmetic calculation with budget data shows a still higher figure, namely, 6.9 per cent, not 6 per cent, for that year.[1] Furthermore, we know, the realised number in such circumstances often overshoots a finance minister's projection. Reckoned by the finance minister's own criterion, stabilisation of the Indian economy, evidently, had not been attained last year, nor will it be in this year. If so, it raises serious questions about the strategy of liberalisation of the Indian economy.

"Some of the major liberalisation episodes during the last decade, such as those in Argentina, Chile, and Uruguay, took place in highly unstable macro-economic environments that eventually contributed to their failure. There is a growing belief that this macro-economic instability was not completely exogenous, but was in some sense related to the liberalisation strategies followed in these countries" [Edwards 1984: 3]. India, keeping in view its specificities, should carefully consider its options since the economy is not yet stabilised.

If fiscal deficit is the fountainhead of the dangerous twins, namely, inflation, and payments disequilibrium, what lies behind fiscal deficit? In other words, deficit 'ke pichhe kya hai'? Of course, the burden of subsidy, *inter alia*! Such is a widespread impression in India; it links subsidy, budget deficit, rapid price rise, and crisis in external account, in a chain of causation in that order. Some wrong notions and false measurements of subsidy have gained extensive publicity, and are misleading the public opinion. This essay is an attempt to set the record straight at an aggregative level.

Bad harvest, and printing of too much money by the government are part of the folklore on the causes of inflation. The finance minister, we believe, has dug another channel for inflation—it relates to financial speculations by the affluent. India had survived one securities scam two years ago. Another artificial boom in stock market—unrelated to economic fundamentals—is probably not far behind.

Section I gives some highlights of the budget. Section II deals with the above-mentioned new variety of inflation that springs from casino of the rich. Section III reviews some prevailing prejudices on subsidy. Section IV has a few brief remarks.

I
Budget Equations

Figures for 1993-94 are revised estimates (R E) and those for 1994-95 are budget estimates (B E). Let K denote capital expenditure by the government of India. From the budget papers of 1994-95 we find

(1) K(1994-95) = 0.977.K(1993-94).

It means that this year the government will cut down capital expenditure even in nominal terms, relative to the previous year. Just imagine what it means when corrected for inflation.

Capital expenditures are classified under two heads: plan, and non-plan, denoted by PK and NPK respectively. Indeed, K = PK + NPK. The budget shows

(2) PK(1994-95) = 0.941.PK(1993-94).

The axe has fallen heavily on plan capital expenditure. This is, I guess, for the first time in the history of planning in India since 1951 that capital expenditure on plan account has been slashed in absolute terms at current prices.

Non-plan capital expenditure will remain almost stagnant at current prices.

(3) NPK(1994-95) = 1.028 NPK(1993-94).

So it will fall in real terms if inflation takes place

The following two equations show the relative burden of interest charges in fiscal 1994-95.

(4) Interest payments = 1.013.(total plan expenditure).

(5) Interest payments = 0.507.(total non-plan revenue expenditure).

Obviously, interest payments are eating away an enormous amount of budgetary resources.

In the budget as such the amount of subsidies is smaller than that of interest charges. But the budget displays only explicit subsidies given to producers and consumers directly. Among them, subsidies on export, fertiliser, and food are known to be quite prominent. *The National Accounts*, however, follows a wider concept of subsidy that covers, in addition, losses incurred by departmental enterprises. Now, there is a third definition. In a very interesting paper Mundle and Rao (1991) have taken another step forward to include also services offered by government departments like health, education, housing, and family welfare. By this method it turns out that in sample year 1987-88 the estimated subsidy was as much as about 15 per cent of GDP, which is an astonishingly large magnitude.

FIGURE 1

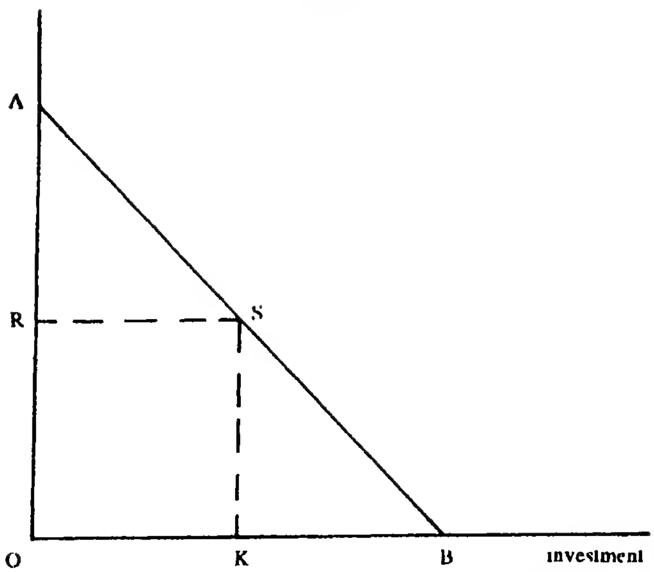
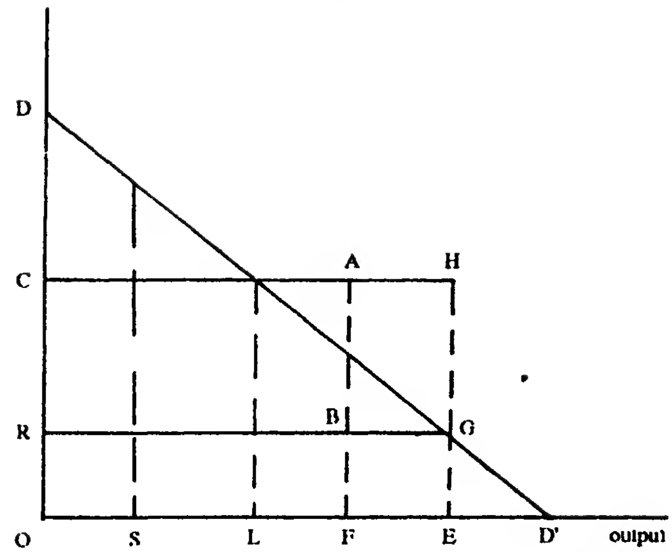


FIGURE 2



This round number of 15 per cent of GDP as subsidy has caught popular imagination Recently, in a television interview, the distinguished editor of a premier economics daily of India cited this figure to support his view that the government should curtail subsidies The print media is not lagging behind in this campaign either

As we shall elaborate below, the finance minister has taken a big risk in his latest budget. At the first signs of serious financial crisis the most likely place to chop expenditure—investment already having been sacrificed, see (1) above—is going to be subsidy, and that also will be probably done *ad hoc* After the Chelliah Committee on tax reform, India needs a committee on subsidy reform

II
Inflation by the Rich

The government has a sizeable hoarding of foodgrains at hand, procurement of wheat and rice this year has been above expectations Foreign exchange reserves are satisfactory. So the inflation potential of the budget is low For the government can easily resort to import, should there be any threat to price stability. This has been the official counter argument, in press conferences, against those who have linked the size of the budget deficit with the possibility of inflation.

In our judgment a primary source of inflationary pressure this time may come from an altogether unsuspected quarter, namely, the *wealth effect* arising from a stock market boom fuelled by funds released through corporate tax concessions granted in the budget, and inflow of foreign portfolio capital If poor men's wage goods do not do it, this time speculations by the 200-million-strong rising middle class and the top rich would ignite inflation

There are four reasons for the rush of foreign portfolio investment (FPI) into India's stock markets [2] First of all, the return on capital in India's industry is relatively high. Even in the most 'unstable' times, that is, fiscal 1991-92, it was not less than 16 2 per cent [ICICI 1993: 24]. In the preceding five years the rate of return had steadily improved. There was no set-back in industrial profit rate at all. The returns are generally higher in India's industry than abroad.

Second, the government has stated that interest rates will be gradually lowered. Given the inverse relationship between the prices of securities and interest rates, obviously the present owners of securities will reap capital gains as and when interest rates fall [3]

Third, it is a first principle of fund management that a portfolio should diversify into assets with uncorrelated returns. For the American, European, and East Asian investors India's equities are quite attractive on this ground.

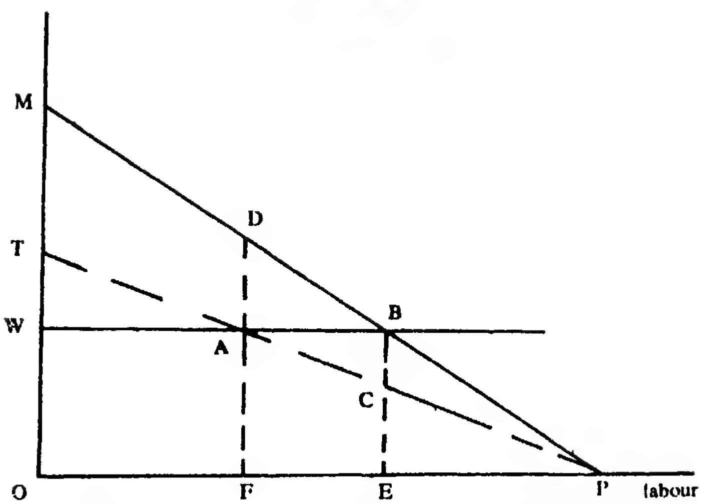
Fourth, tax rates in India discriminate strongly in favour of foreign investments here A large quantity of India's capital is said to have left the country, and is strategically parked abroad. This money can return with the garb of foreign currencies, and take advantage of tax concessions. Probably this is happening in fact.

The finance minister has proposed to phase out *ad hoc* treasury bills as a measure of restraint on money supply. But in an open economy—or in a half-open economy like India's—the total money supply is beyond the reach of a central bank. We suspect that a stock market boom will result from the inflow of FPI, and the tax relief granted to the corporate sector. This will create a good deal of paper-wealth, which in turn would raise consumption of the upper-middle class and the top rich This is going to be a new source of inflation. It may be recalled that the infamous 15-month-long stock market scam that ended in April 1992, was prompted by large-scale diversion of corporate money from the sphere of production to that of financial speculation.[4] It had no correlation with the level of industrial activity. Now, we see the same anomalous scene: rise in share prices, while a large section of industry, particularly, capital goods sector, is in a prolonged recession. Our corporate sector has demonstrated a profound fancy for speculation. Public sector enterprises have not lagged behind in this gamble.

In a press conference the finance minister has said that the fiscal deficit is meant for raising aggregate demand to help industry come out of recession. This sounds old-fashioned Keynesian, all right! But the trouble with this policy is that it is too far-fetched. We know that capital goods industries are in deep coma. Fiscal deficit, no doubt, generates purchasing power through the multiplier; but it directly benefits consumer goods industries. Only in the next round will the impact be felt by capital goods industries via the acceleration principle. Besides, there is another slip here. The budget has curtailed capital expenditure. It is precisely capital formation in the government sector that has traditionally induced capital goods industries. If this symbiosis is still valid then the multiplier-accelerator alone, in the absence of public sector investment programme, would not add up to much for the rescue of capital goods industries.

We shall now look at the problem from an altogether different angle. It is a standard practice to blame poor men's demand for wage goods as the trigger for inflation. Let us, for a change, consider the profligacy of the affluent in this context. Macro-economics has not yet been able to structurally

FIGURE 3



locate the stock market within its fold. Here we shall make an attempt in that direction, and thereby ascertain the impact of monetary expansion in the economy. Qualitatively, our conclusion will be fairly orthodox: an increase in money supply would raise aggregate demand taking into account wealth generated in the stock market. However, the impact would be far stronger than hitherto suspected—aggregate demand will be a *quadratic* function of the volume of money supply in our model.

In the short run, capital stock being fixed, the potential output at full-capacity, denoted by Y*, is constant. If and when aggregate demand exceeds Y* there will be inflation; and part of it might spill over into excess imports giving rise to payments difficulties. We turn to the formal model.

Let Y be aggregate demand, C consumption, I investment, and W wealth. We have

(6) $Y = C + I$

(7) $C = c.Y + h.W$, $\quad c,h > 0$

The marginal yield (net of wages and material costs) of investment is denoted by q. It is our hypothesis that

(8) $q = a - b.I$, $\quad a,b > 0$

At interest rate i, investment I satisfies the following.

(9) $q = i$.

From (8) and (9) we get

(10) $I = (a - i)/b$, $\quad a > i$

In Figure 1, curve AB represents (8). At interest rate OR investment is OK. Total gross profits from this investment is given by area OASK.

Following Keynes, in the short run firms finance their investment by borrowing from banks. So, at the end of the period, ORSK is paid to the banks as interest. The remaining part of gross profits is called net profit, N, which amounts to area ARS in Figure 1. In view of (8)-(10)

(11) $N = (a - i)^2/2b$.

This net profit, or dividend, is appropriated by shareholders through stock market. It is an institutional feature that a firm issues equities, each representing claim over the dividend on account of one unit of capital. So the total number of new shares floated in the current period is equal to investment I as of (10). For simplicity we shall ignore, in the following discussion, the equities related to the existing capital that were issued in the past. Let us note that the 'real' value of each share π, that is, the dividend, per share is given by

(12) $\pi = N/I = (a - i)/2$.

So there are I numbers of primary shares. However, as it happens in a modern stock exchange, a pyramid of derivative assets is built up on the foundation of these primary securities. In the process of speculation and derivative asset creation the total financial wealth generated in the stock market can be equivalent to a large multiple of the primary assets. Let Ø be the average paper-wealth so generated, per unit of investment. Now, in our perception the total assets[5] of consumer households consist of two parts: money M, and other financial wealth Ø.N.

(13) $W = M + \varnothing.N$

Let us remember we are ignoring, for simplicity, the stocks relating to the existing capital. We have observed that the availability of money facilitates speculation in stock exchange. So we stipulate the following.

(14) $\varnothing = v.M$, $\quad v > 0$

Finally, to make the model determinate we need a money demand equation. Let it be given by simply

(15) $M = m - n\,i$, $\quad m, n > 0$

From (6)-(15) we get

(16) $Y = [hM + (g+M)\{1 + hvm(g+M)/2n\}/nb]/s$

where $g = (an-m)$, and $s = (1-c)$. The direct impact of activities of stock market on Y passes on through parameters h and v. Evidently, in (16) money supply has a strong and positive influence upon aggregate demand: Y is a quadratic function of M.

So far we have implicitly assumed that goods prices are fixed. This assumption is acceptable so long as Y does not exceed potential output Y*. But beyond that point inflation is inevitable. Should the fiscal deficit and liberal invitation to FPI lead to a rise in money supply, inflation is quite likely through the above-mentioned channel. And it will upset many other calculations of the finance minister.

III
A Dubious Estimate

The budget this year has reduced fertiliser and food subsidies compared to the previous year. There is a common impression in the country that the government bears a heavy burden of subsidy, and that such expenditure ought to be slashed. We shall argue here that part of this apprehension may have arisen from wrong definition and false measurement of subsidy.

Let us look at the most comprehensive and oft-quoted figure on this subject. Consider a government department. Let the subsidy provided by this department to the people be defined as

(17) $s = v + (i + j).k - y$

where s is subsidy, v revenue expenditure, i interest rate, j depreciation rate, k the accumulated capital stock, and y revenue receipts. Here v is variable cost, and (i+j) k is fixed cost. Adding up over all the relevant departments concerned with social and community services, economic services, and general services in the government of India and the state governments the total subsidy is computed.

From the consolidated current accounts as of the table we find that for all the relevant departments together

(18) $v = A.1 + A.2 + A.3 =$ Rs 449.59 billion.

(19) $y = B.1 + B.2 + B.3 + B.4 =$ Rs 164.81 billion.

To proceed further we need the value of (i+j)k. With a sample of 417 public limited companies in the portfolio of the Industrial Credit and Investment Corporation of India (ICICI), it is found that depreciation and interest charges are equivalent to about 20 per cent of current expenditure. But these are all large-scale, capital-intensive companies; they consume substantial amount of raw materials that appear in their current expenditure. By contrast, government departments use comparatively small quantities of raw materials. So, relatively speaking, interest and depreciation charges may be higher for government departments when compared against their current expenditure. Let the former be equivalent to 30 per cent of the latter. In other words,

(20) $(i+j)k = 0.3.v$

In view of (18) and (20) we get

(21) $(i+j)k =$ Rs 134.87 billion

It follows from (17), (18), (19) and (21) that

(22) $s =$ Rs 419.65 billion.

Corresponding to the estimate of total subsidy s = Rs 420 billion as of (22), Mundle

and Rao [1991:1160] have arrived at a similar number: Rs 423 billion, which is 14.38 per cent of GDP in 1987-88. Their method is slightly different in minor details, but essentially much the same as the one outlined above. Specifically, they have computed the fixed cost on another basis.

The main problem with such estimate is that it ignores a major item, namely, B.5 of the table. Which department collects money from the people and under what pretext is a purely administrative matter for the government. For computation of the burden borne by the people the form is immaterial; the content is all important. Taxation and subsidy do have a bearing on resource allocation; but that is a separate concern. What is to be noted here is that it is absurd to conclude on the basis of such computation that the aggregate government subsidy to the people amounts to 15 per cent of GDP. Why should item B.5 be excluded from consideration? If the government services are valued as per current costs (ignoring fixed costs for the moment) then the total comes to Rs 935.31 billion as per item A in the table, against which we have to set off payments by the citizens to the tune of Rs 831.52 as per item B in the table. The 'subsidy' or the gap is only Rs 100 billion, which is one-fourth of the amount shown in (22). And it has a more familiar name—revenue deficit.

Fiscal prudence requires that revenue deficit should be avoided. There is no doubt about it. But the revenue deficit as such has no normative implication for determining either the optimal level of activity in a given department, or its pricing policy. To put it another way, the presence of revenue deficit in a department in a certain year does not necessarily mean that either the supply of service ought to be reduced, or the user charge raised. To pursue the matter, in Figure 2 let DD' be the demand curve for a service of a government department, OC the average variable and fixed cost, and OR the average revenue receipt. Presently, output is at OF. So, by (17) the subsidy is measured by RCAB. Does the occurrence of this subsidy justify either reduction in output, or rise in service charge?

First of all, note that the market is not in equilibrium. At price OR the quantity demanded is OE, and the corresponding subsidy would be RCHG. By the principle of social cost-benefit analysis a public sector project is advised to maximise consumer and producer surplus. Suppose q denotes the quantity of service, p its price, and the demand curve is given by

(23) $p = a - bq, \qquad a,b > 0$

The net social benefit U is measured by

(24) $U = \int (a-bq)\, dq - cq$

where c is the average (also marginal) cost. Maximisation of U with reference to q yields

(25) $q^* = (a-c)/b$

where the asterisk symbolises optimality.

If OC represents long-run average and marginal costs in Figure 2 then the optimal output is OL. Suppose the initial position is at S, which implies subsidy by formula (17). But that does not call for output reduction. Rather it shows that the supply of service should expand by SL. True, at L still there would be some subsidy as per (17). But that subsidy could be financed in several ways, of which raising service charge is only one alternative.

Furthermore, one can raise question about the significance or the existence of such demand curve. For a service like education or health-care, demand curve DD' has little meaning. Such services have externalities that are not recognised in (17). In a word, counting subsidies with a formula like (17) makes no sense.

Also, subsidies given by one department can increase government's tax revenue which will escape the attention of (17). In Figure 3 curve MP represents marginal product of labour in a competitive firm. We know direct and indirect taxes in India claim about 45 per cent of value added in industry [Sau 1992c: 1743]. At a given *ad valorem* tax rate (measured by ratio MT/MO) the firm perceives TP as the relevant labour productivity curve for its employment decision. At wage rate OW, it employs labour OF, whereas in the absence of the tax it would have gone up to OE. It is easy to show that both employment and total tax collection can be increased by a subsidy of ACB judiciously given to the firm at the margin. If the subsidy is disbursed through the industry ministry, and excise duty is realised by the finance ministry, only the former will be taken into account by formula (17), not the latter. The subsidy will appear in item A.2 of the table, and the additional tax revenue in item B.5; and thus the latter will go unnoticed by (17).

Finally, there is also an intertemporal aspect. Why should one carp on (as some short-sighted newspaper editorials are doing) the 'subsidy' given indirectly to students of, say, an Indian Institute of Technology (IIT), but forget about the taxes they pay later in their life?

IV
Concluding Remarks

So long we have heard so much about inflation originating in the agricultural sector, particularly with reference to the supply of foodgrains, or from budget deficit as such. The "New Economic Policy" having opened up fresh avenues of making quick moneys by the affluent middle class and the top-rich has paved the way for another channel of inflation. It comes through the wealth effect emanating from paper-wealth made in stock market, while industry languishes in stagnation.

The accusing finger for budget deficit and inflation is often pointed to the wrong direction having been misled by meaningless concepts and dubious calculations of subsidy. The government has failed to appreciate the positive role of subsidy for late industrialisation in the late 20th century.[6] The prime minister in his valedictory address at the World Economic Forum, Davos, Switzerland, in February 1994, had invoked for India the middle path as enunciated by the Buddha in the sixth century B C. The finance minister has perhaps interpreted it as a benediction for a middle class path, inclined to the top-rich. What else could be the rationale for his lowering of taxes on cosmetics while the budget displays disquieting revenue deficit?

TABLE: CONSOLIDATED REVENUE ACCOUNTS OF THE UNION AND STATE GOVERNMENTS, 1987-88

(*Rs billion*)

Departments	Union	State	Total
A Expenditure	481.29	454 02	935.31
A.1 Social and community services	20.89	179 85	200.74
A.2 Economic services	103.35	140.54	243.89
A.3 General services	0.06	4.90 (c)	4.96
A.4 Others	356.99 (a)	128.73 (d)	485.72
B Receipts	389.92	441.60	831.52
B 1 Interest, profits and dividends	63.49	19.85	83.34
B.2 General services	8.45	7.79	16 24
B 3 Social and community services	2.16	5.00	7.16
B.4 Economic services	21.94	35.23	57.17
B.5 Others	292.98 (b)	[illegible]3.73 (e)	666.71

Note: (a) Includes grants-in-aid to state and union territory governments, and Non-Developmental Expenditures under heads like Collection of Taxes and Duties, Audit, Interest Payments, Administrative Services, Defence Expenditure, Currency, Coinage and Mint, and Postal Services. (b) Includes Total Tax Revenue, Cash Grants from Foreign Countries and International Organisations, Aid Material and Equipment. (c) Includes Compensation and Assignments to Local Bodies and Panchayat Raj Institutions. (d) Includes all Non-Developmental Expenditures under heads like Organs of State, Fiscal Services, Interest Payments and Debt Service, Administrative Services, Pensions and Miscellaneous General Services. (e) Includes all Tax Revenue, and Grants from the Centre.

Source: Reserve Bank of India, *Report on Currency and Finance, 1989-90*, Vol 2, pp 122-23, 132-33.

India's economic policy has been evidently informed by the International Monetary Fund (IMF) and the World Bank. The macro-economic Fund-Bank model, as formalised by Khan, Montiel and Haque [1990], assumes Say's Law. Being based on the monetary approach to the balance of payments, it has no investment function. Nor does it recognise the vital distinction between foreign direct investment (FDI), and foreign portfolio investment (FPI). Elsewhere [Sau 1992a, 1994b] we have seen that introduction of an investment function can overturn some key results of the IMF model. A continent-size federal economy like India's cannot be stabilised with financial programming of the IMF type.

Among all the developing countries of the world only three—Brazil, India, and South Korea—do have sizeable capital goods sectors of their own. Today, with empty order-books, the capital goods industries of India cannot find a trace of Say's Law anywhere. It wonders: where is the 'market' in this market economy? The Fund-Bank economics nowhere adequately treats the capital goods sector. Their trade theories are oblivious to such goods.

As narrated in the beginning of this essay the finance minister has virtually conceded that his strategy of stabilising the Indian economy has failed. Now the fate of the rest of his policy hangs in balance, on the performance of the capital goods sector. If this crucial sector, built over the decades with great care and enormous resources, does not respond vigorously within this year, the finance minister will then continue in his office (if he does) on borrowed time. He will be charged with throwing away the baby with the bathwater.

Notes

[This paper belongs to a research project 'subsidised' by the Centre for Management and Development Studies, Indian Institute of Management, Calcutta, without expecting any revenue receipt, and without any share in the responsibility for errors and views.]

1 According to *Economic Survey, 1993-94*, real GDP rose by 3.74 per cent, and the wholesale price index by 7.72 per cent, in 1993-94. In the previous year GDP stood at Rs 6,279 billion at current prices. Applying the above-mentioned two rates of increase, GDP at current prices in 1993-94 is estimated by us to be Rs 7,017 billion.

Suppose real GDP will grow at 5 per cent, and inflation rate will remain at 7.72 per cent. Then, in 1994-95 GDP at current prices will be Rs 7,937 billion. The budget estimate of fiscal deficit for 1994-95 is Rs 549 billion, which is 6.9 per cent of this estimated GDP. By comparison, the finance minister says that fiscal deficit will be 6 per cent of GDP. He is then assuming either a more-than-five per cent growth in real GDP, or more-than-7.72 per cent rise in price level, or both.

2 For the distinction between FDI and FPI, and their relationship with macro-economic stability see Sau [1994a].

3 A fall in interest rate reduces the relative price of a short-term bond compared with a long-term bond. Proof: Suppose a bond yields rupees R per year, and it matures in n years. At interest rate i its present value v is given by (ignoring the principal, for simplicity)

$v = R\,(r + r^2 + \dots + r^n)$

where $r = 1/(1+i)$. Consider another bond with the same annual yield, but maturing in (n+1) years. Similarly, its present value u is given by

$u = R\,(r + r^2 + \dots + r^{n+1})$

In a competitive market their prices will be equal to their respective present values. So the relative price of the former (shorter-term) bond in terms of the latter (longer-term) bond, denoted by w, is

$w = v/u = (1 - r^n)/(1 - r^{n+1})$.

Since $(1+r)^n$ is greater than $(1-nr)$ it can be shown that

$dw/di > 0$.

If a fall in interest rate is anticipated, a broker, therefore, will now buy longer-term bonds to sell them later. During the 1991-92 securities scam this theorem was cleverly used by brokers having insider information about movements of interest rate.

4 At its peak in April 1992, the sensitive index (Sensex) of Bombay Stock Exchange stood at 4,500, when the total capitalisation in stock markets of India was Rs 2,500 billion. In a sense therefore, each point of the index was associated with Rs 0.55 billion of market capitalisation. In 15 months ending in April 1992, the Sensex had gained 3,500 points, starting at a base of a little over 1,000 in early 1991. At the rate of Rs 0.55 billion per unit of the Sensex, the net addition to market capitalisation during this period works out at Rs 1,925 billion.

Let us say, roughly one-half of this addition, that is, about Rs 1,000 billion was due to rise in stock prices alone, the remaining part being attributed to enlistment of new shares and other factors. This estimate is purely tentative, and only indicative of the order of magnitude involved. As a comparative benchmark, we may cite that India's GNP in 1989-90 was about Rs 4,000 billion.

According to this crude but suggestive arithmetic, the stock price boom *per se* had created as if out of thin air a massive wealth of Rs 1,000 billion. The Janakiraman Committee, appointed by the Reserve Bank of India, detected cases of irregularities and fraud, and put the monetary size of the doubtful exposure of the banks and financial institutions at Rs 50 billion. Apparently, the average 'productivity' of the fraudulent money is 20 times its size. These figures highlighted two things: the enormous capacity of the stock exchange to create paper-wealth, and the significant role of money in this process. See Sau [1992b].

5 Household wealth consists of four components: money (15 per cent), bonds and equities (35 per cent), tangible assets (35 per cent), and life insurance and pension fund (15 per cent). The rounded figures in parentheses are indicative of the assets' shares in the total in the US during 1970 and 1988 [Dornbusch and Fischer 1990:123].

The Pigou effect is concerned with money alone, which is only 15 per cent of total household assets; it ignores bonds and stocks that account for 35 per cent. We include both in (13).

The initial version of this model was part of a larger framework developed in a paper that was presented in a seminar in Presidency College, Calcutta, in early 1989. While watching the amazing wealth-creating power of the stock market during the 1991-92 boom I was reminded of this model.

I thank Mihir Rakshit who prompted me to write that paper: but I must not blame him for the outcome.

6 Late industrialisation in the late 20th century in East Asia, for example, has three historic lessons for India. First, for a country having no edge in modern technology or product, late industrialisation has to rely on borrowed technology. To take full advantage of the relatively abundant labour supply, under the circumstances, the country must practise first-rate efficiency on the shopfloor. Second, in the preparatory stage the government must allocate, and monitor subsidies, and thereby get 'the prices wrong' so as to stimulate trade and investment. Third, domestic prices having been thus 'distorted' the export market would provide the standard, discipline, and reference point for efficient resource allocation. In short, subsidies have played historic role in late industrialisation in the late 20th century [Amsden 1989, 1991].

References

Amsden, A H (1989): *Asia's Next Giant: South Korea and Late Industrialisation*, Oxford University Press, New York.

—(1991): 'Diffusion of Development: The Late Industrialising Model and Greater East Asia', *American Economic Review: Papers and Proceedings*, (May): 282-86.

Dornbusch, R and S Fischer (1990): *Macroeconomics*, 5th edition, McGraw-Hill, New York.

Edwards, S (1984): 'The Order of Liberalisation of the External Sector in Developing Countries,*Essays in International Finance*, No 156, Princeton University, Princeton, NJ.

Industrial Credit and Investment Corporation of India (ICICI), (1993): *Financial Performance of Companies—ICICI Portfolio, 1992-93*, Bombay.

Khan, M S, P J Montiel, and N U Haque (1990): 'Adjustment with Growth Relating the Analytical Approaches of the IMF and the World Bank', *Journal of Development Economics*, 32: 155-79.

Mundle, S and M G Rao (1991): 'Volume and Composition of Government Subsidies in India, 1987-88', *EPW*, 26(18): 1157-72.

Sau, R (1992a): 'Financial Programming for Stabilisation—Some Notes on IMF Model', *EPW*, 27 (10-11): 531-34.

—(1992b): 'Securities Scandal: Bonfire of Rationalities', *The Economic Times*, Calcutta, July 11.

—(1992c): 'Making of a Payments Crisis: India, 1991', *EPW* 28 (33): 1741-45.

—(1994a): 'Foreign Direct Investment, Portfolio Investment, and Macroeconomic Stability', *EPW* 29(7): 386 87.

—(1994b): 'The Monetary Approach to the Balance of Payments and the IMF Model of Financial Programming', *International Journal of Systems Science*, (forthcoming).


GSFC

Economic Reforms and Macro-Economic Policy

Anup Sinha

The resurgence of conservative economic thinking in policy matters and the international pressures faced by the government in 1991 led to a thoroughgoing revision of macro-economic policies. However, the task of stabilisation has been far from successful. Even without implementing the really painful prescriptions, demand and business expectations have posed problems. Uncertainties and shrinking employment opportunities have compounded the difficulties. Structural adjustments, in terms of institution building, organisational changes and redefining the role of government, particularly in actively easing infrastructural bottlenecks and creating basic capabilities for the large number of the underprivileged (in whose name all the reforms are being undertaken) have been patchy and hesitant. A quick and substantial integration with the world economy has, however, been attempted and is bound to have transitional costs in agriculture and the capital goods sector.

SINCE 1991 there has been a conscious effort made by the government of India to change the focus of macro-economic policies, so as to make them consistent with the larger programme of economic reforms. In this context, the latest budget proposals presented by the finance minister came as something of a surprise to many. It was certainly not a 'hard' budget in terms of restoring fiscal discipline. Nor was it entirely a departure from the past three years. It does, however, reflect certain inconsistencies that have characterised macro-economic policy in India. Recent policies, and changes in the stance of the government, ought to be viewed from the perspective of international changes as well as the internal pressures emanating from powerful interests in the domestic economy. There are, of course, certain features of policy that we now take for granted. There is the usual gap between objectives and outcomes. There is the usual measure of arbitrariness, often motivated by purely political considerations, that keep people guessing as to when exactly promised policy changes will materialise. And of course, everything is done in the name of removing poverty and deprivation.

In this paper some of the compulsions driving state policy are discussed in Section I. Section II traces the major features of macro-economic policy during the past three years. Section III contains a discussion of trends in the economy and the budget proposals for 1994-95. Section IV analyses the prospects for the economy during the coming year. Section V provides some concluding observations.

I

In the Indian economy, public control and planning have always played a crucial role in defining the limits of market-based activities. The current phase of economic reforms seeks to alter the division of labour, so to say, between the market and the state. The compulsion to undertake these changes was largely due to the pressures of the IMF and the World Bank. It was also, however, determined by the pressures from a growing and articulate middle class with growing international ties. The genuine dissatisfaction generated by years of arbitrary government intervention, and low productivity levels and inefficiencies of various kinds created a receptive climate for change. The economic crisis of 1991, and the fact that a new government had come to power, also made such experimentation with change easy.

Economic policy in India had in the past been influenced by the dominant Keynesian thinking regarding the practice of monetary and fiscal policy. On the other hand, the influence of Soviet-type planning had influenced policies designed to address the problems of supply, capacity creation, and growth. The rapid collapse of the Soviet Union and East Europe, along with a growing dissatisfaction with the Keynesian consensus in macro-economic policy-making in America and Europe, made market-friendly reforms and a non-interventionist macro policy-regime attractive as a viable alternative.

Keynesian policies along with state planning were at the heart of what is now referred to as the Nehru-Mahalanobis consensus. This consensus came to represent the hegemonic system in India. For sure, it was a weak hegemony of capital, as other contending social classes and groups had significant strengths in influencing state actions. According to Gramsci, a hegemonic system is a social equilibrium based on coercion and consent. The coercion is not always explicit. Exploitation takes place with the consent of the exploited in the sense that there may not exist a perceived superior material alternative. The compromises and sacrifices made by the contending classes are made on the basis of the 'decisive function' of the leading group in the decisive nucleus of economic activity. In short, the Nehru-Mahalanobis consensus was essentially geared to the development of capital. To quote Gramsci:

> It is true that the state is seen as the organ of one particular group, destined to create favourable conditions for the latter's maximum expansion. But the development and function of the particular group are conceived of, and presented, as being the motor force of a universal expansion, of a development of all the 'national' energies. In other words, the dominant group is co-ordinated concretely with the general interests of the subordinate groups, and the life of the state is conceived of as a continuous process of formation and superseding of unstable equilibria (in the juridical plane) between the interests of the fundamental group and those of the subordinate groups—equilibria in which the interests of the dominant group prevail, but only up to a certain point, ie, stopping short of narrowly corporate economic interests [Gramsci 1980: 182].

In such a situation, democratic political institutions allow claims to allocation of resources and distribution of output, consented to by the capitalists. In short, there is democratic control over the level of employment and the distribution of income. Keynesianism provided a theory for the determination of income and the evaluation of alternative policies. Keynesian policies promised full employment with equality, without sacrificing profits and private ownership. Keynes himself had remarked:

> I conceive, therefore, that a somewhat comprehensive socialisation will prove the only means of securing an approximation to full employment, though this need not exclude all manner of compromises and of devices by which public authority will co-operate with private initiative. ... It is not the ownership of the means of production which it is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments, and the basic rate of reward to those who own them, it will have accomplished all that is necessary [Keynes 1942: 378]

In recent years, the twin phenomena of rising inflation and slower growth has proved remarkably unresponsive to Keynesian interventions. In India, the social consensus became dependent on concessions granted to groups organised as non-market players. The allocation of resources became increas-

ingly determined by political bargaining and processes. The problems of Keynesian demand management lay not merely in an inability to predict a complex future, not only in terms of rising lags in policy effects, nor in terms of supply side shocks being unamenable to demand management, but above all in the inability to sustain high rates of growth. The problems of inflation, rising global interdependence, and political allocation of resources pose trade-offs that can be hostile to demand management alone. Moreover, in a country like India, where the shortage of capital in certain key sectors is a binding constraint, demand stimulation alone may, in fact, accentuate the problem of unsatisfactory growth rates, unless there is a careful co-ordination in supply side management.

Throughout the advanced capitalist countries, the policy response to this trend has been a right-wing restatement of the anti-statist orthodoxy of the 1920s, albeit embellished with well developed theoretical devices of new classical macro-economics and monetarism. The essence of this is the conventional wisdom of the 20s, centred around balanced budgets and deflationary policies. In this line of thinking, higher investments require higher savings, which in turn, need higher profits. Therefore, a redistribution in favour of profit earners is desirable from the viewpoint of economic growth. Profits are seen as the motor of accumulation. Rising wages, welfare spending, transfers and subsidies are hindrances. Similarly, any government intervention that restricts profits and profitability should be done away with, even if such restrictions reflect negative externalities and social costs. The promise of higher investment, higher productivity and faster growth entails lower taxation, lower non-military public spending, reduced regulations on profits and a dilution of workers' bargaining strength.

While the problem of supply side constraints needs to be faced squarely, it does not follow that investments are low because profits are low. Similarly, government investments may be bad and wasteful, but the entire waste cannot be located in non-military public spending programmes alone. Investment in an efficient bomber may be more wasteful than investment in an inefficient public transport system. More incentives and more income to those who save more may be necessary, but certainly not sufficient, for rapid investment and growth. This has been amply borne out in terms of what has happened in our economy over the past one year.

The background of economic reforms was this mix of global demonstration effect and a brewing internal pressure to reorient economic policy towards markets and private incentives.

II

Economic policy reforms consist of two distinct strands, stabilisation and structural adjustments, based on prescriptions from the IMF and the World Bank. India began both these programmes in 1991. Stabilisation deals with demand management while structural adjustment deals with sectoral policies designed to address problems of the supply side in the economy. Structural adjustment entails major policy shifts to allow markets to determine prices, and reflect scarcity values even when prices are controlled. This means allowing markets the freedom to allocate resources and getting prices 'right'. It also entails a shift of resources from government control to private hands, in short, privatisation. These changes in turn imply that the government must re-define its role in the development process and carry out institutional and factor market reforms consistent with its new role. Simultaneously, trade liberalisation would mean a systematic shift of resources from the non-traded to the traded goods sectors. These reforms are expected to take time, careful sequencing in terms of timing and magnitude of change, depending on the country's level of political tolerance for rapid change, and the perceived level of transitional costs of adjustment.

To facilitate such changes and build a climate of macro-economic stability, the programme of stabilisation is carried out as a precondition. Stabilisation seeks to use macro-economic fiscal and monetary policies to deflate demand so as to reduce the gap between aggregate demand and short-run aggregate supply. Typically, it addresses three problems. First, to bring inflation under control through a restrictive monetary policy. This is usually brought about by hikes in the interest rates to reduce investment demand and increase savings. In tandem with this, there is the prescription to shift government deficit finance from the banking system to private bondholders to enable stricter control of money supply. Second, to correct deficits in balance of payments, usually through devaluation of the exchange rate (in a fixed exchange rate regime) accompanied by import liberalisation and a transition to floating exchange rates. Third, to check fiscal deficits by curbing government expenditures, particularly subsidies and other non-essential spending. Fiscal deficit correction would also require increases in the price of government-supplied goods, like food and infrastructure services, for increased revenue. Higher tax earnings through tax reforms are also part of the agenda. The government of India had undertaken all these steps since 1991.

The central issue is controlling inflation. For instance, the price of exportables relative to other goods, the price of labour relative to other factor prices, and the real rate of interest, are all affected by inflation and expectations about future inflation rates. If the inflation rate is constant and perfectly predictable, there is of course no problem. However, in most developing countries there are distortions in relative prices emanating from the balance of bargaining strengths of organised groups like big industrialists, trade unions, civil servants and the military, and landlords. This constant shifting of the balance of forces leads to a volatility in relative prices. For instance, low and fluctuating real interest rates might induce lenders to prefer short-term investments, reducing the supply of long-term investible funds. There will also be a tendency for holding foreign currency portfolios, or investing in assets like land and gold, which are expected to yield capital gains. This is the crux of the IMF-sponsored stabilisation package.

The experience of deflationary stabilisation has been far from the ideal stipulations of the IMF. All the policy measures that form the package do reduce expenditure and demand, but invariably affect the supply side or short-run income and output of the economy in the following fashion: devaluation, through raising costs of imported raw materials and intermediate goods, fiscal deficit reduction, through cuts in developmental spending and infrastructure, and credit squeeze, by affecting the cost and availability of working capital in situations where a large proportion of output is credit constrained. They all affect the supply side in a negative manner. If the government cannot (or fails to) exert control over these effects, the gap between aggregate demand and aggregate supply can widen further, leading to stagflation. This is because aggregate demand may fall, but aggregate supply may fall even more, thereby widening the gap to result in inflation accompanied by recession. The typical international experience has been negative rates of growth and doubling of the rate of inflation in the first one or two years of stabilisation.

The literature on stabilisation experiences and problems is large. Apart from the problems of sequencing, timing, credibility, and changes in income distribution, there is a more fundamental problem regarding the monetary roots of inflation as envisaged in the IMF package. Taylor (1983 and 1988), Rakshit (1986) and others have argued that a significant group of economic agents, namely, workers and industrial firms set wages and prices by specific rules like wage-indexation and mark-up pricing. These rules prevent

conflict between different groups in maintaining income shares under changing conditions In such a scenario, a monetary contraction, relative to the rate of inflation, can result in reduced output and employment if profit margins are to be preserved In a developing economy, if the availability of food is supply constrained then flexible food prices are usually the chief determinants of changes in the rate of inflation Empirical evidence on the Indian economy [Balakrishnan 1991] seems to question the monetary roots of inflation in India Most economies have a mix of fixed and flexible prices Therefore, macro-economic policy reforms must be designed for the specifics of each country

The performance of the Indian stabilisation programme appears to have been satisfactory if we only look at GDP growth rates and changes in the rate of inflation Compared to the past we have done worse However, compared to the experiences of Latin America and East Europe, we have done better Growth rates have not declined to negative levels, and inflation rates have certainly not doubled compared to the recent past (though it did go up significantly in the first year of stabilisation) It is still hovering around 10 per cent, which is probably the politically tolerable limit Expectations regarding inflation rates, however, indicate that inflation is far from stable, with anticipations of higher rates in the future

In terms of policy targets, however, none of the announcements made by the government have been realised GDP growth rates have been lower than anticipated, inflation rates higher Fiscal deficits have never been exactly on target in the past three budgets, with all indications this year that it might climb to alarmingly high levels Monetary expansion (M3) has been higher than target levels in all the three years The balance of trade has shown signs of improvement but there are many other factors responsible for it Indeed, it might be argued that the government has not really gone through the true-blue stabilisation programme according to IMF prescriptions Had it done so, the contraction of the economy might have been much more severe However, the climate is far from stable There are mixed expectations about the speed of reforms pending on the government's agenda Inflationary expectations and anxieties about infrastructural bottlenecks stemming from a virtual stagnation in government spending on the capital account cannot be a very conducive environment for a major investment spurt Employment has stagnated Government spending on revenue account has risen sharply, and by all indications, appears out of control If stability, both in terms of crucial macro-economic variables and the policy programme, then it has failed so far Yet, according to proponents of the programme, stabilisation is supposed to yield results in three to four years' time

III

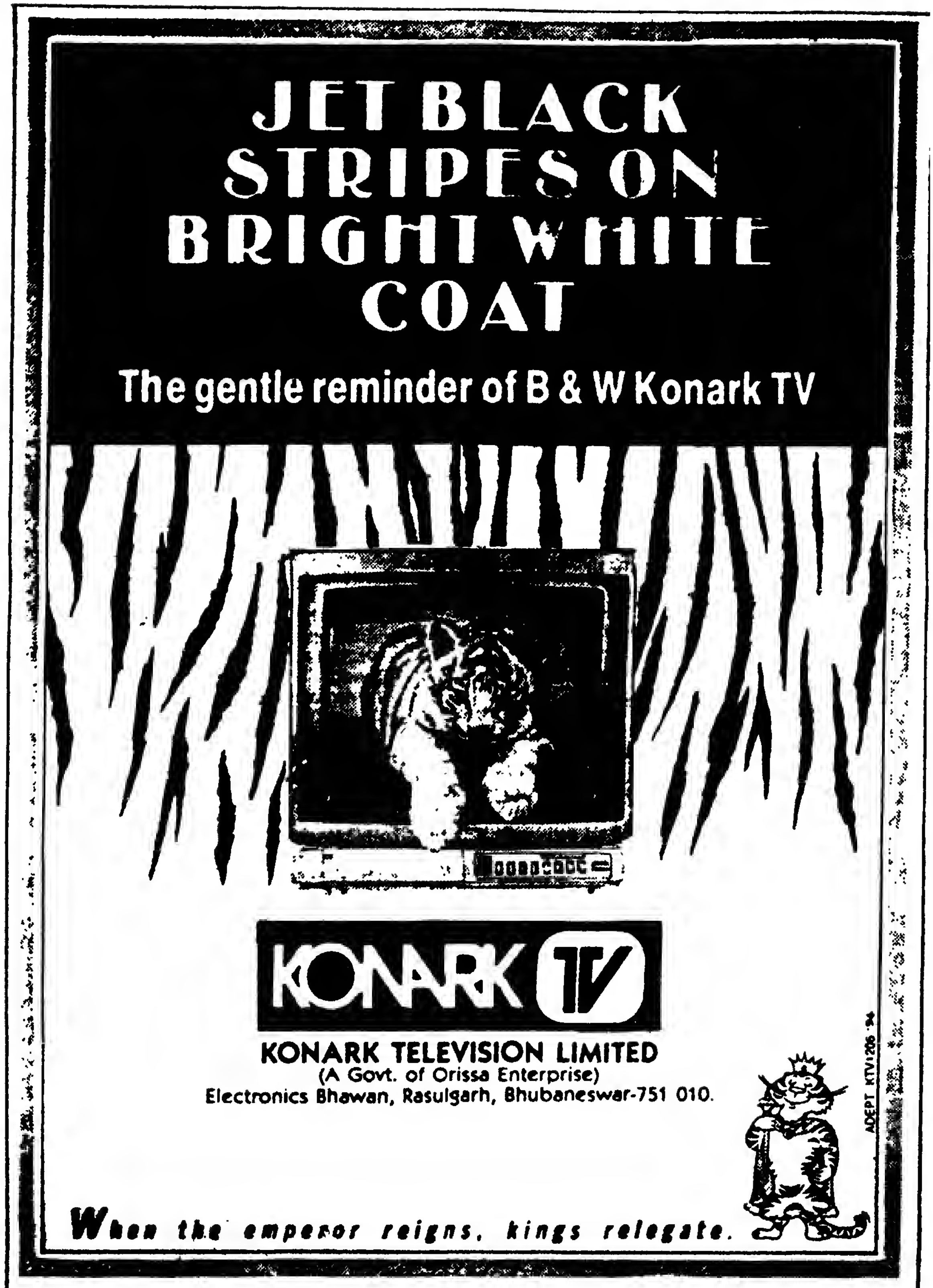
This year's budget, which was expected to be a firm consolidation of the stabilisation package, yielded surprises The *Economic Survey* along with the budget proposals, reveal some disturbing features of the economy that can have adverse long-term consequences

The performance of the economy during the past year has been significantly below expectations The rate of growth of GDP is estimated to be 3 8 per cent as against the projection of 5 per cent Inflation has averaged around 8 per cent as against the projection of 5-6 per cent M3 has been growing at a rate slightly higher than 14 per cent as against a projection of 12 per cent The fiscal deficit is going to be well over 7 per cent of GDP against a projection of 4 7 per cent Agricultural production as a whole, as well as foodgrains production separately, is estimated to have declined The growth rates being -0 9 per cent and -0 5 per cent respectively Industrial production is estimated to have grown by a meagre 1 6 per cent with a sharp decline in capital goods production and the production of consumer non-durables Imports have stagnated in dollar terms Exports, however, have grown by about 20 per cent in dollar terms Tax revenues have been well below budgeted figures and spending, particularly on the revenue account, has gone up Subsidies have increased The budgeted deficit has doubled from Rs 4,314 crore to a revised estimate of Rs 9 060 crore The primary deficit which was budgeted to be a negative Rs 1 041 crore is revised to be Rs 21,051 crore By all measures there has been a slowdown of economic activity, even without the really hard prescriptions of stabilisation

As far as government spending is concerned, all the politically soft options have been chosen Despite increases in the issue price of foodgrains and other administered prices, the revenue side of the government budget seems gloomy Tax collections have been poor Direct tax collections have been on target, though there has been no perceptible effort in base-broadening Indirect taxes, customs duties and central excise targets have gone awry This is despite significant reduction in rates and simplification of procedures and exemptions There are two reasons for this First, it can be an object lesson for the government that reductions in rates alone do not lead to better compliance Secondly, the level of economic activity that was anticipated in computing tax earnings was belied Removing restrictions on higher levels of investment and output Large corporate houses have had healthy looking bottom lines in their profit and loss accounts That did not, however, get translated into more activity

The government does not appear to have learnt its lesson on this count This year's estimated earnings are at higher levels with optimistic predictions about growth Tax simplifications and rate reductions have been carried further as promised On the indirect tax front this is desirable, if compliance and collection is to be streamlined However, direct taxes, particularly personal income taxes have continued to be the instrument for pacifying the demands of the articulate upper middle class and the rich The contribution of direct taxes continue to be paltry, with a very large segment of incomes in agriculture, the unorganised sector and the middle segment of the organised sector left untapped The poor response to the presumptive tax scheme for small business shows the lack of credibility of government announcements Thus on the tax front the total budget estimate for gross tax revenue of Rs 87 136 crore is likely to be an overestimate Both the measures of elasticity and buoyancy have been hiked up based on the assumptions of better tax collections and higher growth rates which are unrealistic

The expenditure side is probably an underestimate, as usual While revenue expenditures have gone up capital expenditure has completely stagnated in real terms Total capital expenditure has fallen from last year's revised estimate of Rs 33,648 crore to a budgeted amount for this year at Rs 32,888 crore Plan expenditures on revenue and capital accounts have stagnated from a revised estimate of Rs 46,026 crore to a budgeted amount of Rs 46 582 crore As far as non plan expenditures are concerned, they have been increased by Rs 7 271 crore of which interest payment alone has risen by Rs 8 500 crore Social services spending in the revenue account has been cut when compared to this year's revised estimates The Central Plan outlay has also stagnated in real terms Moreover the resources have been spread thinly over the sectors The biggest gainer has been rural development, though there is a cut in spending on irrigation and flood control As far as rural development is concerned, the bulk of resources will go for employment generation There has been massive pumping of funds on this account However statistics in the *Economic Survey* reveal that last year none of the targets for employment generation were fulfilled In other words there is reason to believe that an enormous amount of monetary resources are wasted The overall expenditure pattern reveals that there is neither a concerted effort to reduce wasteful expenditures nor to cut subsidies and defi-


JET BLACK
STRIPES ON
BRIGHT WHITE
COAT
The gentle reminder of B & W Konark TV
KONARK TV
KONARK TELEVISION LIMITED
(A Govt. of Orissa Enterprise)
Electronics Bhawan, Rasulgarh, Bhubaneswar-751 010.
When the emperor reigns, kings relegate.

cuts as prescribed by the IMF. On the other hand, there is no indication that the government is making concentrated efforts to ease constraints on the infrastructure front, or build basic capabilities in terms of food security, basic health and education. The logic of budgetary allocations has been 'politics as usual'.

IV

This year's budget has been described as a gamble on growth. Tax cuts and deficit spending has been considered the Keynesian prescription for boosting a recovery. This is supposed to have a multiplier effect on output via a rise in effective demand. Before analysing the likely impact of the budget on demand and output, it may be noted that the entire idea of stabilisation and structural adjustments relies on reducing the necessity of government managed budgetary policies for influencing output and prices during recessions and booms. If this budget reflects a conscious decision to rely on Keynesian prescriptions for macro management, then it tacitly admits that the economic logic underlying the reform programme is not working according to expectations.

Coming back to the issue of the budgetary impact on effective demand, it may be argued that tax-cuts have to be translated into higher disposable income via larger take-home pay packets, higher distribution of corporate profits in the form of dividends and lower prices for the consumers via indirect tax cuts passed on to them by producers. Corporate dividend earners and income tax payers form a very small group in terms of the total population of the country. However, their purchasing power is quite large. Any rise in their demand is likely to be for consumer durables and services. Last year, indirect tax cuts have not been significantly passed on to consumers according to the finance minister's own admission. Therefore, there is no reason to believe that this will be so this year. On top of it, the streamlining of excise duties and moving to *ad valorem* rates may imply higher prices for the consumer for a number of products. Given the fact that this year is the second year of tax cuts, and judging by the performance of consumer non durables last year there is again no a priori reason to believe that consumer goods in general will experience a spurt in demand.

Even if we argue that a consumption-led growth path is being envisaged, the capital goods sector is not quite out of trouble. Starved of demand, and facing a growing threat of competition from direct investments and imports, its performance has been dismal in the past year. The extension of MODVAT for capital goods and the countervailing duty on imports appears to be good news. There are two problems that must be considered, however, before any conjecture can be made about the fate of this sector. First, import duties have been cut, and it remains to be seen whether domestic capital goods can indeed compete with external supplies, including project imports and imports of used machinery.

The capital goods sector, to experience any turnaround with or without foreign competition, requires at the minimum, a rise in domestic demand for capital goods. Private investment has remained sluggish throughout last year, even though many pre conditions were observed like an active consumer durables market, an active primary issues market and better corporate profits. All these did not result in growth. Foreign direct investment has been slow in actually entering the economy being a flow of $ 500 million annually against a target of over $ 2 billion. Real interest rates are still too high for the medium and small investors to borrow. Financial institutional lending to the private sector has been more or less constant over the past two years. If indeed infrastructure is the problem constraining long term investment, the government's capital account expenditures do not reflect any awareness of this issue. Over and above this, rising market borrowings at attractive rates of return, compared with the past, can actually crowd out private investment. Finally, a lesson from international experience has been that, where the government and the public sector had played the lead role in investment expenditures, the private sector takes a long time to become dynamic when the roles are reversed. Thus, on all counts growth and investment may be largely elusive this year too.

As far as the budgetary impact on inflation is concerned, it is difficult to make any strong prediction. A lower budget deficit even if this can be achieved, may not be an important determinant of changes in the rate of inflation. Food production levels are more important on this count. While food production has been lower than before, the buffer stock of foodgrains is adequate for the time being. Exchange rate changes can have an effect though, by affecting the cost of production, and hence influencing inflation rates.

The foreign trade sector shows a robustness that may be short lived for a couple of reasons. First, export growth is unlikely to be sustainable at the current rate in the intermediate run, particularly when domestic capacity creation may be constrained by infrastructural bottlenecks. Secondly, the RBI may not continue to hold the exchange rate, particularly if exports do not perform as well as this year. This may trigger off a possible depreciation, and a flight of FII 'hot money', leaving foreign exchange reserves in shambles. Import costs will increase, affecting domestic costs of production.

Overall, the economy is set to trudge along at a growth rate of three to four per cent, with inflation crossing the politically tolerable limit of 10 per cent. Hesitancy in industrial recovery coupled with stagnant employment opportunities can create political pressures to dole out further government support, thereby straining the deficit as well as putting pressures on the rate of inflation. Agricultural prices and the output mix is set for fundamental changes due to rising exports from this sector. A rise in prices will further fuel inflation.

In the recent past the budget presentation has been used by the finance minister to make important announcements regarding sectoral reforms. This year a commitment has been made to make progress on the financial sector and banking reforms. However, there has been a silence on labour market reforms and public sector reforms. The first issue might affect business expectations about the economic climate in factor markets adversely, as industry has been clamouring to make labour markets more competitive to allow wage flexibility. The latter issue, regarding privatisation, may restrict any dynamism on the part of public sector decision makers, as they will be left guessing as to what exactly is going to be the ownership structure and its implications for their own autonomy.

V

The resurgence of conservative economic thinking in policy matters and the international pressures faced by the government in 1991 led to a thoroughgoing revision in macro economic policies. Economic policy changes, compared to the regime of the past, have been significant. However, the task of stabilisation has been far from successful. Even without implementing the really painful prescriptions, demand and business expectations have posed problems. Uncertainties and shrinking employment opportunities have compounded the difficulties. Structural adjustments in terms of institution building organisational changes, and redefining the role of government, particularly in actively easing infrastructural bottlenecks and creating basic capabilities for the large number of underprivileged (in whose name all reforms are being undertaken), have been patchy and hesitant. A quick and substantial integration with the world economy has, however, been attempted. This is bound to have transitional costs in agriculture and the capital goods sector.

The experiment with new policies has not resulted in the exercise of 'hard' options. Neither has it resulted in a fundamental transformation of the role of government. Even going by the IMF and World Bank set of prescriptions, reforms entail heavy social costs, the incidence of which falls on

unorganised workers and the poor, as well as on a number of privileged groups that constitute the ruling elite The rich who enjoy the maximum benefits of subsidies the politicians who strike lucrative deals with business and the smaller business persons who have control over niche markets are likely to resist rapid change

As it was with decades of planning and democratic socialism so also now limited market friendly reforms are for the rich and privileged A small enclave of big industry and wealthy consumers stands to gain The process may not be sustainable in the long run Low growth and stagnation might cause a reversal Alternatively even if growth rates do pick up along a consumption led path, it may turn out to be unsustainable in a situation where the distribution of the benefits of growth results in what Dreze and Sen (1989) refer to as unaimed opulence

The current spate of policy reforms does indicate a growing strength of Indian industrial capital to the extent it desires to free itself from the arena of state controls But there are limits to this freedom that they themselves might want or can achieve The legitimacy of a new social consensus has to rest on curbing the privileges of the rich emanating from state interventions [Bardhan 1992] and building a new set of alliances with the poor None of these changes are discernible Yet a strong hegemonic system requires political legitimacy if it is to avoid unnecessary dependence on coercion The success of reforms cannot be a matter of faith Optimism is certainly laudable But unless tempered with a good dose of realism and political will it can be unnecessarily transient and fragile

References

Balakrishnan P (1991) *Pricing and Inflation in India* Oxford University Press New Delhi

Bardhan P (1992) A Political Economy Perspective on Development in B Jalan (ed) *The Indian Economy –Problems and Prospects* Viking New Delhi

Dreze J and A Sen (1989) *Hunger and Public Action* Clarendon Press Oxford

Government of India (1994) *Budget Papers* Ministry of Finance New Delhi

—(1994) *Economic Survey* Ministry of Finance New Delhi

Gramsci Antonio (1980) *Selections from the Prison Notebooks* International Publishers New York

Keynes, J M (1942) *The General Theory of Employment Interest and Money* Macmillan London

Rakshit M (1986) Monetary Policy in a Developing Economy paper presented at the Conference on Global Macro Economic Policies WIDER Helsinki

Taylor L (1983) *Structuralist Macroeconomics* Basic Books New York

—(1988) *Varieties of Stabilisation Experience Towards Sensible Macroeconomics in the Third World* Clarendon Press Oxford

Growth Prospects Recede as Macro-Economic Situation Slips Out of Control

Arun Kumar

The economy is in a vicious trap of deteriorating macro scenario resulting from the operation of the new economic policies. The dictates of globalisation have required lowering of customs duties and reduced public investments. Both of these have meant a narrowing of the home market and dependence on the private sector to promote growth. This has required incentives to capital through tax cuts which have led to larger budgetary deficits and lower public investments. These and other policies have shifted the distribution of national income in favour of the propertied and further narrowed the home market and reduced the prospects for growth.

The new economic policies have not induced the expected supply side responses due to lack of demand in spite of the rise in budgetary deficits but have resulted in cost-push inflation. This has simultaneously caused the fiscal crisis and slowed down growth. With one-time adjustments mostly exhausted and elections round the corner, the fiscal situation can only worsen and the manner in which this will happen will prevent growth from reviving. The resort to fudges to dress up the new economic policies is proving a one-way street to fiscal and economic crisis.

THE union budget for 1994-95 needs to be assessed in the light of the performance of the economy in 1993-94 and the likely prospects (including problems) for the economy in 1994-95. In 1993-94, the economic performance except for a few bright spots was largely indifferent [Kumar 1994b]. The overall rate of growth of the economy declined and agricultural output is set to decline. The industrial sector could not break out of the low growth trap. The rate of inflation hovered around 10 per cent in spite of the sixth good/average monsoon in a row since 1988. Unemployment continued to be a cause of concern with a decline in public sector employment. Retrenchment of labour has started under VRS and golden handshake. The organised private sector is also laying off (since its capital formation and growth rate remain low). The budgetary situation deteriorated with the steep rise in the revenue and budget deficits.

The external sector was the bright spot of economic performance in 1993-94. Exports rose through the year at about 21 per cent. Imports did not rise over last year's level so that the current account deficit has come down sharply from $ 5 billion to $ 0.5 billion. Foreign exchange reserves have risen sharply to about $ 14 billion. Foreign direct investment and portfolio investment have gone up substantially. On the home front, the sharp rise in foodgrain reserves is a positive aspect.

The 1994-95 budget was expected to use the reserves of foodgrains and foreign exchange to help step up the rate of growth of the economy in a non-inflationary manner. It was also expected that the rising budgetary imbalances would be brought under control. The sharp rise in the budgetary deficits and the rate of inflation in spite of the string of six good or average harvests implied that the economy was in need of stabilisation. For this, the implementation of those elements of the Structural Adjustment Programme which could further destabilise the economy needed to be postponed. Some of these could be listed as cutting tax rates, opening the economy further and incurring expenditures on VRS [Kumar 1994b].

The 1994-95 union budget has belied most of these expectations. Even the proponents of NEP have expressed consternation at the sharp deterioration in the fiscal situation. Even the finance minister does not know how to justify the situation and has spoken in two voices. He has said "I am not happy with this fiscal deficit level" and "a sharp reduction in fiscal deficit by cutting current expenditure would have been counterproductive" (FM's interview in *The Economic Times*, March 11, 1994). The finance minister has further expressed hope that supply side responses will take place due to tax cuts and liberalised imports even though these have not occurred in the last three years.

To understand these confusions, one needs to analyse the emerging macro scenario. This has been attempted in this paper. Section I presents the overall theme of the union budget for 1994-95. Key features of the budget, the external sector in Section II and the tax reforms in Section III, are commented on. Section IV and V analyse the possibilities of supply side response and price rise following the budget. Section VI and VII look into the likely impact of budgetary deficits on demand and the reasons for their sudden rise since 1993-94. Section VIII analyses the likely impact of the union budget for 1994-95 on the economy in the light of the macro analysis in the earlier sections. Section IX presents the likely scenario as it may unfold in the future. Conclusions are given in Section X.

I
Guiding Spirit

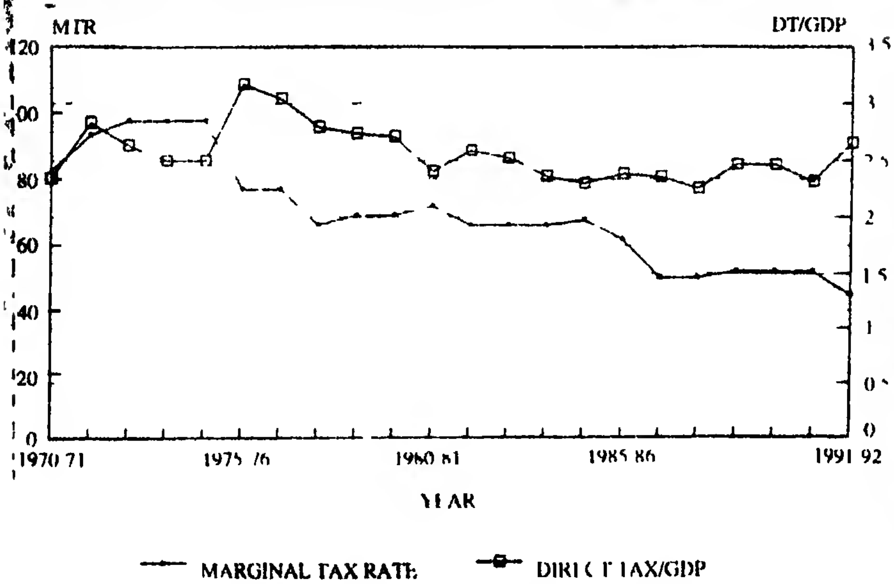
Since 1991, budgets were being framed in the context of the New Economic Policies (NEP) consisting of the Stabilisation Policies and the Structural Adjustment Policies (SAP). The priority was to stabilise the economy even if in a regressive and deflationary manner. As a part of SAP, the economy was being globalised—opened up to foreign goods and capital.

In 1994-95, customs duties and direct tax rates have been cut in spite of low revenue buoyancy, rising expenditures and rising revenue and budget deficits. In spite of the lack of stabilisation this represents, current account convertibility has been introduced and this will further destabilise the economy. Hence not in the national interest. This is being ignored since the philosophy guiding the union budget for 1994-95 seems to be the opening up of the economy. Even here, policies that should have accompanied it to protect the national interest are nowhere in sight. The imprint of the new GATT agreement is also clear.

Many aspects of the union budget can be commended, like the rationalisation of the indirect tax structure and the extension of MODVAT to cover more commodities so as to move towards a full VAT. There is also the attempt to broaden the tax base by bringing services into the indirect tax net and by extending presumptive taxation [GOI 1992] to certain class of incomes. All this represents a reform of the taxation structure and could be welcomed[1] but for the overall macro implications of what has been done which overwhelms the welcome features of the budget.

To put a gloss over a deteriorating fiscal situation, the government is justifying the 1994-95 budget on grounds of its growth orientation. It has been argued that large stocks of food and foreign exchange reserves will not let the level of inflation rise. It has been stated that the budget is designed to induce supply side responses to accelerate economic growth. Each of these arguments needs to be analysed.

GRAPH 1: ESTIMATES OF MARGINAL TAX RATE, AND RATIO OF DIRECT TAX TO GDP



II
External Sector

This sector is the bright spot in the economy and is also the one governing the key aspects of the 1994-95 budget and, therefore, needs a closer analysis. First, the rise in reserves. The large build up of reserves in 1993-94 is a result of inflow of $ 1.5 billion on account of FII, $ 600 million of FDI, $ 1.5 billion of GDR and ECB, $ 300 million loan from the IMF and inflows under invisibles (Table 1)

Of the $ 7.6 billion rise in reserves in 1993-94, at least $ 3 billion represents liabilities which may have to be paid back at a short notice. This is on top of the $ 14.5 billion of NRI deposits which can start flowing out at the sign of any instability. The value of the $ 1.5 billion investments by FIIs is now much larger due to capital gains

Any instability could result in (a) stoppage of inflows which have built up the reserves and (b) substantial outflows. With large debt service payments coming up, the present cushion of reserves could prove to be inadequate. If NRIs also start withdrawing their deposits and flight of capital takes place along with underinvoicing of exports and overinvoicing of imports, the 'liquidity crisis' of 1991 would be back. With current account convertibility and the permission to exporters to hold accounts abroad, flight of capital has been facilitated. Legal import of gold and silver can add to the difficulties [Kumar 1992a].

The country's external debt today is larger than in 1991 and so are the debt service requirements. Even though the debt has hardly risen in 1993, the liabilities of the country (to outsiders) have risen sharply. Further, inflows on account of aid have turned negative and commercial borrowings are not yet available. No fresh flows are expected from the IMF Thus, the country is even more dependent on other private capital flows. These are generally of the hot money variety. To induce these flows, large concessions would have to be offered, to match those available in other countries

The FDI flows do not necessarily lead to availability of free foreign exchange [Kumar 1993b]. Associated with FDI are larger outflow of foreign exchange on account of royalty, technical fees, consultancy fees and purchase of capital goods and intermediate and raw materials. In some cases, FDI will not constitute any saving of foreign exchange since these are projects which need not be set up or could have been executed with local resources. This is the case with say soft drinks or most food processing and intermediate technology products or with say, power plants Today, foreign exchange could be borrowed more cheaply if so needed for some select critical technology inputs.

General opening up is economically expensive since it involves large concessions In the last two-and-a-half years the country has offered a variety of inducements to foreign capital to invest in Indian industry [Kumar 1994b] and help upgrade technology but with little to show for it Approvals of projects have risen sharply but actual inflows are a tiny fraction of the approvals. Even of the FDI inflows that have occurred, a large fraction is to acquire cheap assets in the form of equity at concessional rates—FERA companies have raised their equity to 51 per cent and above at a fraction of the ruling market price [Kumar 1993c].

Capital flows like those of GDR and FII are not enhancing the country's capacity to earn more foreign exchange. Money raised through GDR is being used to substitute for working capital and for playing in the stock markets Are they raising exports? Indeed, exports have risen by 20 per cent in $ terms, but there is no link with the above-mentioned capital inflows. In $ terms, agricultural exports have risen by 40 per cent and those of gems and jewellery by 37 per cent (Table 1).

Imports in $ terms have stagnated. The decline in the prices of petroleum products has helped. The low rate of growth of the industrial sector has slowed down demand for imports. There is also an additional factor related to underinvoicing of imports and dumping and the overinvoicing of exports Data are not yet available but it is being suggested that up to $ 1 billion may be involved If this is true, the current account deficit may be of the order of $ 1.5 and not 0 5 billion

III
Tax Reform

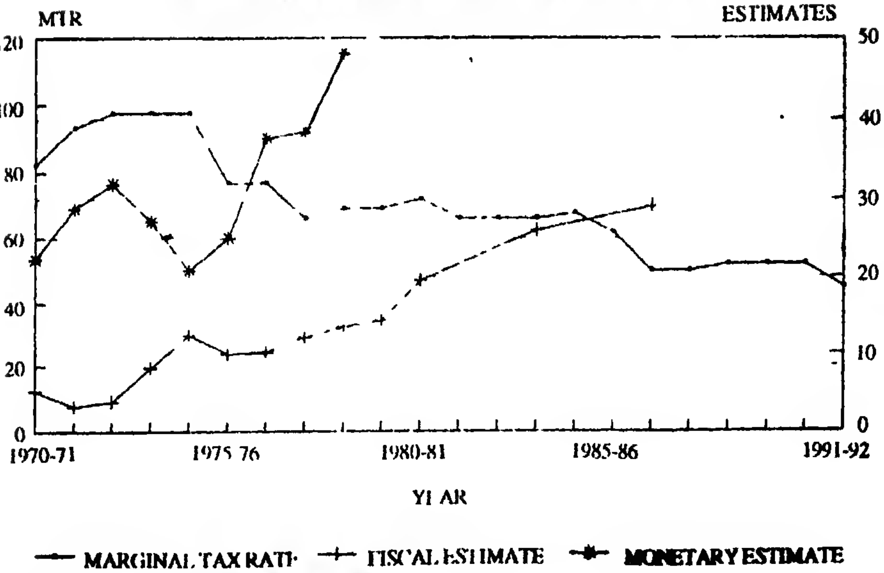
One of the key features of the 1994-95 budget and the earlier three budgets has been the reduction in the rates of customs duties. This has been accompanied by an increase in excise duties or their remaining unchanged. Thus, while imported goods have been cheapened, Indian goods have either increased in prices or have remained unchanged in value. Devaluation gave Indian goods protection. However, this works only to a point. Indian goods tend to lose their market share at home and/or the profit margins of the Indian producers are squeezed.

TABLE 1 CHANGES DURING 1993-94

Reserves up to February 1994 ($ Billion)		Exports up to September (Per Cent)		Imports up to September (Per Cent)	
Total	6.7	Total	21.3	Total	-3
FII	1.5	Agriculture	38	Food	-23
GDR, etc	1.5	Gems and jewellery	37	Fertilisers	-37
FDI	0.6	Metals	30	Chemicals	-32
IMF	0.3	Ores and minerals	32	Iron and steel	-20
NRI deposits	0.8	Manufactures	19	Gems and stones	23
		Garments	7	Capital goods	14
		Metals	30	Tpt equipment	192
				Project goods	-9

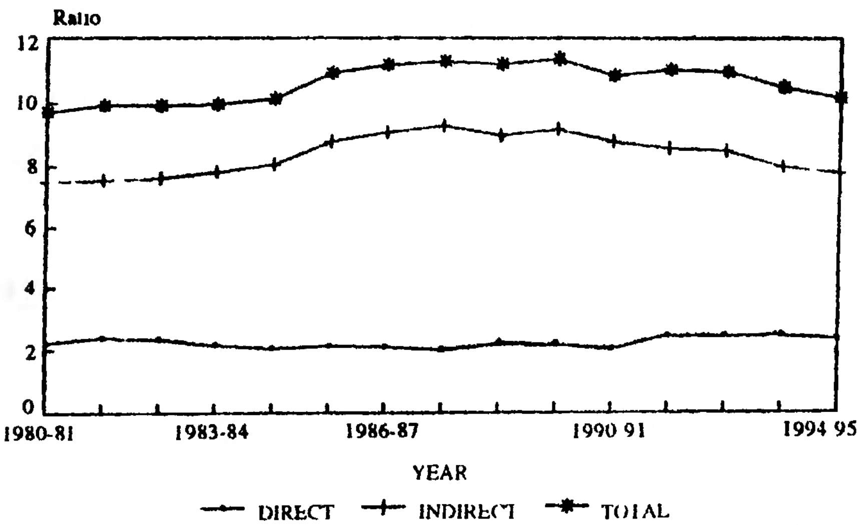
Source: GOI (1994).

GRAPH 2: ESTIMATES OF MARGINAL TAX RATE AND BLACK INCOME



Sources: Saumya, 1993; NIPFP, 1985; IPFS, 1992

GRAPH 3: CENTRAL TAX GDP RATIO



Sources: *Public Finance*, 1992 and Receipts Budget, 1994 95. GDP has been projected using nominal growth rates

To compensate for this, direct tax rates need to be lowered. Rates of taxation for personal income tax and corporation tax have had to be lowered since 1991.

These rates are also required to be cut since it is a bait to attract foreign capital. Not only this, the rates have to be competitive with those prevailing in other countries which are also competing to attract foreign capital.

As a consequence of the reduction in rates of direct taxes and customs duties, revenue buoyancy has declined. The revenue deficit tends to grow. This requires cuts in expenditures or more borrowing or new sources of taxation or some combination of this. Extension of excise duties to services and replacement of specific duties by *ad valorem* ones and replacement by MODVAT at higher rates are some of the ways of raising more tax revenue. All these have been attempted in the budget for 1994-95, in the name of rationalisation and reform. New sources of revenue are also sought in disinvestment of PSE equity and extension of presumptive taxation to small businesses and the self-employed.

Reductions in expenditures (from trend) are easy only in social sectors, capital account and the Plan. Data for the late 80s indicate that as the deficits rose the real expenditure increase on social sectors slowed down (Table 2). Capital account expenditures actually fell in the last few budgets. These lead to the slowing down of the rate of growth of the economy, deterioration in the quality of life and inadequacy of infrastructure. This reduces the attractiveness of the country to foreign investors and, therefore, further inducements become necessary. An example of this is the concessions to foreign investors in the power sector and the opening up of the most strategic and profitable areas for foreign investments, like petroleum products and banking and financial services. The cost of trying to break out of the vicious circle of concessions, deterioration in profitability and budgetary crisis is indeed high.

Tax reforms have been initiated predominantly with the intention of opening up the economy. It has not been used as a tool for changing the fiscal policy regime to make it more rational and to overcome the problems encountered by the Indian economy [Kumar 1988 and 1994b].

IV
Supply Side Responses

It is often argued that cuts in direct tax rates will induce higher business profitability, larger investment and, therefore, a higher rate of growth. It is also suggested that lower tax rates will lead to better tax compliance, higher revenues and reduction in the budgetary deficit. Data do not support either of these arguments.

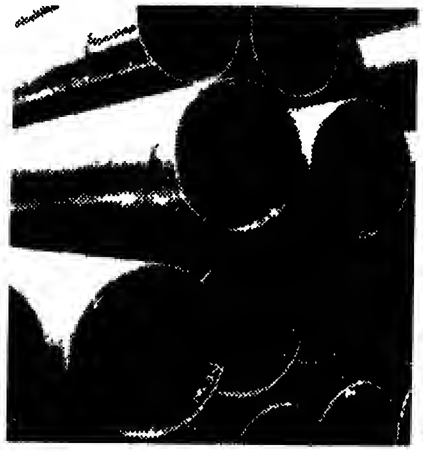
In India, direct tax rates have been reduced since early 70s but by most measures the share of black economy has risen (Graph 1). Further, the share of direct taxes as a fraction of GDP has only fallen since the mid-70s (Graph 2). Since 1991, under NEP, most tax rates have been cut, but revenue buoyancy has fallen and not risen.

If at all, tax compliance depends little on tax rates. Neither international nor national data indicate that a lowering of tax rates leads to an improvement in compliance. Other factors are far more important as pointed out in Singh (1973) and in the Indian context in Kumar (1985).[2] As such, tax cuts immediately lead to loss of revenues.

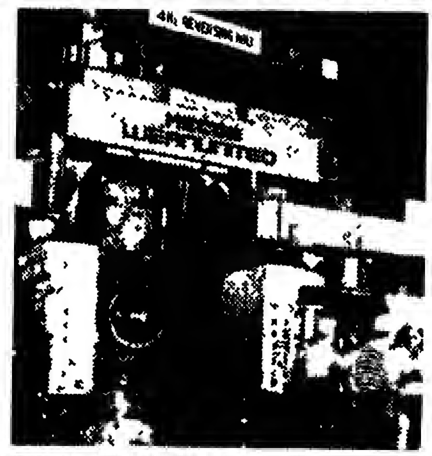
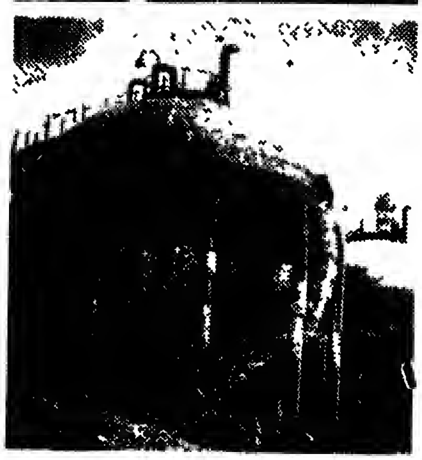
Would cuts in tax rates lead to higher profitability and increased private investments? Again this is a complicated relationship and depends on many factors. *Ceteris paribus*, a reduction in direct taxes leads to a fall in the gross profits and to no change in net profits [Kalecki 1971: 39]. In Kumar (1988) it was further argued that with the growth of the black economy, as the budgetary deficit increases, gross profits do not increase. It follows from these arguments that if the deficit is kept unchanged through increases in indirect taxes, then the gross profits actually fall [Kumar 1993a].

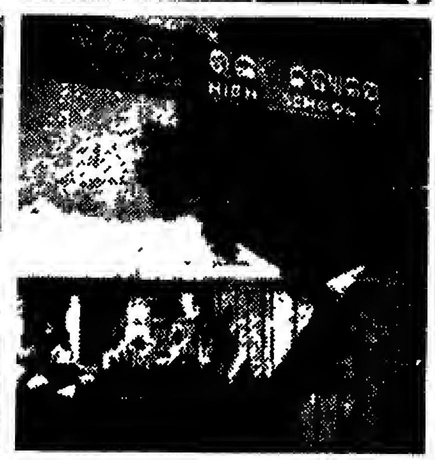
Finally, concessions to the propertied would seem to increase their disposable incomes. Would this result in additional demand and lead to a boost to growth? Usually, their consumption depends mildly

IN CONSTANT QUEST OF THE NEW

**Rourkela–
bulk producer
of special
purpose steel**



STEEL AUTHORITY OF INDIA LIMITED
ROURKELA STEEL PLANT
Steelmakers to the Nation

on their incomes and that too with a time lag and has a high import intensity so that even when it does generate demand it does not do so in the national economy. Immediately, these incomes have to be invested but that is determined by other factors [Kalecki 1971: 123] hence is not assured. Even if it happens, it does so with a considerable time lag. As such, *ceteris paribus*, demand falls in the economy, and the incomes of the propertied fall so that the disposable incomes remain unchanged [Kumar 1993a].

In sum, *ceteris paribus*, neither does the generation of black incomes nor does reduction in direct taxes lead to an increase in gross profits in the short period—gross profits fall while net profits remain unchanged. Lower direct tax rates do not lead to increased profits. This counter intuitive result is due to a decline in output consequent to a reduction in demand. Capacity utilisation and the rate of profit decrease. Excess capacity, decline in gross profits and a fall in the rate of profit lead to a disincentive to investment [Kalecki 1971: 123]. The conclusion is that profits improve with demand rather than with incentive to profits through tax cuts. The former is sure to raise profits while the latter may not. How has private investment responded in the last three years?

Even more than earlier, private investments are critical for growth. This is due to the reduced rate of growth of public investments. Capital expenditures in the budget have been reduced since 1990-91 and have gone up only now. Plan expenditures in real terms have grown little since 1991-92. So the source of additional investments has to be the private sector either Indian or international capital.

Unfortunately, as argued in Kumar (1993b), Indian private investment has not been buoyant because of excess capacity, profitability of speculative activities and the threat of entry of foreign capital and take overs. Even while foreign direct investment has not come in large amounts, the threat exists, and along with other reasons, the risk of investment has increased for Indian capital. As shown in Kumar (1993c) the rate of savings and capital formation of the corporate sector has fallen since 1991 in spite of the concessions granted to them. They have, however, raised record amounts in the capital markets but this has largely gone into speculative activities and not real plant and equipment.[3]

Foreign direct investment inflows remain small (only approvals have sharply risen) in spite of the concessions granted. Much of it is associated with FERA companies raising their equity from 40 per cent to 51 per cent and above. This has taken place at much below market prices and has been lucrative since it enables acquisition of cheap assets Investments in the power sector may now take place and, as earlier argued, will be expensive.[4]

The inflow of foreign capital for portfolio investment has only added to the instability in the Indian stock markets and is adding to speculative activities. More profits can be made in a few months in the stock markets than through investments in new plant and equipment in a few years. As already argued, this kind of investment does not even provide the government with a stable supply of foreign exchange and, therefore, it can be used only to limited extent to boost investments.

Availability of credit is seen to be criti to increased private sector investments. F this purpose, the government instituted fi nancial sector reform by lowering CRR a SLR. It has been argued that governme has been pre-empting resources and crow ing out private investments, so a reducti in the SLR would release resources for private sector

The SLR has been cut from 38.5 per c to 34 75 per cent and CRR from 15 per c to 14 per cent [GOI 1994: 40]. But due slack demand from the private sector cash-deposit ratio for all scheduled bar was 15 per cent and the investment-depo ratio at 39 3 per cent in October 1993. T credit-deposit ratio has been hovering a low of 54.6 per cent in comparison with value of 57 per cent in 1991-92 and 58.8 cent in 1992-93 [RBI 1993]. It is then not case that the public sector was pre-empti resources from the private sector; tod when credit is available, it is not bei utilised for lack of demand.

In the Indian economy it is not savin that are at the root of the problem investments. The rate of investment savings in the economy has fallen af 1991 [Kumar 1993c]. This appears to b direct result of slow-down in the rate growth of public investments and the co sequent slow-down in private investmen This is independent of any reform of banking sector and increased liquidity w the banks.

A decline in investment in agricult has been noted by the government [G 1994: 124]. If reform of banking impl

TABLE 2: REAL EXPENDITURE OF THE CENTRE, STATES AND UNION TERRITORIES ON SOCIAL AND COMMUNITY SERVICES

(Rs crore at 1981-82 pri

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990
1 Education, art and culture	3840	4064	4678	4954	5458	6173	6736	7575	8148	9271	95
2 Medical and public health, water supply and sanitation	1776	1928	2139	2396	2521	2767	3066	3304	3418	3483	35
3 Family welfare	161	192	281	348	357	428	430	447	462	495	5
4 Housing	237	288	308	335	323	338	459	416	411	436	4
5 Labour and employment	307	299	271	251	323	336	376	384	378	403	4
6 Social security and welfare	857	973	1150	1329	1352	1608	1774	1805	1857	1979	21
7 Rural development						7	8	2469	2664	3264	28

Annual Percentage Change in Expenditure of the Centre, States and Union Territories on Social and Community Services

	1980-81 to 1981-82	1981-82 to 1982-83	1982-83 to 1983-84	1983-84 to 1984-85	1984-85 to 1985-86	1985-86 to 1986-87	1986-87 to 1987-88	1987-88 to 1988-89	1988-89 to 1989-90	1989 t 1990
1 Education, art and culture	6	15	6	10	13	9	12	8	14	
2 Medical and public health, water supply and sanitation	9	11	12	5	10	11	8	3	2	
3 Family welfare	20	46	24	3	20	0	4	3	7	
4 Housing	22	7	9	–4	5	36	–9	–1	6	
5 Labour and employment	–3	–10	–7	29	4	12	2	–1	7	
6 Social security and welfare	14	18	16	2	19	10	2	3	7	
7 Rural development						15	29689	8	22	

Source: *Public Finance*, various issues.

its privatisation and profit-making and results in reduction in priority sector lending and closing down of rural branches, agricultural investments would further decline. This can only slow-down the rate of growth further.

In a nutshell, supply side responses are not as yet visible in the Indian economy. While the growth rate of public sector investments has declined, the Indian private sector has not responded to cuts in direct tax rates or greater availability of credit or reductions in interest rates due to decline in demand and its fear of entry of foreign capital and take over threats. Foreign capital has come in only for portfolio investments and is of the hot money variety. It has not yet decided to enter with long-term commitment in new plant and equipment. Tax cuts have not yielded better compliance or revenue buoyancy in the past and are unlikely to do so now; the result is a worsening of the revenue deficit.

V
Price Rise and Cost Push

Even while demand is slack, prices continue to rise at around 10 per cent. This is all the more surprising after six good or average monsoons in a row since 1988. It is also strange given that the government has large reserves of foodgrains—23 million tonnes by November 1993.

The price rise since 1991 is largely of the cost push variety and has averaged over 10 per cent. Prices of agricultural commodities have risen the fastest in this period. Price increases notwithstanding, public distribution offtake has fallen sharply. The poor are unable to even buy from public distribution, wherever it exists. The public distribution has also been made ineffective by raising the issue price and bringing the ration price close to the market price. Due to build up of stocks, the average daily availability of foodgrains has declined sharply [Kumar 1994b].

Prices are also rising because of inflationary expectations. There was a steep pre-budget price increases of basic items of consumption (sugar, wheat, rice, petro products, etc). However, rate of inflation started rising even before these administered price increases. The freeing of movements of agricultural produce will make it even more difficult in the future for the government to control prices of these commodities.

There are several other cost push elements built into NEP. Reductions in subsidies force prices to rise. This is the case for water, electricity, transportation, foodgrains, fertilisers and medical and educational facilities. The public sector is being forced to raise prices because it is expected to generate larger profits and fund more of the Plan through higher internal and extra budgetary resources (IEBR). Their budgetary support is being decreased so that they are being forced to raise more expensive funds in the market. To cover these higher costs, they are forced to raise prices. Devaluation adds to cost push. Exports of agricultural produce has added to the inflationary expectations.[5]

It is a moot point what would happen to the rate of inflation if supplies of foodgrains are affected by an adverse monsoon and of this the probability has only gone up further after another average crop year. This would eliminate surpluses for export. If to maintain export growth at 20 per cent, agricultural produce is exported on large scale, the price rise can be steep. Given the liquidity in the system, the stocks with the government can disappear quickly. Its capacity to acquire fresh stocks through procurement would be limited by the elimination of zoning. Following its current policies, the government will raise procurement and public distribution prices as free market prices rise and this would set up a vicious circle of one price chasing the other.

Rise in food prices can trigger off a general price rise and a devaluation to keep exports going. Devaluation and further expectations of it could easily give a fillip to reverse flow of capital. With current account convertibility, the reverse flow of foreign exchange will be easy. Exporters and importers can hold back foreign exchange abroad and NRIs and FIIs can easily pull out along with their capital gains. All this could force a bigger devaluation than necessary and feed another cost push element into the inflationary spiral. The price front is precarious.

VI
Fiscal Deficit and Demand in 1993-94

Table 3 shows that the various deficits rose over the 1993-94 budget estimates (by 58 per cent and 110 per cent). This is rationalised on the ground that the economy needs a stimulus. It is argued, one must not make a fetish of budgetary prudence. Is it not the case that it is the government along with the IMF which suddenly turned fiscal prudence into a fetish in 1991? Further, it is unclear what the argument now being put forward amounts to since the fiscal deficit in 1994-95 is sought to be brought down from the level in 1993-94. Is it the case that the nation is simply hearing ex-post rationalisations of an out of control fiscal situation?

What is the character of the fiscal adjustment now being attempted by the government? Suddenly growth is stated to be more important than stabilisation. Given the large and growing reserves of foreign exchange and foodgrains, it is stated that an increase in the fiscal deficit will generate the needed demand and not be inflationary. It is argued that the Plan, the social sectors and the rural sector need to be given greater priority than hitherto (Finance Minister's Budget Speech 1994: 13).

TABLE 3: REVISIONS IN ITEMS IN BUDGET AT A GLANCE

Item	Percentage Change from		
	Budget to Revised Estimate (1992-93)	Revised to Actual Estimate (1992-93)	Budget to Revised Estimate (1993-94)
(1) Revenue receipts	3	–5	–10
(2) Tax revenue (net to centre)	3	–7	–13
(3) Non tax revenue	5	0	1
(4) Capital receipts	3	–8	37
(5) Recoveries of loans	–4	–2	0
(6) Other receipts	40	–44	29
(7) Borrowings and other liabilities	2	–6	52
(8) Total receipts	3	–6	6
(9) Non-Plan expenditure	4	–2	9
(a) On revenue account	5	–2	8
Of which			
(b) Interest payments	2	–5	–1
(c) On capital account	0	–2	13
(10) Plan expenditure	7	–1	12
(a) On revenue account	12	–4	9
(b) On capital account	1	3	15
(11) Total expenditure	5	–2	10
(a) Revenue expenditure	6	–2	8
(b) Capital expenditure	1	1	14
(12) Revenue deficit	20	11	93
(13) Budgetary deficit	34	71	110
(14) Fiscal deficit	7	9	58
(15) Primary deficit	75	116	2122

Source: Budget at a Glance, various issues.

Indeed, in 1993-94, there was a large step up in all these expenditures even though the overall target was not achieved. But this trend has not been continued for 1994-95. In 1993-94, the projected increase in Plan size was 28 per cent and that achieved was 23 per cent. The budgetary support to the Plan was raised by 24 per cent, a large part of this was due to election give-aways and the need to give more to the states to enable them to utilise more external aid (by providing for matching funds) and slippages in the resource mobilisation by the public sector.

All this indicates that while the Plan size in 1993-94 was smaller than budgeted for, the budgetary support was larger. This was the result of unrealistic allocations but even then explains only 23 per cent of the increase in the fiscal deficit. The explanation for the sudden and large increase in the fiscal deficit in 1993-94 lies elsewhere.

The steep rise in the deficits in 1993-94 (over budget estimates) is the result of, first, increases in both Plan (budgetary allocations) and non-Plan expenditures and, secondly, shortfalls in tax revenues (Table 3). The increased budgetary Plan allocations have already been commented on.

The increases in non-Plan expenditures were largely due to increases in allocations for defence and subsidies. These were the result of unrealistic allocations in the 1993-94 budget. On the tax side, revenues were lower than anticipated since the base taken for 1992-93 was unrealistic and a high rate of growth was assumed for 1993-94 (see next section).

In spite of a step up in Plan expenditures, increase in the fiscal deficit and a decline in the current account deficit, the rate of growth of the economy did not pick up in 1993-94. It turned out that the industrial sector barely grew at 2 per cent instead of the anticipated 5 per cent and agriculture declined marginally instead of rising by 2 per cent. Hence excise collections did not reach the anticipated levels. Due to recession, imports fell by 1 per cent rather than rise by the anticipated 15 per cent and customs duty collections fell short.

It is then clear that the rise in the fiscal deficit in 1993-94 is a result of several factors and not just an increase in the budgetary support to the Plan. Actually the Plan target was not achieved; so this could not be the source of demand. What could be its impact on demand and, therefore, on the rate of growth?

The model presented in Kumar (1988) can be used to analyse this. To the extent the rise in the deficit is a result of the fall in direct taxes, demand is not stimulated. If it is a result of rise in interest payments, it generates no additional demand. If it is the result of increases in subsidies to the propertied classes, there is no additional demand generation. Hence, even though the fiscal deficit has sharply risen in 1993-94, its impact on demand generation is small. That is why growth remained sluggish. In a nutshell, the demand generated by any fiscal deficit depends on its characteristics.

VII
Out of Control Fiscal Situation: Fudging Figures

Table 3 reveals that since 1992-93 the budgetary figures have been greatly in error so that the budget figures cannot be dependend upon. With the union budget for 1994-95, fudging of budgetary figures has been raised to a fine art. This has been necessitated by the need to camouflage the real intentions. There may be more but two are obvious. First, to give a populist, yet a pro-rich budget (of which there are several features) and secondly, to further open up the economy.

Given the nature of all predictions, discrepancies between the budget, the revised and actual figures (Table 4) are likely. What is significant is the magnitude of changes in these figures in 1992-93 and 1993-94 and those likely in 1994-95. Earlier there was a tendency for errors to get corrected in the actual figures with the sign of the error changing. Since 1992-93, the errors are large and mostly in the same direction. In 1989-90 and 1990-91 also the errors were large but these were associated with special factors. 1989-90, was an election year and one in which there was a change of government. 1990-91 saw changes in government and non-governance.

The story of large changes begins with the union budget for 1992-93. This was the base for the formulation of the budget for 1993-94. That budget had to be projected as fiscally sound to give a rosy hue to NEP. It helped project the 1993-94 budget in a more optimistic vein. However, now it is clear that the fudges have come home to roost. **The fiscal situation is going out of control because the needed correctives were not applied. They were not needed if the situa**tion was under control.

A comparison of the budget estimates with the revised estimates (given in 1993-94) and the actual figures (given now) reveals the fudges (Tables 3 and 4). Revenues have been systematically overestimated and the deficits—fiscal, revenue and budget—underestimated. The intention was to demonstrate a healthier growth of the economy and to indicate fiscal prudence. The actual figures now available show that as compared to the revised estimates given at the end of 1992-93, the fiscal deficit is higher by 9.4 per cent, the revenue deficit by 11.2 per cent and the budget deficit by 71 per cent (Table 4).

The revised estimates were themselves higher than the budget estimates. The fiscal deficit was higher by 7 per cent, the revenue deficit by 21 per cent and the budget deficit by 34 per cent. Cumulatively, then the error in the budget estimates turn out to be 17 per cent for the fiscal deficit, 33 per cent for the revenue deficit and 129 per cent for the budget deficit.

The budgetary calculations for 1993-94 were based on the revised estimates for 1992-93. Since the latter were incorrect, the base for 1993-94 was in error and with further window-dressing, the figures for 1993-94 have turned out to be grossly wrong. As compared to the budget estimates for 1993-94, the revised estimates are off by 5[illegible] per cent, 93 per cent and 110 per cent for the fiscal, revenue and the budget deficits, respectively. Since these are not actual and the government has again overestimated revenues for 1993-94, the actual errors in the estimated deficits are likely to be even larger (Table 4 for estimates).

The growth rate being assumed for 1993-94 is an overestimate. This is being done to make the economy look healthier. In th

TABLE 4: PERCENTAGE CHANGES IN VARIOUS DEFICITS

Year	Budget Deficit		Revenue Deficit		Fiscal Deficit	
	Budget to Revised	Revised to Actual	Budget to Revised	Revised to Actual	Budget to Revised	Revised to Actual
1987-88	6.89	–4.34	26.03	7.53	5.72	NA
1988-89	6.09	–3.75	12.07	–4.67	7.20	NA
1989-90	60.15	–9.86	77.35	–4.21	24.59	–2.02
1990-91	49.49	5.34	34.94	5.56	17.76	3.04
1991-92	–8.90	–2.52	23.29	–4.80	0.17	–3.88
1992-93	33.64	70.95	20.30	11.22	6.74	9.38
1993-94	110.01	50.0*	93.18	13.2*	58.42	7.7*

* Likely, based on alternative calculations of likely receipts of revenue.

Notes: 1 1989-90 and 1990-91 show large errors in budget estimates. These were exceptional yea[rs] 1989-90 was an election year and therefore, expenditure went up. 1990-91 saw two gover[n]ments and non-presentation of the budget for 1992-93.

2 Usually errors for BE to RE are corrected by an opposite sign between RE and Actual. F[or] 1992-93 and 1993-94 the errors are not only large but in same direction. Hence errors in 199[3-]94 have got compounded.

Sources: *Budget at a Glance*, various issues, and *Receipts Budget*.

actual figures that will become available next year, the revenue figures are likely to be further revised downward and the deficits will then be revised upwards (an estimate is given in Table 5). The government is obviously depending on the shortness of public memory to keep its credibility intact.

On the basis of alternative calculations, one could hazard a guess on the size of the fiscal deficit (Table 5). Assuming that the revised estimates of expenditures are more or less correct and using the actual base of 1992-93 with a 12 per cent nominal growth in the economy and a 2 per cent real decline in imports one could make alternative estimates of tax revenue. These are likely to be lower by another Rs 2,000 crore. Due to PSE disinvestment not materialising, there will be a loss of Rs 2,500 crore. The fiscal deficit would then rise from 7.3 per cent to 7.9 per cent of GDP, the revenue deficit to Rs 38,000 crore and the budget deficit to Rs 13,500 crore.

Given that the revised estimates for 1993-94 will again change, the calculations for 1994-95 will also be in error. Further, to paint a rosy picture of the economy the government is again projecting an unrealistic growth rate for the economy (5 per cent). Buoyancy of taxes is being assumed to be high in spite of cuts in the rates of personal income tax, corporation tax and customs duties. Consequently, the revenue estimates are again likely to be in error because both the base being taken and the rate of growth assumed are unrealistic.

If alternative calculations are made (Table 5), conservatively assuming the revised estimates for 1993-94 to be correct but taking more realistic rates of growth, in 1994-95 net revenue would be lower by Rs 4,000 crore and expenditures higher by Rs 4,000 crore. Assuming higher PSE disinvestment, the fiscal, revenue and budget deficits would be 9 per cent, 22 per cent and 83 per cent higher than budgeted, respectively. Assuming that the actual taking for 1993-94 will be different from the revised estimates and taking more realistic rates of growth of expenditures, in 1994-95 revenue will be lower by another Rs 4,500 crore and expenditures will, at least, be higher by Rs 7,000 if the Plan size is maintained. The figures for deficits would then turn out to be 30 per cent, 51 per cent and 26 per cent, respectively higher than budgeted. As percentage of GDP, the figures would be 8.2, 5.7 and 2.6. These figures are comparable to the corresponding figures in the so-called crisis year of 1991.[7]

The question arises, when the budget is facing such imbalances and to correct for it essential expenditures may have to be cut, why is the government giving up revenue by cutting the rates of customs duties, corporation tax and personal income tax? Worse, with fiscal profligacy, why could it not have at least been done so as to promote growth in the economy which has been below average since 1991?

VIII
Growth and Fiscal Deficit in 1994-95

The revenue buoyancy expected in the budget will not materialise unless the rate of growth of the economy and of imports rises. The revenues in the 1994-95 budget seem to be estimated assuming a real growth rate of 9 per cent in industry, 6 per cent rate of inflation and a 25 per cent increase in imports. The present performance of the economy does not justify any of this.

The government is banking on a high rate of growth based on a larger fiscal deficit and higher Plan allocations. Reductions in tax

TABLE 5: BUDGET AT A GLANCE

(Projected figures are only broadly indicative of the likely magnitudes)

(All figures in Rs crore)

	1993-94 Budget Estimates (1)	1993-94 Revised Estimates (2)	1994-95 Budget Estimates (3)	Projected Figures: 1993-94 Actual (4)	Projected Figures: 1994-95 Government Assumptions (5)	Projected Figures: 1994-95 Our Assumptions (6)	Projected Figures: 1994-95 Election Assumptions (7)
(1) Revenue receipts	84209	76166	86084	75000	82000	77500	76500
(2) Tax revenue (net to centre)	62739	54473	62742	53000	59000	55000	54000
(3) Non-tax revenue	21470	21693	23342	22000	23000	22500	22500
(4) Capital receipts	42800	58646	59615	56200	62500	62500	77500
(5) Recoveries of loans	6655	6655	6700	6700	7000	7000	7000
(6) Other receipts	3500	2500	4000	0	6500	6500	2500
(7) Borrowings and other liabilities	32645	49491	48915	49500	49000	49000	68000
(8) Total receipts (1 + 4)	127009	134812	145699	131200	144500	140000	154000
(9) Non-Plan expenditure	90072	97846	105117	98000	108500	114700	124000
(10) On revenue account	77654	83870	90749	84000	94000	98700	104000
Of which							
(11) Interest payment	38000	37500	46000	38000	46000	47000	48000
(12) On capital account	12418	13976	14368	14000	14500	16000	20000
(13) Plan expenditure	41251	46026	46582	44000	47000	47000	55000
(14) On revenue account	24185	26354	28062	25000	28000	28000	30000
(15) On capital account	17066	19672	18520	19000	19000	19000	25000
(16) Total expenditure (9 + 13)	131323	143872	151699	142000	155500	162000	174000
(17) Revenue expenditure (10 + 14)	101839	110224	118811	109000	122000	127000	134000
(18) Capital expenditure (12 + 15)	29484	33648	32888	33000	33500	35000	40000
(19) Revenue deficit (1 – 17)	17630	34058	32727	34000	40000	49500	57500
(20) (Per cent of GDP)				(4.4)	(4.6)	(5.7)	(6.4)
(21) Budgetary deficit (8 – 16)	4314	9060	6000	10800	11000	22000	20000
(22) (Per cent of GDP)				(1.4)	(1.3)	(2.6)	(2.2)
(23) Fiscal deficit (7 + 20)	36959	58551	54915	60300	60000	71000	88000
(24) (Per cent of GDP)	(4.7)	(7.4)	(6.0)	(7.8)	(7.0)	(8.2)	(9.8)

Notes: Col 4 is calculated on the basis of likely corrections to 1993-94 revised estimates.
" 5 is calculated with (4) as base and assumptions given by government for 1994-95 budget.
" 6 is calculated on (4) with assumptions based on trends observed during the previous few years.
" 7 changes applied to column (6) assuming that elections are around the corner and the kind of revision to budget estimates in 1993-94 are again repeated in 1994-95.

rates are taken to lead to supply side responses and increases in rates of growth of industry and imports. Some variant of these arguments has been repeatedly made over the last three years. As already argued, in general there is not much substance in this line of reasoning but these propositions can be examined in the context of the 1994-95 budget.

In 1994-95, the Plan size is raised over the revised estimates for 1993-94 by 13.7 per cent whereas last year the projected increase was 28 per cent and that achieved was 23 per cent. The budgetary support to the Plan was raised by 24 per cent in 1993-94 but for 1994-95 it is being raised by 1.1 per cent. When last year in spite of a 23 per cent increase, the industrial sector remained mired in recession this year with a planned rise of 13.7 per cent and possible rise of barely 10 per cent, the Plan is unlikely to grow in real terms. With this and cuts in capital expenditures, prospects for growth can only be bleak.

The sale of PSE equity for budgetary support to the Plan is like selling off one asset to acquire another. Net assets do not rise by the amount of the disinvestment. To this extent the budgetary support to the Plan is less and its demand generating impact is lowered. If sale of PSE equity is used to reduce old debt, demand will decline.

The burden of the larger Plan is falling on the public sector. Given the precarious state of this sector, and that a large fraction of the equity of the profitable enterprises has been or will be sold, either administered prices will have to go up sharply or there will be a slippage in the Plan size. There is not much evidence of the centre's commitment to raising the Plan size. In brief, neither in 1993-94 nor in 1994-95 can the rise in the deficits be attributed to increased Plan size. Further, the rise in the Plan size is unlikely to stimulate additional demand in 1994-95 but will result in price increases.

What about boost to demand due to the slated rise in the fiscal deficit? But the fiscal deficit as a ratio of GDP is set to fall from 7.4 per cent to 6 per cent. If imports rise by 25 per cent, the current account deficit will rise sharply and this will curtail demand growth. What if the government's argument does not hold and the alternative scenario of Table 5 is realised? Then, neither will the fiscal deficit fall nor imports shoot up because growth will remain sluggish and revenues short of target.

Would demand then rise? And will it lead to increases in prices or in output? As argued earlier, prices are set to rise due to cost push factors. In 1993-94, prices of primary goods rose sharply because of sharp increases in procurement and public distribution prices. Other administered prices will rise since the public sector is to raise large resources while its costs are rising and sickness growing. Cuts in subsidies may not take place in 1994-95 but devaluation is likely. Output adjustment as a response to the general fiscal stimulus is then unlikely since it will be associated with price rise. Last year the fiscal deficit rose from 5.7 per cent of GDP to a likely 7.9 per cent but that did not revive the industrial sector. Would it do so this year?

Further, for 1994-95, the rise in the fiscal deficit is a result of increases in interest burden. As already argued, this recycles incomes and cannot stimulate demand. The primary deficit as it is called is set to fall from Rs 21,000 crore to Rs 9,000 crore In the alternative, it may be Rs 14,000 crore or Rs 24,000 crore. Either lower or a little higher and therefore unlikely to provide much of a stimulus and even that will be to raise prices as argued above.

In Section IV, it was argued that tax cuts have not led to supply side responses. This tendency for stagnation is further strengthened by some of the aspects of the 1994-95 budget. As argued in Section II, the steep cuts in customs duties while excise duty rates have either risen or have remained unchanged will dampen demand for Indian products with a few exceptions The slowdown of tempo of Plan expenditures will accentuate infrastructure bottlenecks [Kumar 1994b]. The rising rate of inflation has reduced demand from the middle and lower classes [an example of this is given in Kumar 1994b]. Any increase in disposable incomes due to tax concessions to these segments is more than compensated by inflation.

As argued earlier, concessions to the propertied and to industry in the shape of cuts in corporation tax and personal income tax cannot by themselves revive industry or boost investment. In the absence of demand, concessions do not work. Only speculative activities and hot money flows are encouraged. The union budget for 1994-95 gives a further boost to such speculative activities by lowering the capital gains taxes. As it is, it was lower than tax on productive activities. With all this, the ongoing recession i[n] Indian industry can only persist.

In brief, the prospects of the 1994-9[5] budget leading to supply side responses ar[e] bleak. With this, a rise in the rate of growt[h] of the economy will depend on the perfor[-]mance of the monsoon and in any case ther[e] cannot be a substantial rise. As such, ta[x] revenue will be short of budget expectatio[ns] and the fiscal deficit will be higher. How[-]ever, since it is based on large increases i[n] the interest burden and likely subsidies t[o] the vocal, well-off sections, its deman[d] stimulation effect will be limited and eve[n] that will be mostly absorbed by price ris[e] resulting from cost push factors. Hence th[e] prospects are for deepening stagflation i[n] 1994-95. Are there prospects for the situa[-]tion to improve in the future?

IX

Fisc Out of Control: The Future

Clearly, the union budget for 1994-9[5] indulges in the kind of fiscal profligac[y] never seen before. Suddenly after three year[s] of emphasising the importance of control[-]ling the fiscal deficit, the country is told tha[t] a high fiscal deficit is actually good for th[e] country. This is only an ex-pos[t] rationalisation of an out of control fisca[l] situation.

The steep rise in the revenue deficit i[s] cause for deep concern. It implies that th[e] government is borrowing heavily and wil[l] continue to do so and the interest burden wil[l] keep rising rapidly. In other words, with th[e] rising subsidy bill, defence burden and th[e] even more rapidly rising interest burden, th[e] non-Plan expenditures will continue to rise. To curtail the deficits, the growth in Pla[n] expenditures will have to be kept in check. This will only result in growing bottlenecks in infrastructure and cutbacks in socia[l] sector expenditures, like on drinking water health and education. Long-run growth wil[l] suffer. The alternative would be greate[r] private effort which is neither forthcomin[g] nor the solution to the problems facing the country.

TABLE 6. CHANGES IN FISCAL DEFICITS TO MAKE THEM COMPARABLE TO THE DEFINITION USED IN 1990-9[1]

	1990-91	1991-92	1992-93	1993-94	1994-95
Revenue					
(a) PSE disinvestment	—	3,038	1,961	2,500	4,000
(b) RBI profits	210	350	1,500	1,500	1,500
Total	210	3,388	3,461	4,000	5,500
Expenditure					
(a) Transfer to banks	700	700	700	5,700	5,600
(b) FCNRA exchange risk	—	—	—	—	5,721
(c) Additional interest on zero coupon bonds and PSE forced borrowings	—	—	—	—	500*
(d) Borrowings by FCI and PSEs	—	—	—	1,000*	—
Total	700	700	700	6,700	11,821
Addition to fiscal deficit	910	4,088	4,161	10,700	17,321

* Estimated.

Source: Receipt Budget, various issues.

The fiscal situation is in many ways orse than in 1991 It must be noted that e value of current deficits is not compa ble with those up to 1991 due to two ctors First, various one shot adjustments bring down the deficits are not going to available in the future Secondly the finitions of the deficits now and prior to 91 are different

Prior to 1991, there was no PSI sinvestment As noted earlier, this implies lower budgetary support to the Plan The ovision of Rs 5,700 crore last year and a ke amount this year for capital augmenta on of the banks is not being counted in the idget as capital expenditure since it is gued that the government is getting the oney back through bonds By the same gic, the budgetary support to the Plan is wer by the PSE disinvestment The provi on for the banks would not raise the budget the revenue deficits but the fiscal deficits ill be higher

The interest burden is being underesti ated PSEs are being forced to borrow and ar the interest burden (like the Food Cor ration of India) Recently zero coupon nds have been floated These only post ne the calculation of the interest from day to the date of maturity of these bonds he amount of the deficits is then higher by e amount of the underestimation of the terest burden It is also unclear how the terest on the money given to the banks is ing counted

One-shot adjustments in revenue like PSE sinvestment will not be available since ost of the profitable firms would soon ve been sold to the extent of 49 per cent he borrowings from RBI through *ad hoc* easury bills will be capped so that the large crease in borrowings in 1993 94 would t be available Due to policy rates of rect taxes and customs duties cannot be ised (as discussed earlier) because of pres res of globalisation Only excise duties n be raised but in the face of reductions in stoms duties the scope for this is limited ence revenue buoyancy will be low in the ming years

On the other hand expenditure cuts are ing to be difficult given the fact that one ot adjustments have already been made port subsidies have already been elimi ted If anything they will reappear in me other form to boost exports Further ts in food and fertiliser subsidies in the xt two years when elections are around e corner are unlikely There is not much ope for cutting employment and reducing e salary bill of the government for the me reason [6]

The rate of growth of grants and loans to e states and union territories has been wered and will be difficult to reduce fur er They are the ones who provide for most the expenditures on social and commu nity services (education and health, etc) and employment generation In the face of stagflation, reduction in these expenditures will face political opposition and will not be easy in election years Only a reduction in the size of the Plan may not face political opposition

In brief with one shot adjustments mostly exhausted and elections around the corner expenditures are likely to rise more sharply in the next two years than in the preceding three years while revenues will rise slower than in the last three years The increased revenue deficits will result in larger borrowings greater interest burden and worsening budgetary deficits Such a rise in deficits will not even stimulate much demand as argued earlier and keep the rate of growth low This vicious circle is the cause and the effect of a deteriorat ing macro scenario

X

Conclusion

The IMF and the World Bank should be unhappy with the loss of fiscal control implied by the budgets of 1993 94 and 1994 95 However opening up of the In dian markets and concessions to capital keep the G 7 IMF and World Bank happy even if the fiscal targets of stabilisation are not met [7] This situation will also deliver the country to them in a worst state in two years from now They will then be able to extract greater concessions than they have been able to obtain until now

It has been argued in this article that the economy is in a vicious trap of deteriorat ing macro scenario resulting from the op eration of NEP and the unwillingness of the government to face the truth On the contrary it is trying to present NEP as desirable for the economy and, therefore, unable to apply the needed correctives (Section VII) This may have been pos sible if the policy makers had faced up to the growing fiscal problems and the slow-down in the economy since 1991 itself and concluded that NEP are inappropriate for the nation

Dictates of globalisation (from NEP and new GATT) required lowering of customs duties and reduced public investments Both of these have meant a narrowing of the home market and a dependence on the private sector to promote growth This has required incentives to capital through direct tax cuts which has led to larger budgetary deficits and lower public investments (Sections II and III) These and other policies have shifted the share of national income in favour of the propertied and further narrowed the home market and reduced prospects of growth (Sections IV and V)

Changes in excise duties have compounded the problems for Indian industry NEP have not induced the expected supply side responses due to lack of demand in spite of the rise in the budgetary deficits (Sections IV, VI and VIII) but have resulted in cost-push inflation (Section V) This has simultaneously caused the fiscal crisis and slowed down growth Section IX points out that with one-time adjustments mostly exhausted and elections around the corner the fiscal situation can only worsen in the future and the manner in which this will happen will prevent growth from reviving The resort to fudges to dress up NEP is proving to be a one-way street to fiscal and economic crisis

There is an attempt at being too clever by half Perhaps an election year budget has been designed to keep the vocal sections happy However, the likely destabilisation of the economy can make things politically hot within the next few months, specially if the monsoons fail The rate of inflation can shoot up and flight of capital can make the present comfortable reserves position a thing of the past

The country is slipping into a situation worse than the one in 1991 At least then the country had certain instruments of control which have now been dismantled with NEP For instance, planning has been more or less discarded, the public sector is under liquidation, the economy is open to hot money flows and the international debt is much larger The pre 1991 situation was leading to a crisis but was accompanied by good growth in output and some employment generation In the present situation even this is unlikely A vicious trap—low growth and destabilisation

Notes

[I would like to thank Pankaj Jha for assistance with data work and many others who came to the Citizens Assembly and with whom I had discussions on the state of the Indian economy]

1 The tax reform steps may be welcomed from the point of view of NEP [GOI 1992] but not necessarily from the point of view of an alternative [see Kumar 1994b] In the latter, the total incidence of indirect taxes is sought to be lowered from basic and essential goods Customs duties are to be lowered *after* excise and sales taxes are reduced The issue is not just a rationalisation of taxes or introduction of MODVAT or VAT The context of rationalisation is completely different for the alternative

2 Businessmen are not even willing to pay a very low tax rate A presumptive tax was introduced on small business incomes They had to pay only Rs 1,400 per business with a turnover of up to Rs 5,00,000 Assuming a margin of 20 per cent, the tax rate worked out to only 1 4 per cent Very few have paid this tax Similarly, in Kumar (1985) it has been pointed out that even when in the past tax rates were substantially lowered, like on capital gains, compliance did not improve

3 If investments in real plant and equipment had risen, demand for capital goods and steel and cement would have shot up. However, these are precisely the sectors of industry facing demand recession. It is not even that large amounts of import of capital goods has taken place in the last three years. There has been a normal rise in imports of capital goods in spite of a large reduction in customs duties on these items.

4 This is expensive because foreign investors are guaranteed profits of 16 per cent post-tax or 32 per cent pre-tax and since return is to be in $ terms, with an average devaluation of 15 per cent it would mean a return of 47 per cent in rupee terms. Since this rate of profit is based on investments and the per Mw costs are high, the profits will also be high. It is clear that the power tariffs will have to rise sharply to enable these kinds of rates to be paid. If to avoid this, averaging is resorted to, it would imply cross subsidisation of power produced by these plants. It is likely that the State Electricity Boards will be unable to pay the high price. Then either the centre would have to pay up because there are sovereign guarantees involved or the boards would have to divert funds from payments to NTPC and other producers of electricity. Further, the rate of profit is linked to capacity utilisation. There will then be pressure to buy power produced by these plants before other power is purchased or utilised. Consequently, it is likely that subsidies and sickness amongst Indian producers would rise.

5 In the case of cotton, there was a shortfall in output and exports worsened the situation. In the case of sugar the sugarcane crop was lower and that has led to the diversion of sugarcane to gur and compounded the shortages of sweetners in the market. Exports of sugar and cotton had to be stopped in 1993-94. In the case of rice it is Basmati exports that have gone up and since their prices have firmed up, it has shifted internal consumption to other ordinary varieties. Indications are that this is causing a shift in cropping pattern from ordinary varieties to Basmati. This by reducing output of ordinary varieties of rice will lead to a further rise in their prices.

6 FIIs could ensure that they pull out with their capital gains by making the government keep the share market buoyant till they pull out. Most brokers trading on behalf of FIIs will also play ball by keeping these transactions secret so as to maintain relations for the future.

7 In Table 5 another scenario is also given. It is drawn on the assumption that elections will be held in 1994-95 and 1995-96. Hence, just as in 1993-94, for electoral reasons, expenditures were allowed to rise over the budgeted figures, the same would happen in 1994-95. This is the worst case scenario—the fiscal deficit will rise by 60 per cent, the revenue deficit by 74 per cent and the budget deficit by 233 per cent over their budgeted figures. In this scenario, the budgetary support to the Plan, subsidies and borrowings are all expected to rise. Revenues are expected to fall short due to further concessions and the rate of inflation is expected to rise to 12 per cent assuming a normal monsoon. As a ratio of the GDP, the fiscal deficit will rise to 9.8 per cent. If the fiscal deficit is calculated as it was till 1991, to make it comparable, then the fiscal deficit rises by another Rs 17,000 crore (Table 6) and would become 11.5 per cent of the GDP.

8 Even if the central government were to try and reduce its salary bill by reducing employment, the prospects are not very good (FM's interview in *ET*). The total employment by central government is estimated (*Expenditure Budget, 1994-95*, Vol 1, pp 84-85) to be 3.9 million in 1993 and 1994. Post and telecom employ 9.71 lakh, the railways 17.4 lakh, police 5.16 lakh scientific departments 60,000 and CPWD 40,000. Substantial cuts in these numbers may be difficult. Thus, those in pure administration, where substantial cuts may be possible, would be seven lakh. The total expenses on these four million employees is estimated for 1993-94 as Rs 14,600 crore. On the seven lakh in administration, the proportionate expenditure may be taken to be Rs 2,500 crore. Of the total central government expenditures of Rs 1,44,000 crore, that on staff is 10 per cent and on pure administration less than 2 per cent. The chances of substantial savings are not high but any inessential expenditures must be curtailed.

9 One only needs to recollect what happened during the 80s. The country borrowed heavily and moved towards the debt trap due to its profligacy and the fiscal situation deteriorated. The World Bank was not unhappy and while giving its backing constantly prodded the country to borrow more and to open its economy further. Further, even in 1993-94 the fiscal targets were exceeded but the support from the IMF continued.

References

Government of India, Ministry of Finance, Economic Division (1994): *Economic Survey 1993-94*.

—Ministry of Finance, Department of Revenue (1992): *The Tax Reforms Committee—Interim Report*.

Kalecki, M (1971): *Selected Essays on the Dynamics of the Capitalist Economy*, Cambridge University Press, Cambridge.

Kumar, A (1985): 'The Black Economy Report: A Critical Review', *Social Scientist*, September.

—(1988): 'Diminishing Returns of an Unchanged Fiscal Policy Regime', *Economic and Political Weekly*, April.

—(1992): 'Spectre of Destabilisation', *Mainstream*, April 4.

—(1993a): 'Missing Dimension of Indian Macro Analysis', mimeo, Working Paper of the DSA, CESP, JNU, New Delhi.

—(1993b): 'New Economic Policies: Impact on the Industrial Sector', *Economic Growth and Social Change*, September.

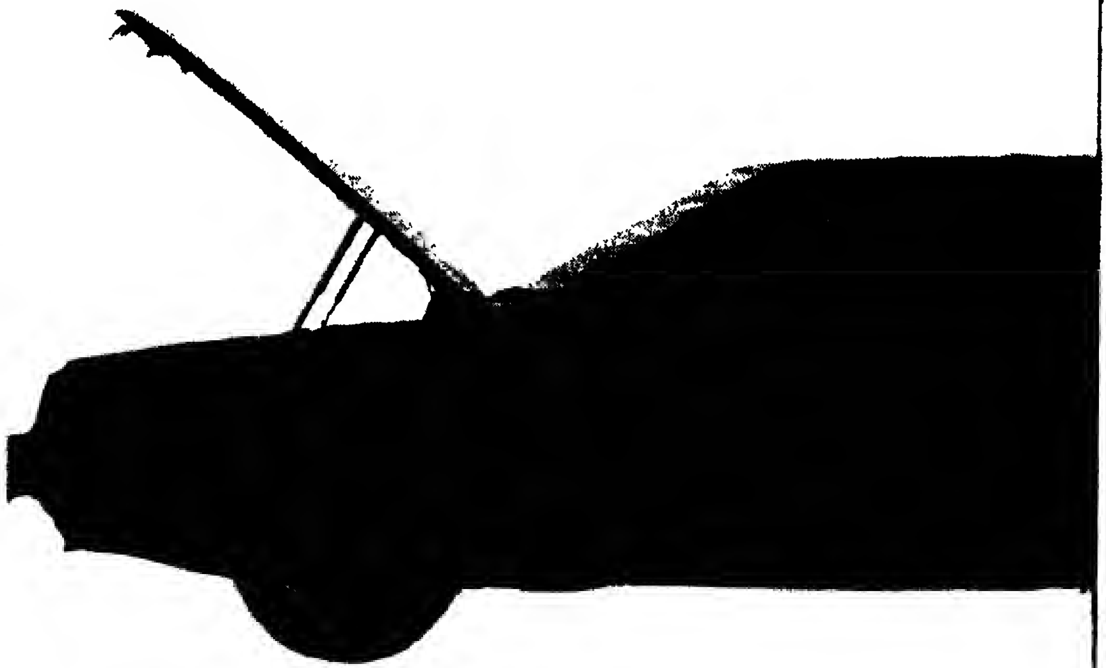
—(1993c): 'New Economic Policies: An Assessment', *Economic and Political Weekly*, December 11.

—(1994a): 'New Economic Policies and the Public Sector: The Indian Ruling Classes' Wish to Sub-Optimality', mimeo. Paper presented at the seminar on 'Explaining Indian Politics: The State and the New Liberal Agenda', organised by Centre for Political Studies, JNU, January 19-21, 1994.

—(1994b): 'Proposals for a Citizens' Union Budget for the Nation for 1994-95', mimeo, presented to the Assembly of Citizens organised by the Preparatory Committee for Alternative Economic Policies in New Delhi on February 13 and 14, 1994.

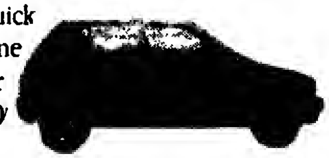
Reserve Bank of India (1993): *Reserve Bank of India Bulletin*, November.

Singh, B (1973): 'Making Honesty the Best Policy', *Journal of Public Economics*, July.



You're so protective about her, you'd never want to see her so heated up.

Overheating can be a problem when the engine oil is not right. Bharat Petroleum introduces Bharat Automol Super F 20W/40. A high performance multigrade oil that not only protects your car's sensitive engine over a vast range of temperatures but also enhances the oil change period, helping in oil conservation. (In some cases, the period as much as doubles). It helps quick starting, thereby increasing the car's battery life. It also prevents engine deposition, rust and corrosion, resulting in better fuel efficiency and longer engine life. Use Bharat Automol Super-F Multigrade Engine Oil 20W/40. And help your car keep its cool.



Bharat Automol Super-F Multigrade Oil 20W/40 makes oil sense for new generation petrol-driven vehicles like Marutis, Contessas, Standard 2000s, 118NEs and Imported cars. It can also be used in Ambassadors and Premier Padminis.

Bharat Petroleum

(A Govt. of India Enterprise)

Conservation through quality upgradation.

Contract.BP.561.92.

Implications of 1994-95 Budget for Growth and Stability

Tapas K Sen
M Govinda Rao
Madanmohan Ghosh

The government has been emphasising the need for wideranging economic reforms ever since the economy pulled back from the brink of a crisis in 1991. Some of the reforms have been pushed through, but one of the major reasons for the economic situation reaching a crisis point in 1991—the unsustainable fiscal imbalance—continues to hover menacingly over the economy despite being within the immediate control of the government.

The unwillingness and/or inability of the government to control its own expenditure in areas where they need to be cut has resulted in strategies to reduce the fiscal deficit (like cutting capital expenditure and passing on the adjustment burden to the states) which are questionable and counterproductive.

While these strategies continue to hold sway, the measures to promote investment contained in the latest budget are almost entirely confined to the supply side, although available evidence suggests that the problem lies on the demand side.

The strategy of sacrificing fiscal prudence (and possibly stability of the economy) in the interest of growth that has been advanced to defend the rising deficits is unconvincing; it will lead to neither growth nor stability.

TRADITIONALLY, the three major branches of government activity are taken to be resource allocation, distribution and stabilisation following Musgrave (1959). However, just two years after publishing his classic, Musgrave wrote, "I would prefer... to treat growth as a separate objective, pursued by an additional branch" [Musgrave 1961]. Indian fiscal policy appears to have rediscovered this addition lately, going by the various strategy documents and the professed overarching goal of putting the "economy back on a path of strong sustainable growth" (Budget speech of the Finance Minister, 1994).

The economic reform process, started in 1991 to pull the country back from the brink of economic crisis, is based on an underlying philosophy which emphasises stabilisation in the short run and growth in the long run. The strategy to achieve this consists of a package of measures on various points; *inter alia*, this includes exercise of financial responsibility by the government itself, redirecting government intervention from unnecessary controls and production activities in almost all areas to the provision of those goods and services which can really be provided more efficiently by it, and better integration of the Indian economy with the world economy. It may be noted that the traditional function of securing an acceptable distribution of income and wealth does not prominently figure in this policy package; none of the suggestions regarding a safety net for the poor and the unemployed are integral to the reform policy, though they may be essential for the package to be humane and for political reasons. A natural consequence is the cessation of foisting distributional objectives on to all kinds of policy measures, contrary to economic rationality.[1]

The 1994 95 budget is the fourth in the series of 'reform budgets' and enjoys the luxury of exercising some choices, which at least the first two did not have. It also gives us a chance to assess the actual figures of receipts and expenditures of the government of India for 1992-93, as against the revised figures (RE) given earlier, and the latter figures for 1993-94 as against what was intended (budget estimates or BE for short) or forecast.

I
Broad Trends

Table 1 shows the broad trends in the receipts, expenditures and deficits.[2] First, looking at the RE for 1992-93 and the actuals, the fall in every item of receipts except recovery of loans in the actual figures is striking. The most significant fall is in net tax revenue—from Rs 58,179 crore to Rs 54,044 crore, i e, a shortfall of Rs 4,135 crore. Revenue expenditures also fell (but by only Rs 2,278 crore), while capital expenditures rose marginally by Rs 168 crore (0.6 per cent). The net result was a rise in all the deficit figures. The revenue deficit rose by Rs 1,874 crore (i e, more than 10 per cent increase from the RE) and the fiscal deficit rose by Rs 3,451 crore (i e, a little less than 10 per cent).

In the light of the actuals for 1992-93, the budget estimates for 1993-94 were patently unrealistic in two items: tax revenue and proceeds of the disinvestment in public sector undertakings. In fact, it was pointed out soon after the budget estimates became available last year that the tax revenues were overestimated [Das Gupta and Mookherjee 1993], even without the benefit of the actuals for 1992-93. Now that we have the actuals, the expected increase (as per the 1993-94 budget estimates) appears naive, to say the least. However, the folly does not stop there. In the 1994-95 budget, net tax revenues are expected to grow by a little above 15 per cent over the RE for 1993-94. To be sure, this rate of growth is not very unusual. But in the present case, there are two reasons to believe that this may again be an overestimate. First, the RE for 1993-94 may itself be an overestimate, so that the implied growth rate is higher than the 15 per cent mentioned above. Second, the tax measures this year as a whole are overwhelmingly revenue-losing; the promised gains from better administration and compliance (and the rationalisation of 'exemptions by notifications' system in excise duty and customs) may be believed when the actuals become available; until then, a little scepticism may be in order. The pressure group activities that brought the notified exemptions and concessions about in the first place are not dead, not even dormant.

In this context, it seems a little odd that the RE (1993-94) of union excise duty is lower than the BE by Rs 2,000 crore, but the revised corporation tax receipts stay at the same level as the BE. After all, a part of the fall in expected excise duty collections must be due to less than expected growth in the value of production (the *Economic Survey* reports only a modest rise of 1.6 per cent in the index of industrial production during the first seven months of 1993-94, over the same period in the previous year; the inflation rate wa

lso below 10 per cent, so even that cannot aise nominal value of production or ominal profits to the levels needed for he required growth in tax receipts). To xpect a lower value of industrial production, but unchanged corporate profits ppears to be somewhat inconsistent. Now, he 1994-95 budget expects to raise receipts from corporate income tax by al- nost 19 per cent over the (probably overestimated) 1993 94 RE, after lowering the ax rates!

In contrast to the fall in both revenue eceipts and revenue expenditures in the ctuals for 1992-93 as compared to the :E, the 1993-94 REs show a fall in the xpected receipts but a substantial rise in ie revenue expenditures compared to the BEs, completely ignoring the much-ublicised 'fiscal responsibility'. The rise 1 non-plan expenditures works out to 8 er cent, while the plan expenditures are lated to rise by 11.6 per cent. The net esult is a virtual doubling of the revenue eficit from 2.2 per cent of the GDP to 4.2 er cent, and a rise in the fiscal deficit rom 4.6 per cent to 7.3 per cent of GDP Table 2). It must be remembered that the iscal deficit is high despite recourse to ne-time measures like the sale of public ector equity and adoption of questionable iethods like appropriating reserves of the ublic sector enterprises as well as profits f the Reserve Bank of India, and reducing apital expenditure.

In 1994-95, the ministry of finance in- ends to increase revenue receipts by 13 er cent and limit revenue expenditure rowth to 7.8 per cent over the RE for 993-94. We have already pointed out the likely overestimation involved in the tax revenue projections. On the expenditure side, the projected growth should be viewed against the fact that the growth of revenue expenditure has not been less than 12 per cent in any of the post-reform years; the probability of the actual increase being substantially higher than that projected reaches near-certainty. Thus, it seems quite likely that the revenue deficit in 1994-95 will be substantially higher than the Rs 32,727 crore projected, with the fiscal deficit correspondingly higher (unless the government has some cards like post-budget resource mobilisation measures up its sleeve).

II
Growth Implications

Since fostering economic growth is claimed to be the prime objective of the reform process, of which the present budget proposals are integral parts, we may examine these proposals against the stated objective, keeping recent trends in mind.

In essence, the major worry of the government appears to be the capital goods industry, the presumption being that:

(a) the growth of the economy is primarily determined by the investments in plant and machinery, and
(b) such investments are constrained by the non-availability of the required capital goods.

Running parallel to the policy of raising the supply of capital goods is the policy of lowering tariffs for imported capital goods for some industries to allow them to upgrade their technology and make their products competitive in the international market. This strategy is clearly aiming for export-led growth. The questions that need to be asked then are:

(i) are these strategies dictated by facts?
(ii) are they logically consistent?
(iii) are the budget proposals consistent with these strategies?

Growth is generally taken to be a result of investment (particularly in plant and machinery), although empirical studies reveal that productivity is at least equally important [De Long and Summers 1994]. Productivity is a function of the 'quality' of the factors of production (i e, technology embodied in the capital goods, and the skill of the labour force) as well as the level of investment itself. Thus, a comprehensive growth orientation must address the issues of raising the level of investment in the economy, speedy upgradation of technology, and raising the skill level of the labour force. The present strategy completely ignores the last, but addresses the other two, even if inadequately.

The present policy also makes the mistake of equating investment with production of capital goods industry. If savings has anything to do with investment, then the rising government dissavings are obvious dampeners for investment; the growing revenue expenditures and the resultant revenue deficits will pre-empt a large part of the household savings that could be invested. Also, the measures aimed at raising the production of the capital goods sector actually treat the symptoms rather than the disease, as without tackling the basic reasons underlying the stagnation in

TABLE 1: TRENDS IN RECEIPTS, EXPENDITURES AND DEFICITS OF THE GOVERNMENT OF INDIA

(Rs crore)

	1990-91 Actuals	1991-92 Actuals	1992-93 RE	1992-93 Actuals	1993-94 BE	1993-94 RE	1994-95 BE
.) Revenue receipts	54954	66047	78279	74128	84209	76166	86084
(i) Tax	42978	50070	58179	54044	62739	54473	62742
(ii) Non-tax	11976	15977	20100	20084	21470	21693	23342
!) Capital receipts	39015	38528	39245	36178	42800	58646	59615
(i) Disinvestment of PSUs	—	3038	3500	1961	3500	2500	4000
(ii) Loan recoveries	5712	6020	6225	6356	6655	6655	6700
(iii) Borrowings, etc	33303	29470	29520	27861	32645	49491	48915
·) Total receipts	93969	104575	117524	110306	127009	134812	145699
·) Non-Plan expenditure	76933	80469	87754	85958	90072	97846	105117
(i) Revenue, *of which*	60896	67234	74462	72925	77625	83870	90749
Interest	21471	26563	32500	31035	38000	37500	46000
(ii) Capital	16037	13235	13292	13033	12418	13976	14368
) Plan expenditure	28365	30961	36973	36660	41251	46026	46582
(i) Revenue	12620	15074	20518	19777	24185	26354	28062
(ii) Capital	15745	15887	16455	16883	17066	19672	18520
·) Total expenditure	105298	111430	124727	122618	131323	143872	151699
) Revenue expenditure	73516	82308	94980	92702	101839	110224	118811
) Capital expenditure	31782	29122	29747	29916	29484	33648	32888
(i) Revenue deficit	18562	16261	16700	18574	17630	34058	32727
(ii) Primary deficit	23134	9729	4222	9138	−1041	21051	8915
(iii) Budgetary deficit	11347	6855	7202	12312	4314	9060	6000
(iv) Fiscal deficit	44632	36325	36722	40173	36959	58551	54915

Source: Budget at a Glance, various issues.

the capital goods industry, the budget only provides sops to them. This is not the first time that the capital goods industry is producing well below capacity; the same phenomenon has been observed earlier also [Shetty 1978; Ahluwalia 1985; Pradhan 1990; and Maiti and Rao 1994]. While the stagnation can theoretically be due to one or more of several factors representing the demand for and the supply of capital goods, empirical analyses [Maiti and Rao 1994, for example] usually trace the problem to the demand factors. Prominent among them is the capital expenditures by the government sector. This is important for the capital goods industry due to three different reasons:

(a) The investment in plant and machinery by the government sector constitutes the major part of the demand for capital goods in the country;
(b) Capital expenditure on infrastructure helps the capital goods industry in removing its supply bottlenecks, if any; and
(c) Public investment in infrastructure encourages investment in consumer goods industries also, which in turn reinforces demand for capital goods.

Unfortunately, expenditure by the government sector as a whole, and by the central government as well as the states separately, have remained stagnant in real terms since the beginning of the last decade. The share of capital expenditures in the total expenditures show a continuous decline over the last several years and since 1987-88, the per capita expenditure in constant prices has also fallen [Rao and Sen 1993]. Taking the post-reform period itself, capital expenditure of the central government has remained virtually stagnant from 1990-91 (Rs 31,782 crore) to the BE for 1994-95 (Rs 32,888 crore) even at current prices (Table 1). As a ratio of GDP, it has actually fallen from 6 per cent in 1990-91 to only 3.6 per cent in the BE for 1994-95 (Table 2). Even considering the capital expenditure (inclusive of loans) on the infrastructural sectors only—transport, communications and energy—a similar trend is discernible (Table 3). From 11, 7.7 and 1.3 per cent of the total capital disbursements in 1990-91, the shares of these sectors came down to 8.3, 9.1 and 0.2 per cent respectively. The BE for 1994-95 intends to bring down the share of these three sectors further to 10.4 (this would be an increase, but not enough to restore the 1990-91 proportion), 5.9 and 0.1 per cent respectively. Under the circumstances, it is not surprising that the capital goods sector is not recovering. What is worse, the present budget actually intends to cut capital expenditure even in nominal terms from Rs 33,648 crore in 1993-94 (RE) to Rs 32,888 crore. This is certain to affect the capital goods industry adversely.

There is another possible reason for the relative stagnancy of the capital goods industry. It is, after all, common knowledge that import duties are being reduced in stages; producers of those capital goods whose import content is non-negligible may actually be waiting for the import duties to touch the targeted bottom; instead of importing now and paying higher import duties, they may prefer to import later and save on the customs duty payable on their imports. If this surmise is correct, then it would have been perhaps better to cut the import duties to the targeted levels in one go rather than doing it in stages, although it would have created difficulties for the domestic producers by requiring them to adjust to the changed circumstances immediately.

Another way of bringing about growth in the economy is to promote foreign investments. Even if it is assumed that the net effect of such foreign investments will be beneficial for the economy, it cannot be taken for granted that their inflow would start immediately after we open our doors, in sufficiently large quantities and in those areas where investments are most needed, to push up the rate of growth significantly; our policies and institutions may not simply be attractive enough for the greatly mobile internationally investible funds, which have several alternative opportunities with the opening up of the east European economies including Russia and China. Guaranteed rates of return (as being promised for the power sector) and reduced rates of corporate income tax (and capital gains tax) on foreign companies (as announced in the present budget) may not be an adequate offset to the institutional disadvantages of producing in India, particularly if it becomes possible to produce outside India and still take advantage of the vast Indian market for sales [Mookherjee 1993].

The reduction in the lending rate by one percentage point announced in the present budget is a step designed to lower the cost of capital and encourage investments. This is again a supply side measure; the direction of its impact is unambiguous, but its significance is unknown, especially because the demand for investible funds is governed by an entirely different set of factors represented by the expected rate of return.

Other tax measures designed to promote investment and growth proposed in the present budget mainly relate to reduction in basic customs duty on project imports and general capital goods (from 35 per cent to 25 per cent), reduction in customs duty on some inputs of the domestic capital goods industry, and selective concessions granted in excise duties and customs. The extension of MODVAT to the petroleum and capital goods sector may also be taken as a measure towards the same end. Although the countervailing duties are designed to prevent a large scale substitution of demand for domestically produced capital goods by imports if the quality of and the technology embodied in the imported capital goods are perceived to be better, then such a substitution may still take place. The simplification of the excise duty rate structure w

TABLE 2: REVENUES, EXPENDITURES AND DEFICITS OF THE GOVERNMENT OF INDIA
(As percentages of GDP)

	1990-91 Actuals	1991-92 Actuals	1992-93 RE	1992-93 Actuals	1993-94 BE	1993-94 RE	1994-95 BE
(1) Revenue receipts	10.4	10.8	11.1	10.5	10.5	9.5	9.4
(i) Tax	8.1	8.2	8.2	7.7	7.8	6.8	6.9
(ii) Non-tax	2.3	2.6	2.8	2.8	2.7	2.7	2.6
(2) Capital receipts	7.3	6.3	5.6	5.1	5.3	7.3	6.5
(i) Disinvestment of PSUs	0.0	0.5	0.5	0.3	0.4	0.3	0.4
(ii) Loan recoveries	1.1	1.0	0.9	0.9	0.8	0.8	0.7
(iii) Borrowings, etc	6.3	4.8	4.2	3.9	4.1	6.2	5.3
(3) Total receipts	17.7	17.2	16.7	15.6	15.8	16.8	15.9
(4) Non-Plan expenditure	14.5	13.2	12.4	12.2	11.2	12.2	11.5
(i) Revenue, of which	11.5	11.0	10.6	10.3	9.7	10.5	9.9
Interest	4.0	4.4	4.6	4.4	4.7	4.7	5.0
(ii) Capital	3.0	2.2	1.9	1.8	1.5	1.7	1.6
(5) Plan expenditure	5.3	5.1	5.2	5.2	5.1	5.7	5.1
(i) Revenue	2.4	2.5	2.9	2.8	3.0	3.3	3.1
(ii) Capital	3.0	2.6	2.3	2.4	2.1	2.5	2.0
(6) Total expenditure	19.8	18.3	17.7	17.4	16.4	17.9	16.6
(7) Revenue expenditure	13.8	13.5	13.5	13.1	12.7	13.7	13.0
(8) Capital expenditure	6.0	4.8	4.2	4.2	3.7	4.2	3.6
(i) Revenue deficit	3.5	2.7	2.4	2.6	2.2	4.2	3.6
(ii) Primary deficit	4.4	1.6	0.6	1.3	-0.1	2.6	1.0
(iii) Budgetary deficit	2.1	1.1	1.0	1.7	0.5	1.1	0.7
(iv) Fiscal deficit	8.4	6.0	5.2	5.7	4.6	7.3	6.0

Source: Computed on the basis of data given in Table 1.

ong overdue; it would help reduce a substantial wastage of resources that was involved in disputes, litigations, and tax voidance strategies spawned by the comlicated structure The extension of MODAVT is also a positive measure, kely to reduce inefficiencies resulting om the cascading of the tax The reducon in corporate income tax for domestic ompanies would increase their profitbility, and may thereby encourage inestment. Also, if their products are to ompete in the international market, then he taxes they pay should not become the ecisive handicap. In this context, it should e pointed out that an overhaul of both the ompanies Act and the structure of the orporate income tax (particularly with espect to the surcharge levied, and the uestion of integration of personal inome tax and corporate income tax) is still ending.

On the expenditure side also, there is ittle that can be construed as growthnducing. We have already pointed out the tagnation in capital expenditures and its negative impact on growth. Although revenue expenditures have grown fast, the growth has been in areas that may not raise investments by any appreciable amount. The increase of Rs 23,378 crore in revenue expenditure in 1993-94 (RE) over the 1992-93 figure as per the *Annual Financial Statement* works out to an increase of about 20 per cent (Table 3). Out of this, the increase in three key infrastructural sectors of energy, transport and communications accounted for only Rs 5,686 crore—Rs 546, Rs 3,045 and Rs 2,095 crore respectively;[3] in contrast, interest payments alone went up by Rs 6,465 crore. The BE for 1994-95 projects an increase of only Rs 3,516 crore in the revenue expenditure on these three budgetary heads, while interest payments are slated to go up by Rs 8,500 crore. These numbers clearly show that although revenue expenditures of the central government are increasing fast, it is not due to increases in expenditure on the infrastructural sectors. Coupled with low capital expenditures, such a trend implies inadequacies in both investments in and maintenance of infrastructural services. The growth implications of this cannot but be negative.

It thus appears that on the whole, the elements of the present budget designed to encourage growth may not be sufficient, on their own, to achieve the stated objective. In our view, this is mainly due to the abiding faith that the present budget seems to have in supply-side policies although the weight of evidence suggests that at the present juncture, the demand factors, capital expenditures by the government sector in particular, are more important. An important factor influencing demand for investment is macro-economic stability. All investors value stability because they always base their investment decisions on expected values of relevant variables; any significant instability throws these calculations awry and increases the risk involved. In other words, the risk discounted rate of return on capital (which is the highest cost of capital at which investments can be undertaken) is lower in unstable economies than in stable ones. This

TABLE 3: CENTRAL GOVERNMENT EXPENDITURE+

(Rs crore)

Expenditure Item	1990-91 Actuals	1991-92 Actuals	1992-93 RE	1992-93 Actuals	1993-94 BE	1993-94 RE	1994-95 BE
I) Revenue disbursements*	91111	102399	119115	116628	131215	14006	158847
Of which	(100)	(100)	(100)	(100)	(100)	(100)	(100)
(1) Interest payments	21471	26563	32500	31035	38000	37500	46000
	(23.6)	(25.9)	(27.3)	(26.6)	(29.0)	(26.8)	(29.0)
(2) Power and energy	918	947	1073	707	1222	1252	1394
Of which	(1 0)	(0.9)	(0.9)	(0.6)	(0.9)	(0.9)	(0.9)
(i) Power	636	650	840	482	922	953	1053
	(0.7)	(0.6)	(0.7)	(0.4)	(0.7)	(0.7)	(0.7)
(ii) Petroleum, coal and lignite	219	215	144	142	146	146	168
	(0 2)	(0 2)	(0.1)	(0.1)	(0.1)	(0 1)	(0.1)
(3) Transport	13078	14795	17384	16966	20314	20010	21787
Of which	(14 4)	(14.4)	(14.6)	(14.5)	(15.5)	(14 3)	(13.7)
(i) Railways	12452	14114	16527	16115	19455	18996	20805
	(13.7)	(13.8)	(13.9)	(13.8)	(14.8)	(13.6)	(13.1)
(4) Communications including postal services	4448	5079	5755	5968	7885	8063	9662
	(4.9)	(5)	(4.8)	(5.1)	(6.0)	(5.8)	(6.1)
(5) Subsidies including debt relief to farmers	12158	12253	12108	12043	8376	12400	9463
	(13 3)	(12)	(10.2)	(10 3)	(6.4)	(8.9)	(6.0)
II) Capital disbursements**	34114	32614	37887	38205	37903	46664	40513
Of which	(100)	(100)	(100)	(100)	(100)	(100)	(100)
(1) Power and energy	3748	3036	3195	3186	3772	3988	4194
	(11.0)	(9.3)	(8.4)	(8.3)	(10.0)	(8.5)	(10.4)
(i) Power projects	2733	2250	2254	2267	2803	3048	3511
	(8.0)	(6.,9)	(5.9)	(5.9)	(7.4)	(6.5)	(8.7)
(ii) Petroleum, coal and lignite	1013	782	936	915	960	931	669
	(3 0)	(2.4)	(2.5)	(2.4)	(2.5)	(2.0)	(1.7)
(2) Transport	2613	2657	2872	3473	2202	2151	2410
Of which	(7.7)	(8.1)	(7.6)	(9.1)	(5.8)	(4.6)	(5.9)
(i) Railways	1632	1756	1935	2446	960	960	1150
	(4 8)	(5.4)	(5.1)	(6.4)	(2.5)	(2.1)	(2.8)
(3) Communications including postal services	432	63	59	76	65	54	54
	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)

Figures in parentheses indicate shares in total revenue/capital expenditure.

Notes: + Figures of expenditure given here differ from those given in Table 1. See the Expenditure Budget for reconciliation of the figures given in different budget documents.

* Excluding states' share of excise duties and disbursement of union territories.

** Includes loans advanced but excludes public debt

Source: Annual Financial Statements, various years.

inevitably results in lower investments in unstable economies and lower growth in turn. Therefore, stability is not just a short-run concern—it has significant long-term effects. It is to this aspect of the budgetary policy that we turn now.

III
Stability Issues

By now, it is widely recognised that large and persistent fiscal imbalance right from the early 80s was the principal cause of macro-economic and balance of payment difficulties, which eventually led to a severe economic crisis in the latter part of 1990. After a phase of political instability when the new government came to power in June 1991, a series of measures were taken to restore macro-economic stability. A critical component of this programme was fiscal compression. After four budgets, it is important to evaluate the extent of success of the government in achieving fiscal prudence. Unless the basic factors which contributed to the fiscal imbalances are identified and corrected, there is every likelihood of the economy reverting to the crisis situation. Besides, the methods of fiscal adjustment can have adverse repercussion on economic growth in the medium- and long-term context, particularly if the adjustment is achieved by compressing capital outlay and maintenance expenditure in the infrastructural sectors.

It has been pointed out by several commentators that the emphasis placed on reducing fiscal deficit to achieve fiscal correction was clearly inappropriate [Rakshit 1991]. In particular, the concept of fiscal deficit neither gives an idea of the extent of governmental dissaving, nor does it indicate the inflationary potential of the budget. In fact, the fiscal deficit figures can be manipulated by undertaking disinvestment or resorting to measures like appropriating the profits of the RBI (which was earlier used mainly for refinancing) and drawal of reserves and surpluses of public enterprises (which could have been used for reinvestment). It is also possible to reduce the fiscal deficit by compressing investment and maintenance expenditures on social and economic infrastructures which, as mentioned earlier, could have adverse effects on economic growth. Yet, the government continued to target fiscal deficit reduction partly to fulfil the IMF conditions and also because, targeting fiscal deficit rather than 'revenue' deficit gave it larger flexibility.

What is, however, a matter of concern is that the government could not reduce even fiscal deficits as planned, despite adopting the questionable methods mentioned above. The fiscal deficit-GDP ratio was reduced from 8.4 per cent in 1990-91 to 5.7 per cent in 1992-93, but thereafter it increased sharply to 7.3 per cent in 1993-94 (RE) and is budgeted at 6 per cent in 1994-95 (Table 2).

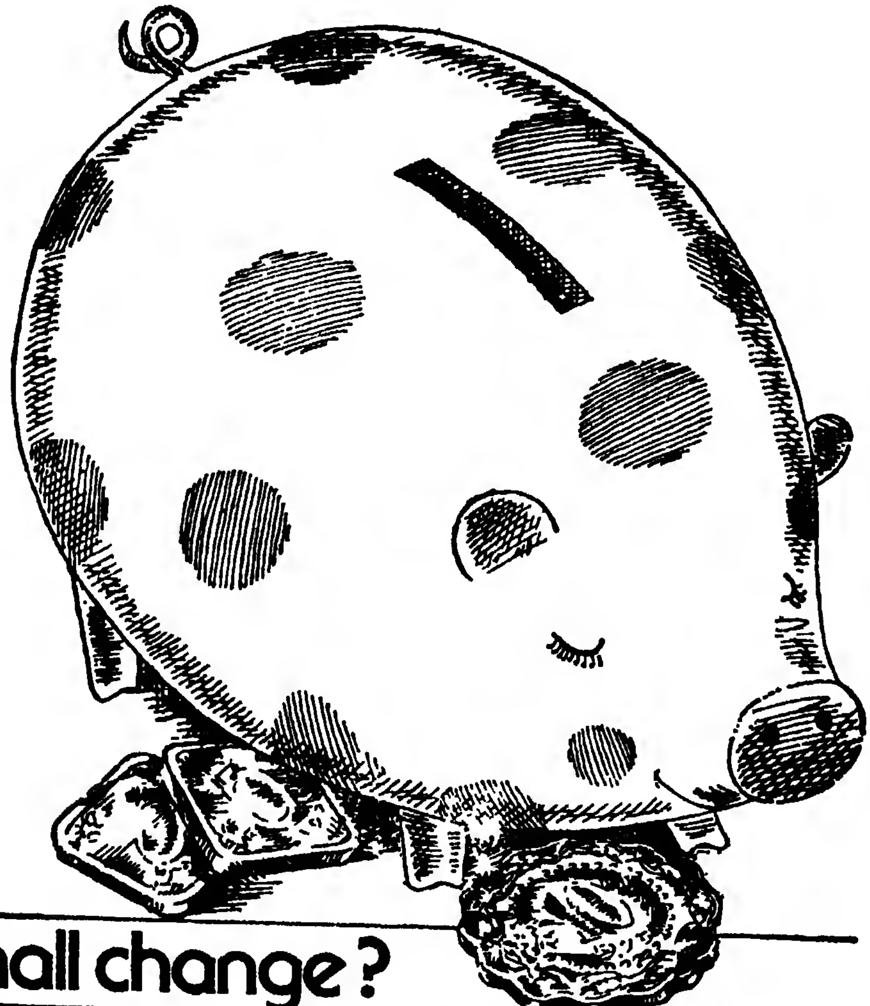
The disaggregated analysis of the revenue and expenditures of the union government brings out the trend in fiscal deficit in terms of its various components. The figures presented in Tables 1 to 4 bring out several notable issues, some of which we outline below.

The fiscal deficit fell during the first two years of the reform from 8.4 per cent of the GDP to 5.7 per cent of GDP, but increased sharply to 7.3 per cent in 1993-94. Although, it is budgeted at a lower level of 6 per cent in 1994-95, recent experience casts doubts on the ability of the government to restrict the deficit at that level particularly when 10 states are scheduled to go to the polls during the year. This reduction of 1.3 percentage points is expected to be achieved by reducing mainly the non-plan revenue expenditure (0.6 points) and plan capital expenditure (0.5 points). An objective assessment of the fiscal situation however, casts doubts on the ability of the government to restrict the deficit at this level for two different reasons. First, it is doubtful whether the government can contain the expenditure at the budgeted level which is projected to grow at only 5.5 per cent as compared to the growth of 17.4 per cent in 1993-94 and 11.9 per cent in 1992-93. In fact, the revenue expenditure is projected to grow at 7.8 per cent and revenue expenditure excluding interest payments is budgeted to remain at the same level as in 1993-94 (RE) even in nominal terms. At the same time, the number of employees is expected to increase by about 40,000. As inflation reaches the double digit level, it is difficult to see how the expenditures will be contained at the budgeted level. Second, in spite of removing the surcharge on personal income tax, reduction in corporation tax

TABLE 4: CENTRAL GOVERNMENT EXPENDITURE AS PERCENTAGE OF GDP

	1990-91 Actuals	1991-92 Actuals	1992-93 RE	1992-93 Actuals	1993-94 BE	1993-94 RE	1994-95 BE
(A) Revenue expenditure	13.85	13.50	13.46	13.23	12.70	13.74	12.98
(I) Non-Plan revenue expenditure							
(1) Interest payments	4.05	4.36	4.61	4.40	4.74	4.68	5.03
(2) Defence	2.05	1.88	1.75	1.72	1.71	1.86	1.77
(3) Subsidies (incl debt relief to farmers)	2.29	2.01	1.72	1.71	1.04	1.55	1.03
(4) Grants to states/UTs	0.75	0.64	0.38	0.37	0.28	0.30	0.26
(5) Others							
(i) General services	1.29	1.14	1.18	1.25	1.10	1.18	1.08
(ii) Social services	0.34	0.32	0.33	0.30	0.30	0.33	0.29
(iii) Economic services	0.47	0.43	0.38	0.38	0.32	0.39	0.38
(iv) Postal services	0.04	0.03	0.02	0.01	0.02	0.02	0.01
(v) Grants to foreign governments	0.03	0.02	0.02	0.02	0.02	0.02	0.02
(vi) Exp on UTs without legislature	0.18	0.19	0.17	0.18	0.16	0.13	0.06
Total non-Plan revenue expenditure	11.47	11.03	10.55	10.33	9.68	10.46	9.92
(II) Plan revenue expenditure							
(1) Central Plan (budget support)	1.58	1.48	1.67	1.72	1.86	1.97	1.98
(2) Central assistance for state/UT Plan	0.80	1.00	1.24	1.18	1.16	1.31	1.09
Total Plan revenue expenditure	2.38	2.47	2.91	2.89	3.02	3.29	3.07
(B) Capital expenditure (including loans)	5.99	4.78	4.22	4.15	3.68	4.20	3.59
(1) Non-Plan, of which	3.02	2.17	1.88	1.85	1.55	1.74	1.57
Loans and advances to states/UTs	1.43	0.91	0.69	0.67	0.55	0.62	0.57
(2) Plan, of which	2.97	2.61	2.33	2.30	2.13	2.45	2.02
Capital assistance to states/UTs	1.25	1.27	1.22	1.16	1.09	1.31	1.02
(C) Total expenditure	19.84	18.28	17.68	17.37	16.37	17.94	16.58
(1) Total Plan expenditure	5.34	5.08	5.24	5.20	5.14	5.74	5.09
(2) Total non Plan expenditure	14.49	13.20	12.44	12.18	11.23	12.20	11.49

Source: Budget documents of relevant years.



rates and import duties, the tax revenues are expected to grow at 13.5 per cent in 1994-95. The expected loss of Rs 2,600 crore in tax revenue has been simply assumed away. It may also be noted that the revenue from corporation tax is budgeted to increase by 18.9 per cent and that from union excise duty by 15.6 per cent. The present industrial climate does not provide any basis for such an optimistic estimate. Coming on the heels of the high deficit in 1993-94, a high deficit in 1994-95 could seriously undermine stability.

As mentioned above, during the first two years of fiscal adjustment, the fiscal deficit was reduced by 2.7 percentage points (from 8.4 per cent to 5.7 per cent). This was achieved mainly by reducing capital expenditures (1.8 percentage points). What is more, even the sharp increase in fiscal deficit in 1993-94 was due to rising revenue expenditures and the proportion of capital expenditure to GDP in the year was constant at 4.2 per cent and is budgeted to decline further to 3.6 per cent in 1994 95. Thus, the finance ministry's claim that the increase in fiscal deficit in 1993-94 (RE) over budget estimates was a result of the attempts to revive the demand factors, particularly for the capital goods industry, in an underheated economy is unsustainable. The increases in specific revenue expenditures that are primarily responsible for the larger deficit (along with the lower tax collections) cannot easily be seen as stimulating investment in the economy.

It is seen that while the increase in fiscal deficit in 1993-94 was occasioned by an increase in the revenue deficit, the reduction in fiscal deficit in the first two years of the reform was achieved mainly by compressing capital expenditures. Thus, in the first two years of adjustment, the revenue deficit showed much less downward flexibility as compared to capital expenditures. Taking these as ratios of GDP, the decline in the former was just about 0.9 percentage points, while that of the latter was twice that number (1.8 points). Within the revenue account, the revenue expenditure could hardly be compressed. In fact, after three years of adjustment in 1993-94, the proportion of revenue expenditure of GDP stood almost at the same level as in 1990-91. At the same time, the tax-GDP ratio actually declined by 1.4 percentage points. Though this was partially offset by increases in non-tax revenues (0.4 points), the revenue deficit position worsened in 1993-94 as compared to 1990-91.

The ratio of non-plan revenue expenditure to GDP showed a decline of about 1 percentage point in 1993-94 over 1990-91, and this was mainly due to the decline in defence expenditure, subsidies and grants to state governments (Table 4). The plan revenue expenditure, in contrast, showed a steady increase. The decline in capital expenditure was mainly due to reduced capital assistance to states, particularly on the non-plan account.

In many respects, the quality of fiscal deficit in 1993-94 was inferior to that of 1990-91. First, the share of revenue deficit in the fiscal deficit in 1993-94 was as much as 57.5 per cent as compared to 41.7 per cent in 1990-91. Second, in 1993-94 the share of capital expenditure in GDP at 4.2 per cent was much lower than that in 1990-91 (6 per cent). Third, while the fiscal deficit in 1993-94 was lower by about one percentage point than in 1990-91, this has been achieved by taking away profits and reserves of RBI and public enterprises which could have bee used for refinancing or for reinvestments.

The discussion above does not bring o any budgetary developments that would ju tify optimism with regard to stability; t sad fact is that even after four reform bu gets, stabilisation remains an elusive go The finance minister has taken the credit f reducing the inflation rate from 17 per ce in August 1991 to 8.5 per cent in Februa 1994. This must be attributed more to t favourable monsoons in the last three yea (and the absence of any external shock) th to the fiscal corrections undertaken by t government. Further, the foodgrains ou put in recent years has not shown an increa

TABLE 5: GROSS/NET TRANSFERS TO STATES AS PERCENTAGE OF GDP

	1985-86 Actuals	1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 BE	1993-94 RE	1994- BE
(I) Current transfers							
(1) Shared taxes	2.86	2.74	2.82	2.91	2.75	2.77	2.67
(i) Union excise	2.14	1.96	1.98	2.05	1.86	1.80	1.77
(ii) Income tax	0.70	0.78	0.84	0.86	0.89	0.97	0.90
(2) Grants in aid	2.78	2.55	2.66	2.59	2.47	2.71	2.18
(i) Non-Plan	0.72	0.79	0.74	0.45	0.31	0.41	0.28
(ii) Plan	2.06	1.75	1.92	2.14	2.16	2.30	1.90
(a) State Plan	1.04	0.80	1.00	1.18	1.10	1.31	1.09
(b) Central Plan and CSS*	1.02	0.95	0.92	0.97	1.05	0.99	0.81
(3) Gross current transfers	5.63	5.28	5.48	5.50	5.22	5.48	4.85
(4) Interest payments	0.71	0.97	1.08	1.11	1.22	1.21	1.22
(5) Net current transfers	4.92	4.31	4.41	4.39	4.00	4.27	3.63
(II) Capital transfers							
(1) Non-Plan loans	2.64	1.61	1.05	0.84	0.71	0.81	0.68
(a) Small savings	1.11	1.33	0.90	0.60	0.56	0.62	0.56
(b) Others**	1.53	0.28	0.15	0.24	0.15	0.19	0.12
(2) Plan loans	1.72	1.27	1.32	1.18	1.12	1.33	1.04
(a) State Plan schemes	1.65	1.25	1.27	1.16	1.09	1.31	1.02
(b) Central plan and CSS*	0.07	0.03	0.05	0.02	0.03	0.02	0.02
(3) Total capital transfers	4.36	2.88	2.37	2.02	1.83	2.14	1.72
(4) Repayment of loans	1.04	0.88	0.62	0.66	0.67	0.70	0.57
(5) Net capital transfers	3.32	2.01	1.75	1.37	1.16	1.45	1.14
Total transfers (gross)	9.99	8.17	7.85	7.52	7.05	7.63	6.56
Total transfers (net)	8.23	6.32	6.15	5.76	5.15	5.72	4.77
Fiscal deficit	8.27	8.41	5.96	5.71	4.61	7.30	6.00

* Revised estimates instead of actuals.

** Includes short term loans (Ways and means advances, for agricultural inputs, and to clear ov drafts with RBI).

Source: Budget documents.

TABLE 6: SHARE OF CENTRAL TRANSFERS TO STATES IN GROSS RECEIPTS (REVENUE + CAPITAL) OF THE CENTRE

(Per ce

	1985-86 Actuals	1990-91 Actuals	1991-92 Actuals	1992-93 Actuals	1993-94 BE	1993-94 RE	1994- BE
(I) Current transfers							
(1) Gross current transfers	28.3	25.9	27.4	29.7	28.1	28.0	26.1
(2) Interest payments	3.6	4.8	5.4	6.0	6.6	6.2	6.6
(3) Net current transfers	24.7	21.1	22.1	23.7	21.5	21.8	19.5
(II) Capital transfers							
(1) Gross capital transfers	21.9	14.1	11.9	10.9	9.9	10.9	9.2
(2) Repayment of loans	5.3	4.3	3.1	3.5	3.6	3.6	3.1
(3) Net capital transfers	16.7	9.8	8.7	7.4	6.2	7.4	6.2
Total transfers (gross)	50.2	40.0	39.3	40.6	37.9	38.9	35.3
Total transfers (net)	41.4	30.9	30.8	31.0	27.7	29.2	25.7

Source: Computed on the basis of data given in Table 5.

ing trend but has stabilised around 170 million tonnes, which is barely adequate to feed the population. Even with the buffer stock of 23 million tonnes, a bad year for agriculture can quickly create a highly unstable situation.

It must be noted that it is the states which have a greater role in providing adequate social and economic infrastructure, and the prospect of both agricultural and industrial growth will hinge on the ability of the states to provide these services. At the same time, given the spiralling expenditures on interest payments, wages and salaries and subsidies, the states' ability to provide infrastructural facilities will critically depend upon the resources available and more particularly, the central transfers. An analysis of the central transfers to the states in the context of the centre's own expenditure compression is therefore necessary to examine the prospects of infrastructural availability.

IV
Transfers to States

From around the middle of the previous decade, states as a whole have started to show revenue deficits in their budgets. Relatively rich states like Punjab, Haryana and Maharashtra also have not been able to contain their revenue expenditures within the revenue receipts in recent years. Those states that did show a surplus did it at a very low level of expenditure. Since contractual payments like interest payments take precedence over other items of expenditure, and because wages and salaries and various subsidies appear to be priority items (probably due to political economic factors), expenditure on economic services and capital expenditures in general have borne the brunt of the scarcity of resources. For the relatively poor states, central transfers often form a substantial part of their resources; in the present scenario, these have become important for almost all the states. In this situation, the impact of the central budget can be felt through the impact of the state budgets also, although it would not be readily identifiable as such.

Tables 5 and 6 show the trends in central transfers to states and union territories (simply states for the sake of brevity) during the recent period. One of the interesting facts to be noticed is that the share of net central transfers to states as a ratio of GDP has been declining steadily in recent years; from 8.2 per cent in 1985-86, it fell to 6.3 per cent in 1990-91, and fell further to 5.7 per cent in 1993-94 (RE). The present budget seeks to lower this ratio further to only 4.8 per cent. If we look at the trends in fiscal deficit as a ratio of GDP, it becomes apparent that much of the burden of reducing the fiscal deficit has been passed on to the states. Between 1990-91 and 1993-94 (RE), fiscal deficit has fallen by 1.1 percentage points, of which 0.6 points have been achieved by reducing net transfers to states. In the present budget, of the 1.3 percentage points reduction in fiscal deficit intended, 0.9 points are slated to be through cutting central transfers further. These figures show clearly that the centre has shifted the larger share of the adjustment burden on to the states, and at least intends to do so in the year 1994-95 as well. Given the difficulties that the states are having in raising enough resources to meet the growing expenditures, the dwindling central transfers (relative to GDP) are likely to cause cutbacks in the sectors which are most vulnerable. Previous studies [Rao and Sen 1993, for example] indicate that capital expenditures and the maintenance of capital assets are the first casualties of resource constraints. This possibility reinforces our reservations regarding growth prospects expressed above

Of the planned reduction in net central transfers to states in the present budget amounting to 0 9 per cent of GDP, 0.7 percentage points are through reduction in plan transfers Although it is difficult to posit a strong relationship between plan expenditures and development in any particular state, the likely drop in plan expenditures at the state level as a result of the reduced central assistance may have an adverse long-term impact on the economy. The higher proportionate reduction in capital transfers to states, as compared to the current transfers, can have a similar effect through lower investments by the states. In fact, Table 6 shows that net capital transfers as a ratio of gross receipts of the centre show a steady fall since 1990-91, from 10 per cent to 6 per cent in 1994-95 (BE). The rise in 1993 94 (RE) is an exception to this falling trend. If these capital transfers actually translate into investments by states to a substantial extent, then the negative impact of this trend can be easily gauged

V
Concluding Remarks

The government of India has been emphasising the need for widespread economic reforms ever since the economy pulled back from the brink of a crisis in 1991. Some of these reforms have been pushed through, others are in the process of implementation and yet others are on the anvil. One of the major reasons for the situation reaching almost crisis point, viz, unsustainable fiscal imbalance, however, continues to hover menacingly over the economy despite being within the immediate control of the government. The unwillingness and/or the inability of the government to control its own expenditures in areas where they need to be cut has resulted in strategies to reduce fiscal defici (like cutting capital expenditure and pass ing on the adjustment burden to the states which are questionable and counterpro ductive. While these strategies continu to hold sway, the measures to promot investment contained in the latest budge are almost entirely confined to the suppl side, although available evidence suggest that the problem lies on the demand side We have also argued above that the strat egy of sacrificing fiscal prudence (an possibly stability of the economy) in th interest of growth that has been advance to defend the rising deficits i unconvincing, such a strategy would lea to neither growth nor stability.

Notes

1 As an example, see Chelliah (1994) for a cr tique of the attempt to incorporate equity con siderations into the tax policy.

2 All the figures in this section are taken fro *Budget at a Glance* for the relevant years.

3 The figures for 'communications' actually over estimate the expenditure as a large part can b described as only book entry and not really a outgo from the government sector on the give budgetary head.

References

Ahluwalia, I J (1985): *Industrial Growth in India Stagnation Since the Mid-Sixties*, Oxford University Press, Delhi.

Chelliah, R J (1994): 'Agenda for Comprehensiv Tax Reform', C N Vakil Memorial Lectur

Das Gupta, A and D Mookherjee (1993): 'Dissec tion of a Bold Budget', *Economic and Politi cal Weekly*, April 10

De Long, J B and L H Summers (1993): 'How Strongly Do Developing Economies Benef from Equipment Investment?' (processed), Th World Bank, Washington, D C.

Maiti, P and R Kavita Rao (1994): 'Explainin India's Industrial Growth: 1951-90' (pro cessed), Indian Statistical Institute, Calcutt

Mookherjee, D (1993). 'Redefining the Role o the State: The Role of the 'Positive' an 'Negative' Institutional Reforms in India (processed), Indian Statistical Institut New Delhi

Musgrave, R A (1959). *The Theory of Publi Finance*, McGraw Hill, New York.

—(1961)· Preface to *The Theory of Public Fi nance* (International Students Edition McGraw Hill Kogakusha, Tokyo.

Pradhan, Gopinath (1990): 'Growth of Capit Goods Sector in India after the Mid-1960s An Alternative View', *World Developmen* Vol 18, No 9.

Rakshit M K (1991): 'The Macro-economic Ad justment Programme: A Critique', *Econom and Political Weekly*, August 24.

Rao, M G and I K Sen (1993): 'Governme Expenditure in India: Level, Growth and Com position' (processed), National Institute c Public Finance and Policy, New Delhi.

Shetty, S L (1978): 'Structural Retrogression i Indian Economy', *Economic and Politica Weekly*, Annual Number (March).

Waiting for Private Investment

Pulapre Balakrishnan

While the economic reforms appear to have had a positive effect on the trade balance their impact on production, reflected in the figures for industrial growth, is far from evident. The budget reflects the government's concern for reviving this segment of the economy. However, the efficacy of the instruments chosen is not assured. The slow growth of capital goods production suggests that this is very likely due to slack investment outlay. The private sector appears to be waiting for recovery. In the absence of a strategy to precipitate private activity the government is going to be left waiting for private investment. A simple measure that might have helped a little is recommended in this essay. But even this can only be a palliative. The most elementary analysis of events in the past three years points to the reason for the slow growth of industrial activity. This is the slow growth of capital spending by government.

EVEN though the government has ensured continuation of the process of liberalisation of the trade and payments regime, it is the performance of the industrial sector that emerges from a reading of the budget for 1994-95 as the focus of concern. The reason for this concern is obvious, for the economic reforms have little to show in terms of the performance of this segment of the economy. It is striking that the manufacturing sector of the economy has grown at less than 2 per cent for the third year running. The government has rightly observed that the problem lies in the (negative) rate of growth of capital goods production, and the budget even suggests that it has recognised that this is very likely related to a continuing in slack private investment. However, much as the government needs an investment-led recovery, I argue that the strategy that it has chosen to adopt cannot be expected to bring about a very marked reversal of the present situation.

From the macro-economic point of view, the provisions in the union budget for 1994-95 follow inexorably from the flood of public expenditure in 1993-94. It signals the end of fiscal correction, and this is unfortunate. For even as one might have disagreed with the government's interpretation of macro-economic stability as a specific number on the 'fiscal deficit' and recoiled from the simple-minded offerings about the impact of the deficit on inflation and the balance of payments, any sensible economist would hold that a significant overhauling of the country's public finances is long overdue. This budget points to little progress having been made in that direction. An instance of this indigence is the overshooting of the estimate on the primary surplus by over 2,000 per cent. We are presented with the spectacle of a government that has repeatedly stressed fiscal discipline now no longer in control of the exchequer. In fact, the 'raising' of the target on the fiscal deficit for 1994-95 indicates precisely this. The logic of the Budget now lies unmasked. An exhausted government now waits for private investment to revive the economy.

In what follows I take up first the question of the macro-economic stabilisation allegedly being pursued by the government and turn next to the strategy for an economic revival contained in the budget.

I
After the Deluge the Bonfire of a Verity

A most egregious aspect of this budget is the reversal of the government's avowed commitment to 'fiscal correction'. Recall that the government has interpreted this to mean a reduction of the fiscal deficit, without any obvious concern for where the cuts fall. In fact, the reduction of the fiscal deficit has been the lodestar of the macro-economic stabilisation programme over the last three years. Now, coming into the fourth year of the programme the government has done a U-turn. I do not refer to the very considerable overshooting of the target for the deficit in 1993-94, but the fact is that the target for the coming year has been raised (from 6 per cent of GNP to 4.7 per cent). Thus, having berated us for three years on the need for macro-economic discipline, on the inflationary consequences of the deficit (though, even granting monetarist logic, it was harping on the wrong one), and, most intriguingly, on how "growth cannot be bought", the government has, quietly and without much ado, abandoned the verity that the reduction of the deficit is of the essence, and, more crucially, that it is all that is needed for growth to take place. But there is a backdrop of developments in the economy against which this has occurred, events that have given the government the confidence to proceed, as it were, and it is to this that I now turn.

State of Economy in 1993-94

(i) *It's hunky-dory on the external front*

There can be no doubt that there is a turnaround in the balance-of-payments. A portmanteau indicator of its health is the level of foreign exchange reserves. While the windfall represented by the capital inflows is certainly a part of the story, there can be no doubt that the trade balance has improved very substantially. Moreover, this improvement has been significantly contributed to by the quite impressive pick-up in export earnings rather than by a recession-induced slow-down in the growth of imports. The consequences of these developments, especially for the subsequent moves of the government, remain unaffected by the query as to whether export figures reflect an increase in export earnings *per se* or only an increase in their repatriation following upon the floating of the rupee for commodity transactions. Recall that the unification of the exchange rate since April 1993 had removed the incentive to stash money away abroad. However, the fact remains that policy is somewhere responsible for the export performance, and the government can take credit for it. Finally, the government has chosen to repay a substantial part of the IMF loan ahead of time. Doubtless, it will make capital out of it, but then this is high politics and so had the government's detractors gone to town when it had gone in for the loan in 1991. In general, anyone wishing to retain some credibility even as a critic would be making a mistake not to recognise the developments on India's external front for what they are. There can be no doubt as to some success here.

(ii) *Prices: Yet single-digit inflation*

While the inflation rate in the year just completed is perhaps higher than the rate in the previous year, it is still below the two-digit mark and, arguably, steady. More importantly, and even though the government can take little credit for it, in the public mind, inflation is down compared to what it was when the present government took over.[1]

(iii) *Industry: Slow train coming*

However, the purple patch in the backdrop is the recession-ridden industrial sector. For the third year running we have had

growth of less than 2 per cent Apart from the matter of the loss of potential output and the consequent employment growth, slow growth of the industrial sector is damaging o the arguments for the type of reform that we have witnessed so far For it is from the ndustrial sector that one would have ex pected the largest response to the iberalisation process in general

iv) Public expenditure Swinging'

Clearly, it is with these three develop nents in mind that the decision to backtrack on fiscal 'correction has been undertaken With the external imbalance appearing sus ainable right now and the inflation rate otentially under control since the stock of oodgrains is substantial the government as apparently chosen to make a dash for rowth In any case, it must have noticed hat the very large increase in the fiscal leficit during the current year has not sty med an improvement in the current account or led to a much higher inflation rate But here is obviously a fourth aspect to which he slow-down on the reduction of the fiscal leficit is related This is the flood of expen liture that has occurred in 1993 94 Since so nuch of the current discussion of policy in he Indian economy is in terms of deficits t is interesting to note that of the four efinitions of deficits in the budget the overnment has overshot the budgetary es mates by over 100 per cent in the case of ree [2] This explains to a large extent the decision' not to move beyond the target for e fiscal deficit in 1993 94 It appears to ave become some sort of an economic law f democracies that with respect to public xpenditure, the tide never recedes In par cular, note something like a ratchet effect whereby budgeted expenditure on revenue ccount exceeds not just the amount bud eted in the previous year but also that which is actually incurred That this does ot extend to capital expenditure points to ow it is capital spending that takes a cut when fiscal adjustment is being attempted urther, what makes it difficult for the argu ent that the figure for the fiscal deficit in 993-94 being much higher than originally argeted reflects a Keynesian strategy is that while barely a fourth of the overshooting of tal expenditure is on capital account more an a quarter of this is due to capital expen iture on 'Defence' [3]

TABLE GROWTH OF PUBLIC EXPENDITURE

(Rs crore)

	1992 93 Actuals	1993 94 Budgeted	1993 94 Revised	1994 95 Budgeted
evenue	92706	101839	110224	118811
apital	29916	29484	33648	32888

ource *Budget at a Glance* The Union Budget for 1994 95 Budget Division Ministry of Finance

It would be naive to assume governments in democracies choose the optimal level of the fiscal deficit with some technocratic elan Budget making is hardly a simple accounting exercise More like the government's borrowing requirement, or the fiscal deficit emerges as the out come of a bargaining process which re sults in financial allocations according to the relative strength of the protagonists So rather than the target for the fiscal deficit having been deliberately raised, it is more like the government having finally abandoned its project of lowering it to 4 per cent of GNP while the fund programme was on No doubt, the government s economists must have been quick to grasp that the economic condi tions were not entirely unfavourable to its resorting to this course

Nevertheless the decision to put a brake on fiscal contraction is only part of the strategy to revive the non agricultural sec tor of the economy Some more direct weapons have been adopted in the budget and I turn now to the efficacy of these

II
Logic of Budget: Desperately Seeking 'Dhan-Asthra'

The key to understanding the slow growth of industry ever since the reform process started is the lack lustre invest ment performance of the private sector Of course the current year has also wit nessed a higher value of capital goods imports over 1992 93 However I stick to arguing that the slow growth of demand for domestically produced capital goods really stems from a low level of investment because the (dollar denominated) expenditure on capital goods imports into the economy is yet to reach the levels attained in the year 1990-91 Hence the belief that the slow growth of the capital-goods sector is due to imports swamping domestic production following upon the lowering of tariffs cannot be sustained On the other hand we are yet to find evidence[4] that the level of private investment in the economy has regained the level attained in 1990 91 Of course the figures on private investment in the current year are not available However, we need not feel unduly handicapped by the absence of data on current investment The time lag be tween orders and deliveries can quite easily account for the current year's level of capital goods production in terms of the generally low level of private investment in the two previous years

Since industry is in recession an instrument to bring about its revival is needed Since it is the capital-goods sector that is affected a rise in investment expenditure should, in one stroke, revive this segment of the industrial economy However, government has actually reduced capital outlay (Budget Estimates for 1994-95 over the Revised Estimates for 1993-94), so there can be no question of a public investment led revival of industrial growth from this source Surely the government is aware of this Hence the 'package for industry' This package has four components a reduction of the rate of interest, a lowering of the rate of corporate tax, the extension of modvat to the capital-goods sector, and the lowering of tariffs on intermediate goods imports The tariff structure had, in certain instances, contributed to imported capital goods costing less than domestically produced ones While the last of these measures will undoubtedly help make domestic capital-goods production more competitive the expansion of capital-goods imports during 1993-94 is not, as I have argued earlier the problem Both imports of capital goods and private investment are yet to regain the levels of 1990 91 Viewed over a longer perspective therefore the slow growth of the capital goods sector is more than just a matter of imports replacing domestic production

The extension of 'Modvat' to capital goods production also constitutes, along with the reduction of customs duty on intermediates a profound change on the supply side, both designed to make production more profitable My contention is that neither of these measures is likely to make much of a difference to whether we will see a revival of investment What of the rest of the 'package for industry'? Of these the lower corporate tax rate will work to raise post-tax profits which will most likely result in higher dividends Whether all profits are saved and whether savings are automatically invested is of course an age old question in the eco nomics of growth Nor can the tax cut be expected to have an impact on the output decision of profit-maximising firms So the direct effects on investment and output/employment of the reduction in the corporate tax are unclear On the other hand the rate of interest is, in theory, conventionally considered to be a determinant of private investment Experience tells a different story though In fact, we are by now aware that the single most crucial determinant of private investment in the Indian economy is the extent of capital formation in the public sector The reasons are obvious, for 'crowding in' is more like what describes the relationship between public and private investment in most economies

But what, in the absence of more public investment, we might ask, could the finance minister have done towards bringing about a rise in private investment? He

could have introduced a time-bound tax rebate on current investment. Being temporary in nature it may be expected to provide an incentive for firms to act now. Since timing is of the essence here, that is, if we require private firms to go in for investment right now, a time-bound scheme is precisely what is needed. Moreover, if the corporate tax were left at its original level, the revenue implications of such a move need not have been adverse. The role of any temporary scheme would be to bring forward a potential economic decision. In the context of private investment decision-making this is often vital, as is, for instance now. It is possible to characterise the current slack in private investment as a decision to wait on the part of firms. Since investment decisions are irreversible, waiting is often optimal when there is uncertainty both as regards future policy and the effects of both current and future policy on the economy. Such uncertainty is pervasive under conditions of macro-economic stabilisation and structural adjustment. It is in altering the adverse incentive structure that builds up during such phases that a temporary tax rebate on addition to plant and machinery helps revive private investment. What is on view in India currently is a hapless government waiting for private investment to raise the rate of growth of industry and a private sector waiting for the government to get the economy to revive before committing itself to plans for expansion of capacity.

What emerges from all this is that the budget's contribution to a revival of private investment cannot be great. To repeat, the allocation for capital expenditure in 1994-95 is actually lower than that in 1993-94, and the latter was itself a year of low growth of industry, despite a ballooning deficit. Does this mean that deficits do not stimulate output growth? The answer is that the nature of expenditure is important. The public-investment multiplier, apparently, is higher than the public-expenditure multiplier. This is the lesson to be learnt from the experience of the year now drawing to a close. The budget has pumped-in demand alright, but it has not laid the foundations of a revival. As far as industrial performance is concerned, capital spending by government is the key, and the CSO's estimates point to slower Gross Fixed Capital Formation in the public sector since July 1991.[5]

POLITICS OF PUBLIC INVESTMENT

Perhaps it is instructive to ask why the government is cutting on capital expenditure at such a crucial juncture. It is apparent that the politics of budget-taking has overtaken the government. We know from the experience of developing economies undergoing macro-economic stabilisation that capital expenditure is the first category of expenditure to be cut when a reduction in the fiscal deficit is being attempted. After all, future generations, who are the principal beneficiaries of capital spending but have no political representation, can safely be ignored unlike, for instance, the raucous claims for higher procurement prices (immediately reflected in higher food subsidies). This constitutes the inherent attractiveness of current over capital expenditure for governments. In the vociferousness of its lobbies claiming increasing outlays on their own economic constituencies while at the same time crying for a lower tax-rate, India is fast approaching the status of a Latin American republic.

III
Concluding Remarks

In this brief essay I have focused only on some aspects of the union budget for the coming year. But I do believe that I have captured its essence. For while I am aware that the indirect-tax proposals are believed to go a long way towards radically reforming a parasitical administration structure, the thrust of the budget, as I see it, is towards the demand side of the economy. I have outlined the ways the budget attempts to stimulate demand and discussed the likely consequences. All in all, while there might still be growth in the industrial sector next year, I do not see the budget contributing to it in any obvious way. For the reason of wanting to stick to the main argument I also do not elaborate upon the observation that for the first time since Manmohan Singh the financial foundations of the union budget appear distinctly shaky. This budget is shaky on resource mobilisation, an instance being one where we are not told how the FM expects to recoup the Rs 4,000 crore that he expects to be the revenue loss due to the lowering of excise and customs duties. Apparently, what is expected to be lost on account of lower rates is expected to be recouped via higher collections. This requires a certain optimism about growth which, as I hope I have been able to show, might not be warranted by the circumstances.

But there is much to learn from the proposals for the year ahead and the government's accounts for the still current one about policy-making in India. Even while one might be excused for relishing the discomfiture of a government, that had only yesterday displayed much hubris, now having to rationalise the deluge of expenditure as 'countercyclical fiscal policy', one cannot but be alarmed by the realisation that the governmen performance in 1994-95 must leave o pessimistic of the prospects for a sou public finance in the near future. After a what does one concludes when the targ on three out of four definitions of t deficit is exceeded by over 100 per ce with the overshooting of capital-expen ture targets being far lower than that revenue account? That, the rhetoric asic the government is not committed to fisc correction whatsoever. That no attem been made to eliminate the revenue de cit, which means that we continue to bc row to finance consumption expenditu That our internal debt is rising,[6] only maintain a corrupt and inefficient sta apparatus. And, above all, that while economists are, at least to a limited exte right in being concerned with questions ownership, we are nowhere near havi resolved the fundamental issue in Ind today, that of governing this democrac Observing the recent management of t fiscal affairs of this country, even one wh has resolutely opposed conservative pu lic finance with its singleminded obse sion with public expenditure, and, in tur has often argued for activist governme can only say "this is not what I had mea at all!"

Notes

1 I have elsewhere argued that the princip cause for the improved price situation sin 1992 is the improved performance of agricu ture, in particular of foodgrains productio See my 'The Rationale and the Result of th Current Stabilisation Programme', Workin Paper no 253, Centre for Development Stu ies, Thiruvananthapuram, November 199 However, proceeding along similar lines, th prospect for 1994-95 may not be so rosy wi agricultural production for the current ye estimated to have been negative Econome ric evidence suggests the existence of lags i the working out of the effects of agricultur growth on industrial output and the inflatio rate

2 See *Budget at a Glance*.

3 Calculated from *Budget at a Glance*

4 There is no data yet for the current year. Th CSO's quick estimates for the past three yea are reproduced in the most recent *Econom Survey*.

5 See *Economic Survey 1993-94*, Table 1 2. is interesting to note that the discussion in th *Survey* is conducted entirely in terms of th figures for Gross Domestic Capital Form tion which, since it includes stocks, turns an increase, entirely belying the slow-dow in investment Gross Fixed Capital Form tion in the public sector during 1992-93 estimated to be negative I am indebted Jayati Ghosh for this observation

6 In fact, it is now growing at a rate faster tha before the stabilisation programme com menced in July 1991 See *Receipts Budge* Ministry of Finance, 1994

Budget 1994-95: Fiscal Aspects and the Real Economy

V M Dandekar

It is to the credit of the present finance minister that, even as a member of a minority government, he decided to face the facts, accept the inevitable and venture to bring back the economy to normalcy by a twin strategy of fiscal discipline and structural reform. Quite understandably, the finance minister thinks that his strategy has been vindicated and, naturally, has persisted and pursued the same path in the budget for 1994-95. Therefore, it is only fair that we should judge the policy and hence the budget not on grounds of ideology but on performance.

BUDGET 1994-95 is the fourth successive budget by one and the same finance minister; we understand that this is a record in the fiscal history of independent India. This is all the more remarkable because, when the present finance minister took office in June 1991, the economy was in the throes of an unprecedented balance of payments crisis, international confidence had collapsed, and inflation was on the rise. The rising fiscal deficits of the central government were the root cause of the balance of payments problem, rising prices, and high rates of interest. This was a legacy of the policy pursued over the past four decades, the essence of which was a populist concern for the small, the poor, the weak, and the backward, the one lagging behind; in short, the one who would not survive the competition in the market place. He must be helped and protected. This was admirable. Unfortunately, this was matched by an anti-market bias, an irrational animus against the strong, the one who would survive the competition and would grow without social assistance because, in that case, he must be robbing the poor and exploiting the weak. Therefore, even if it might not be possible to help the poor and the weak positively and adequately, it was supposed to help the poor and the weak if the strong was constrained and his growth contained. This is the policy syndrome called 'Growth with Social Justice' with greater emphasis on Social Justice than on Growth. In the process, all elements of growth were crippled and all motivation for standing on one's own made redundant. As a result, growth suffered and, in consequence, also social justice. The economy did not produce enough to help those who must be helped. Three successive short-lived finance ministers, unwilling or hesitant to come out of this syndrome, looked on helplessly and allowed the situation to deteriorate further. It is to the credit of the present finance minister that, even as a member of a minority government, he decided to face the facts, accept the inevitable and venture to bring back the economy to normalcy by a twin strategy of fiscal discipline and structural reform. Quite understandably, the finance minister thinks that his policy has been vindicated and, naturally, has persisted and pursued the same path in the budget for 1994-95. Therefore, it is only fair that we should judge the policy and hence the budget not on grounds of ideology but on performance.

Before we comment on the budget for 1994-95, it may be useful to examine the performance, rather the credibility, of the budget for the last year (1993-94). The most glaring failure of the last year (1993-94) is the lapse in fiscal discipline as reflected in the fiscal deficit. It was Rs 40,173 crore in 1992-93; the budget for 1993-94 expected to bring it down to Rs 36,959 crore but ended up with a figure of Rs 58,551 crore (RE) which is 58.42 per cent more than what was budgeted. To judge whether this is a failure of the finance minister, his government, or of the entire polity and economy, one needs to look into the fiscal deficit in greater detail.

Lapse in Fiscal Discipline

Fiscal deficit consists of budgetary deficit + borrowings and other liabilities; or briefly fiscal deficit = budgetary deficit + borrowings. Though, this is how it has come to be presented and discussed, it will help clarify the issues, if we present it as: fiscal deficit = revenue deficit + deficit on capital account (other than borrowing). The 1993-94 budget estimates and the revised estimates are as shown in Table 1.

Thus, the large increase in fiscal deficit was mainly due to an increase in the revenue deficit; the revenue deficit almost doubled. Either, the revenue receipts were overestimated or, because of political reasons, the revenue expenditure could not be limited.

We shall first consider the revenue expenditure. We may divide the revenue expenditure into its three main components: revenue expenditure = interest payments + other non-plan revenue expenditure + plan revenue expenditure. The 1993-94 budget estimates and revised estimates are as shown in Table 2.

Thus, the revised estimate (RE) of total revenue expenditure exceeded the budget estimate (BE) by 8.2 per cent which is about the same as the estimated increase in the wholesale or consumer price index over the year. Actually, there was a small shortfall in the interest payments. But the division between the plan and non-plan revenue expenditure is not very satisfactory. The plan revenue expenditure increased by 10 per cent but the non-plan revenue expenditure increased by 16.9 per cent. Evidently, there is a failure to limit the non-plan revenue expenditure within the budgeted limit.

Shortfall in Tax Receipts

Let us next consider the tax and non-tax revenue receipts. The non-tax receipts are more or less what they were estimated in the budget: Rs 21,470 crore (BE) and Rs 21,693 crore (RE). But, there is a large shortfall in the tax receipts (net to centre): Rs 62,739 crore (BE) and Rs 54,473 crore (RE) which amounts to a shortfall of 13.2 per cent. If we allow for the annual inflation of 8.2 per cent, the shortfall in tax revenues works to almost 20 per cent (19.76 per cent to be exact). This should be a matter of serious concern and deserves careful examination.

A cornerstone of the New Economic Policy is that if you reduce taxation, that is, tax rates, it gives a fillip to the economy so much so that what you lose because of reduction in tax rates, you more than make up because of increased production and income. For instance, in 1993-94, reduction in direct taxes was estimated to cause a loss of Rs 106 crore to the centre's revenue (Finance Minister's Budget Speech, 1993 Part-B, para 80) and reduction in indirect taxes (customs and excise duties) a loss of Rs 3,981 crore to the centre's revenue (ibid para 134). Thus, there was a total revenue loss of Rs 4,087 crore to the centre's revenue in 1993-94. It means that, prices, production and incomes remaining the same, the tax

Table 1

(Rs crore)

	Fiscal Deficit	Revenue Deficit	Deficit on Capital Account (other than borrowing)
1993-94 (BE)	36,959	17,630	19,329
1993-94 (RE)	58,551	34,058	24,493
RE-BE	21,592	16,428	5,164

revenue receipts in 1993-94 would be lower by Rs 4,087 crore than in the previous year (1992-93). The actual tax revenue receipts in 1992-93 were Rs 54,044 crore so that, prices, production and incomes remaining the same, the tax revenue receipts in 1993-94 would be estimated at Rs 49,957 crore, or allowing a price rise of 8.2 per cent, Rs 54,053 crore. In fact, they were estimated at Rs 62,739 crore, which is 16.1 per cent higher, hoping that the reduced taxation would raise production and incomes.

The two main sectors which may be expected to get a fillip by a reduction of taxes are (i) manufacturing, construction, electricity, gas and water supply, and (ii) transport, communication, and trade. In 1992-93, the gross domestic product (GDP) from these sectors is estimated (quick estimates) at Rs 1,00,391 crore at 1980-81 prices (*Economic Survey 1993-94*, Table 1.3). To meet the budget estimate of tax revenue receipts of Rs 62,739 crore, it would require these sectors to grow at 16.1 per cent during 1993-94. Of course, they did not and the tax revenue receipts amounted to only Rs 54,473 crore (RE), a little more than what we have estimated above, namely, Rs 54,053 crore which is just 2.28 per cent more.

Last year, did the finance minister really expect the above-mentioned two sectors to show an increase of 16.1 per cent? Evidently he did and he shows his disappointment but blames it all on the capital goods sector. "The slow growth of industry in 1993-94 is a matter of concern and is largely due to sluggishness of the capital goods sector. If capital goods are excluded, the rest of the manufacturing sector shows 6 per cent growth in the second quarter and is expected to improve in the rest of the year" (Finance Minister's Budget Speech, 1994, Part-A, para 5). May be it will. But, it will still be a far cry from the two sectors mentioned above showing an annual growth of 17.8 per cent. Without attributing motives, one must conclude that the finance minister was either too confident of his policy, or under pressure not to allow the fiscal deficit to exceed what it was in 1991-92 (Rs 36,325 crore) or what appeared in the revised estimates for 1992-93 (Rs 36,722 crore) and he allowed himself to overestimate the tax revenue receipts.

It is a matter of concern that, nevertheless, the finance minister exudes confidence more befitting a politician and, in the 1994-95 budget, persists in making further tax concessions, causing a loss of Rs 3,604 crore in centre's tax revenue (Finance Minister's Budget Speech, 1994, Part-B, para 122). It means that prices, production and incomes remaining the same, the tax receipts in 1994-95, will be lower by Rs 3,604 crore compared to the receipts in 1993-94, namely, Rs 54,473 crore (RE), that is Rs 50,869 crore; or allowing a price rise of 8.2 per cent as in the last year, the tax receipts in 1994-95 may be estimated at Rs 55,040 crore. Instead, the finance minister has estimated them to be Rs 62,742 crore which is 13.99 per cent more. To meet this estimate, the above-mentioned two sectors must grow by 13.99 per cent during 1994-95. In spite of the experience of the last year, the finance minister seems confident. "The recession in the capital goods industries is primarily because investment activity slowed down temporarily as firms adjusted their investment plans to the new situation. There are signs that this restructuring process is well advanced and many companies are now launching major programmes to enhance their international competitiveness. The turnaround in investment is, therefore, beginning" (ibid, para 5). We hope he is right.

Nevertheless, it seems that to expect a growth of 13.99 per cent in the two sectors mentioned above, the finance minister is putting too much at stake or, as it is now being officially described, he is taking a calculated risk. One wonders whether he is doing this out of conviction or under pressure to keep the fiscal deficit as low as possible. This is understandable. Unfortunately, it does not work. Last year (1993-94), he tried to hold the fiscal deficit at Rs 36,959 crore (BE) and ended up with Rs 58,551 crore (RE); we have yet to see the actuals. Inevitably, most of the increase in the fiscal deficit, amounting to Rs 21,592 crore, has to be met by market borrowing including some from the Reserve Bank in one form or another and/or external borrowing.

Close to Debt-Trap

All market borrowing (net of repayments), whether internal (which is mostly from the captive market of commercial banks, Life Insurance Corporation, Provident Funds, etc, the balance being subscribed by the Reserve Bank) or external, adds to the liabilities of the central government and hence the burden of interest. Because of the huge liabilities the government has accumulated over the years, the burden of interest has now become unbearable. According to the budget estimates for 1993-94, 45.13 per cent of the revenue receipts were to go into interest payments. But because of shortfall in revenue receipts, the revised estimates show that 49.23 per cent, that is, almost half of the revenue receipts went into interest payments. The actuals may show a higher percentage of revenue receipts going into interest payments. The budget for 1994-95, has set aside 53 44 per cent of the estimated revenue receipts for payment of interest. If the estimated tax revenues fail to materialise, as they did last year, the percentage will be higher and may reach even 60 per cent.

If we relate interest payments to the net new borrowings, we may realise how close we are to entering into a debt trap. In 1993-94 (BE), interest payments (Rs 38,000 crore) actually exceeded the net new borrowings (Rs 32,645 crore). In other words, the entire net new borrowings and much more went into interest payments. This is characteristic of a debt trap, namely, that one has to borrow even to pay interest leaving little possibility of ever repaying the principal. In 1993-94, we escaped the debt trap because of a shortfall in the tax revenue receipts and consequent larger borrowings, namely, Rs 49,491 crore (RE) while the interest payments were a little lower than estimated, namely, Rs 37,500 crore, constituting 75.77 per cent of the net new borrowing. This means that 75.77 per cent of the net new borrowing was spent on interest payments and the balance in meeting a part (about one-third) of the revenue deficit. But, obviously, one cannot postpone the debt-trap by this route; it will show up each year. For instance, next year, that is, in 1994-95, the net new borrowings are estimated at Rs 48,915 crore (BE) and interest payments at Rs 46,000 crore (BE) which is 94.04 per cent of the former. Thus, we shall be uncomfortably close to the debt-trap unless we repeat the unhappy performance of 1993-94, namely, falling short in tax revenue receipts and hence borrowing more than budgeted.

Continued net new borrowing adds to the liabilities of the government of India and one may relate them to GDP. Incidentally, we may mention that the liabilities consist of internal and external liabilities and in combining the two, the latter should be converted into rupees, not at the historical exchange rates but at the exchange rate current at the end of the year. In relating the total liabilities to the GDP, the latter figure is of course the more relevant. However, in the Receipts Budget, in the Statement of Liabilities, the external debt is valued at the historical exchange rates (Receipts Budget, 1994-95, p 42) and it will need to be converted to the current exchange rates. Fortunately, the *Economic Survey* gives both the figures, namely, the external debt valued at

Table 2

(Rs crore)

	Revenue Expenditure	Interest Payments	Other Non-Plan Revenue Expenditure	Plan Revenue Expenditure
1993-94 (BE)	1,01,839	38,000	39,654	24,185
1993-94 (RE)	1,10,224	37,500	46,370	26,354
RE-BE	8,385	-500	6,716	2,169

historical exchange rates and also at the exchange rate current at the end of the year (*Economic Survey 1993-94*, Table 2.5, p 22). We shall begin with 1991-92 because the figures in the *Economic Survey* for 1991-92 are actuals. The ratio between the external debt valued at historical exchange rates and at the current exchange rate at the end of 1991-92, when the rupee was already devalued, is 2.97. For later years, as an approximation, we propose to use this ratio to convert external debt given in the Receipts Budget, where it is valued at historical exchange rates, to current exchange rate (Table 3).

Thus, in 1991-92 and 1992-93, the total liabilities of the central government constituted about 77 per cent of the GDP. For 1993-94, we have only the revised estimate of liabilities and they amount to Rs 5,62,026 crore. The advance estimate of GDP in 1993-94, (at 1980-81 prices) is Rs 2,30,400 crore showing an increase of 3.74 per cent over the previous year (*Economic Survey 1993-94*, Table 1.1, p 2). On the other hand, total outstanding liabilities in 1993-94 (RE), as estimated above, are 15.91 per cent higher than in the previous year. Even if we allow a price increase of 8.2 per cent, the liabilities at the end of 1993-94 will be 7.12 per cent higher than at the end of 1992-93, probably by 3.26 per cent, that is, almost 83 per cent of the estimated GDP.

Moreover, if net new borrowing is used mostly to pay interest on outstanding debt and partly to meet the revenue deficit, in other words, without creating matching assets, the assets and liabilities do not match and the gap between the two widens (Table 4). For instance, in 1991-92, the total assets of the government of India were Rs 2,61,478 crore while the outstanding liabilities amounted to Rs 4,27,160 crore (*Economic Survey 1993-94*, Table 2.5, p 22) leaving 38.79 per cent of the liabilities uncovered by any assets. In 1992-93, the outstanding liabilities amount to Rs 4,84,894 crore while the assets amount to Rs 2,90,963 crore leaving 39.99 per cent of the liabilities uncovered by any assets. The outstanding liabilities at the end of 1993-94 (RE) amount to Rs 5,62,026 crore while the assets amount to only Rs 3,26,854 crore leaving 41.85 per cent of the liabilities uncovered by any assets. Of course, we have yet to see the actuals. But, clearly, the gap between assets and liability of the government of India has been slowly growing over the years and as at present at least 40 per cent of the liabilities remain uncovered by any assets.

In 1994-95 (BE), the liabilities amount to Rs 6,30,284 crore and the assets to Rs 3,55,536 crore leaving 43.59 per cent of the liabilities uncovered by any assets. Thus, in respect of the gap between assets and liabilities, the budget 1994-95 maintains the trend of the past three years; whether it does better than that, we shall know next year when we have the revised estimates and after another year, that is, in the budget for 1996-97, when we have the actuals for 1994-95. The finance minister does not have to worry. As he said in his budget speech last year (1993-94), the "finance ministers have to look after the short term if they want to survive in the medium term" (Budget Speech, 1993-94, Part-A, p 18). Now that he has survived in the medium term, he may look forward to surviving in the long term hopefully beyond the next general election.

The finance minister is aware of the burden of interest payments and hence the paramount need to reduce further borrowing and, if possible, to start net repayment of the outstanding debt. For this purpose, he has proposed, what he calls, "A bold programme for disinvestment of government equity in public enterprises and earmarking a part of the sale proceeds purely for debt reduction" (Budget Speech, 1994-95, Part-A, p 16). It is an irony of the situation that the finance minister has to call, even such a straightforward proposition, 'a bold programme' and has to present it apologetically by saying that only a part of the sale proceeds would be earmarked purely for debt reduction. He is obliged to do this because he has to face a Lok Sabha most members of which, including members of his own party, are essentially illiterate in matters of public finance. The straightforward proposition is that when assets built by borrowing do not pay even the interest on debt, they must be sold and the debt repaid. Housewives understand this better than most politicians.

PSU Disinvestment

Disinvestment of a part of the government holdings in the share capital of selected PSUs was envisaged in the Industrial Policy Statement announced in July 1991. During 1991-92, disinvestment was done in two phases in December 1991 and February 1992. The 31 companies whose shares were selected for disinvestment were a mix of eight very good, 12 good, and 11 not so good companies defined as those with net asset value (NAV) of Rs 10 share exceeding Rs 50, between Rs 20-50, and less than Rs 20, respectively. The shares were offered in bundles consisting of nine PSUs as randomly structured portfolios each with a notional reserve price being an average of NAV and profit-earning capacity value (PECV). The shares were offered to selected financial institutions and mutual funds.

In the first phase of disinvestment, in December 1991, shares of face value of Rs 516.2 crore realised Rs 1,427.3 crore (2.765 times). In the second phase, in February 1992, shares of face value of Rs 355.9 crore realised Rs 1,610 4 crore (4.525 times). Thus, during 1991-92, PSU shares of face value of Rs 872.1 crore were disinvested to fetch Rs 3,037.7 crore. These are duly shown as other capital receipt (*Budget at a Glance, 1993-94*, p 1). These constituted 8 per cent of the government holdings in the 31 PSUs selected for disinvestment (*Economic Survey 1992-93*, paras 6.79, 6.80, p 149]. This implies that, at the end of 1991-92, the total equity holding of the central government in the 31 PSUs selected for disinvestment was

Table 4

Year (1)	Total Liabilities as Estimated Above (Rs Crore) (2)	Total Assets (Rs Crore) (3)	Assets as Per Cent of Liabilities (4)
1991-92	4,27,460	2,61,478	61.17
1992-93	4,84,894	2,90,963	60 01
1993-94(RE)	5,62,026	3,26,854	58 16
1994-95(BE)	6,30,284	3,55,536	56.41

Notes: Liabilities are as estimated above, that is, with external debt valued at current exchange rate. Assets are taken from the Statements of Assets given in the Receipts Budget, 1994-95, p 43.

Table 3

Year (1)	Internal Liabilities (Rs Crore) (2)	External Debt Valued at Historical Exchange Rates (Rs Crore) (3)	External Debt Valued at Current Exchange Rates (Rs Crore) (4)	Total Liabilities (2+4) Exchange (Rs Crore) (5)	Gross Domestic Product (Rs Crore) (6)	Liabilities as Per Cent of GDP (4)/(5)x100 (7)
1991-92	3,17,714	36,948	1,09,746	4,27,460	5,51,600(P)	77.49
1992-93	3,59,355	42,269	1,25,539	4,84,894	6,27,900(Q)	77.22
1993-94(RE)	4,25,727	45,892	1,36,299	5,62,026		
1994-95(BE)	4,83,245	49,508	1,47,039	6,30,284		

Notes: For 1991-92, external debt valued at both historical and current exchange rates are taken from *Economic Survey 1993-94*, Table 2.5, p22, the ratio between the two being 2.97. For 1992-93, 1993-94 (RE), and 1994-95 (BE), the external debt valued at historical exchange rates are taken from the Receipts Budget, 1994-95, p 42, and converted into the same at current exchange rate by using the ratio 2 97.

Estimates of GDP 1991-92 and 1992-93 are taken from *Economic Survey 1993-94*, Table 1.1, p 2; (P) means provisional estimate; (Q) means quick estimate.

about Rs. 10,900 crore. Though these include State Trading Corporation (*Economic Survey 1992-93*, 6.20 p 151), they are mostly production enterprises. Presumably, the government will consider disinvesting its equity in at least its production enterprises which numbered 165 and share capital of the central government which amounted to Rs 39,785 crore as on March 31, 1992 (*Public Enterprises Survey 1991-92*, Vol 1, Statement 1B, p S-2).

During 1992-93, the shares were unbundled and were made open to the public and other institutions. The reserve price was fixed as an average of the price recommended by three merchant bankers. In October 1992, shares worth (face value) Rs 128.7 crore were sold for Rs 681.95 crore (5.299 times) and, again, in December 1992, shares worth Rs. 310.6 crore were sold for Rs 1,183.83 crore (3.811 times). Thus, during 1992-93, a total of Rs 1,865.78 crore were realised by disinvestment in PSUs. The actual (other) capital receipts in 1992-93 are shown to be Rs 1,961 crore and presumably include some small capital receipts other than from disinvestment in PSUs. Evidently, in the first three biddings, namely, in December 1991, in February 1992, and in October 1992, the price realised progressively increased from 2.765 times to 4.525 times to 5.299 times. But, in the last bidding, namely, in December 1992, the realisation came down to 3.811 times in spite of the fact that the shares were not offered in composite bundles of very good, good, and not so good PSUs. Obviously, the private sector is showing less interest in owning only a small part of the equity of the PSUs while leaving the management with the government.

The actual receipts from the disinvestment in PSUs both in 1991-92 and 1992-93, the estimated receipts of Rs 2,500 crore in 1993-94 (RE), and the Rs 4,000 crore in 1994-95 (BE) are only a fraction, less than 10 per cent of the revenue deficit and are being used to meet this deficit. There is clearly a long way to go in budget management before the disinvestment in the PSUs may be used, even partly, for repayment of public debt.

The total public debt of the central government is estimated to amount to Rs 3,27,066 crore (Rs 2,77,561 crore internal + Rs 49,508 external valued at historical exchange rates). If the external debt is valued at current exchange rate, the total public debt of the central government, at the end of 1994-95, would amount to Rs 424,600 crore. This is almost eight times the equity in the production PSUs, namely, Rs 39,785 crore as mentioned above. In other words, to be able to liquidate its public debt by disinvestment of its equity in the production PSUs, the government should be able to realise almost eight times the face value of the equity. This is not impossible. The assessment by the prospective investors is that, though many PSUs show losses while many others give only small returns, many PSUs have, besides expensive plant and machinery, land and buildings in prime areas, and that therefore, it is not impossible to recover eight to 10 times the equity by a judicious disinvestment. But these considerations can become operative only if the government would sell 100 per cent of its equity to a private entrepreneur so that, not just the equity, but the entire management is handed over to the private entrepreneur with freedom to reduce the excess workers which the PSUs have tended to accumulate. This is politically not possible because of the resistance from the workers. At the end 1991-92, the workers employed in the PSUs numbered 21.84 lakh and their emoluments, during 1991-92, amounted to Rs 12,346 crore. The per capita emoluments work out to Rs 56,522. Over the two decades from 1971-72 to 1991-92, these have increased 8.55 times while the All India Consumer Price Index (1960 = 100) increased only 4.62 times. It means that, over this period, the real wages of the PSU workers multiplied 1.85 times (*Public Enterprises Survey*, 1991-92, Vol I, Table 13.3, p 166), while the per capita GDP increased by only 1.50 times (*National Income Statistics*, relevant issues).

Evidently, the government is helpless. The following is an eloquent commentary on the position of the government vis-a-vis the organised workers, not just in the PSUs, but workers in general: In 1991-92, out of the 237 PSUs, 102 were making losses. These include 15 large enterprises which are monopolies, such as the Food Corporation of India and the Indian Airlines, while the remaining ones function in a competitive environment. The monopolies account for about three-fourths of the capital employed and one-fourth of the accumulated losses while the competitive enterprises employing a quarter of the capital make three-quarters of the losses. Employment in the two groups is nearly equal. Among the loss-making enterprises, other than the 15 monopolies, about half constitute sick units taken over by the government and account for about three-fourths of the public sector enterprises. The loss per employee in these (presumably sick units taken over from the private sector) enterprises exceeds the average wage rate (*Economic Survey 1992-93*, p 146-47). What an enterprise! This is called 'protecting the interests of the workers'. One wonders as to who is protecting whose interests and at whose cost. *Economic Survey 1992-93* mentions that modalities for offering PSU shares to workers are being worked (p 151). *Economic Survey 1993-94* makes no mention of any progress along this line. The fact is that the economy is now facing a fundamentalist class which has a vested interest in the *status quo* no matter where it leads the economy to. If the ideological base of this fundamentalism is that the workers are exploited by the capitalist, the solution lies in the workers owning and managing the enterprise and not, as at present, the workers exploiting the rest of the society.

Gold Bond Scheme

So much for the possibility of disinvestment of equity in the PSUs and utilising the receipts, at least partly, for repaying the internal debt. To use them to repay external debt will require selling their equity to foreign investors. This is wellnigh impossible because of the fundamentalist position mentioned above. The finance minister has therefore introduced another scheme, namely, Gold Bond 1998, the purpose of which is to mobilise idle gold resources of ordinary citizens to supplement official reserve. Subscriptions are accepted in the form of gold and at the end of five years an equivalent quantity of gold will be returned to the subscriber plus an interest at 2 per cent per annum. The main problem with the gold resources of the common man is that they are not quite as 'idle' as are the official gold reserves; they are mostly in the form of ornaments which are partly used regularly and partly on occasion. The scheme requires that they are melted down for purposes of refining and assaying. The cost of remaking the ornaments is not negligible. The interest at 2 per cent per annum and the fact that they are tax-free does not help the common man very much. The real advantage is that no questions are asked as to the source of funds. Clearly the intention is to borrow black money, that is, tax evaded money, through the route of gold, partly legally imported but mostly smuggled. Of course, even if smuggled, it requires processing and assaying; but that is at the cost of the government.

It seems that the scheme has succeeded. The subscription was opened on March 15, 1993 and was to close on June 14, 1993, which date was extendable. In 1993-94 budget, the scheme was estimated to yield Rs 300 crore (BE) which was revised to Rs 375 crore (RE). In fact, the response has been better than expected. It is reported (*The Economic Times*, April 3, 1994) that during 1993-94, 41.12 tonnes of gold worth approximately Rs 1,800 crore was tendered though its processing and assaying in the mint in Bombay was taking time. One reason for the attraction of the Gold Bonds in the blackmarket is that, though no questions are asked as to the sources of funds, the bonds can be used as collateral in banks for loans. Moreover, they can be, and are being, traded at a discount. Reportedly (*The Economic Times*, April 3, 1994), at the beginning the discount rate was 20 per cent and has now dropped to 17 per cent indicating

that the demand for Gold Bonds is increasing because thereby one can convert black money into white. Indirectly, it encourages regular import or smuggling of gold. This would reduce the difference between the Indian and the International, that is, Bombay and London, price of gold. Reportedly (*The Economic Times*, April 3, 1994), this is already happening. One might therefore ask as to what is the equilibrium ratio between the Bombay and London prices of gold at which there will be little incentive for smuggling of gold. Apparently, it is one; that is, if the price of gold in Bombay and London is the same, there will be little incentive for importing or smuggling.

To simplify the argument, let us grant that, if the Bombay and London prices of gold are on par, the people concerned will prefer legal import of gold to smuggling, provided that the import duty on gold is low enough to more than compensate the risk involved in smuggling, and provided, of course, government would permit unlimited import of gold. Under these conditions, gold would be imported as a consumer good, as raw material for making gold ornaments and jewellery for the domestic market and hopefully also for export. The essential point is that, if Bombay and London prices of gold are on par, there will be no incentive to import gold except as raw material for the above mentioned purposes.

But, not quite if the Gold Bond remains a continuing scheme so that imported gold may be used, not just for making gold ornaments and jewellery, but also for buying Gold Bonds. Evidently, it will continue in 1994-95 and is estimated to yield Rs 1,225 crore. In fact, S Venkitaramanan, the then governor of the Reserve Bank of India, had said: "The government has also announced setting up an institutional mechanism in the form of a Gold Bank... The success of such a Gold Bank will depend to a large extent on the ease of access, the quickness with which gold is assayed and converted to gold certificates, development of a reliable secondary market in gold bonds and availability of financing facilities against them. Another related matter is the extent of tax concessions and immunities which Gold Bonds are accorded by the government" (*Reserve Bank of India Bulletin*, August 1992, p 1,308). As mentioned above, the refining and assaying of gold and consequent issue of bonds is not as quick as the governor would want it; but, hopefully, this will improve. A secondary market is already developing and the bonds are being traded. Financing facilities are available against them; the bonds can be used as collateral in banks for loans. The bonds are tax-exempt which presumably include both the interest income and the capital gains. Finally, the bonds are given maximum immunity because no questions are asked as to the sources of funds. Thus, all the requirements which the ex-governor of the Reserve Bank desired are satisfied.

But, the ex-governor of the Reserve Bank had also cautioned that "if the immunities and incentives are too large, then the Gold Bond scheme may become the pathway to a vicious cycle of movement of funds out of the country through the grey market and back as gold" (*Reserve Bank of India Bulletin*, August 1992, p 1,308). Let us see what he means.

It is admitted by all, including the finance minister, that, in India, there prevails a parallel economy which operates with black, that is tax-evaded, money variously estimated between 20 and 40 per cent of the white economy. Its operations not only do not enter the official estimates of GDP or even the invisible items of balance of payments, but have proved to be immune to all fiscal measures. One of its areas of operation is what probably the ex-governor of the Reserve Bank calls the grey market. In this market, the black money buys foreign exchange, smuggles it out, buys gold, and smuggles it in. The incentive is the difference in price of gold in London and in Bombay. Hence, if this difference is reduced, there should be so much less incentive for smuggling. But what if "the immunities and incentives are too large" and are they large? An interest at 2 per cent per annum and a hedge against a possible rise in gold are minor incentives for the people concerned. Immunity is the assurance that no questions will be asked as to the sources of funds and it cannot be improved upon. It means that one might evade taxes, and use the tax-evaded money for "the movement of funds out of the country through the grey market and back as gold" to invest in the Gold Bonds as a laundry. This is the essence of the scheme so that the holder of black money may be willing to pay even a premium on imported or smuggled gold, buy Gold Bonds and sell them at a discount. For instance, suppose that the average tax evasion on tax-evaded money is 40 per cent and that the discount rate on Gold Bonds is 20 per cent. Then one may evade taxes, buy smuggled gold at a premium of 25 per cent, invest it in Gold Bonds, sell the bonds at a discount of 20 per cent and still be better off. For instance, he may buy smuggled gold for Rs 100, the regular market price for which is Rs 80, buy Gold Bond worth Rs 80 and sell it at 20 per cent discount, that is, for Rs 64 and still be better off than paying Rs 40 in taxes. It is thus that Gold bonds will encourage both tax-evasion and smuggling of gold.

Why Not Gold-Linked Bonds?

We do not know whether the ex-governor of the Reserve Bank meant so much when he cautioned against the operations of the grey market because he also sounded an optimis- tic note: "In the longer term, however, [I] might mention that, once the certificate c[an] be used as a quasi gold, which can be eas[ily] converted into gold, the lure of holdi[ng] physical gold will diminish. It is expect[ed] that over time, as trust develops, individu[als] may be found using gold certificates or go[ld] bonds as hedges against inflation, just t[he] same as they now hold the stocks of go[ld]. Obviously, instruments such as gold bon[ds] cannot reduce the attraction of gold or[na]ments and gold jewellery. But they w[ill] certainly be able to reduce the primary li[ne] of holding gold as a hedge and as a specu[la]tive device" (*Reserve Bank of India Bulletin*, August 1992, p 1,308).

This is well taken. But, if Gold Bond c[an] be used as quasi-gold, so can another inst[ru]ment having the same property but [not] physically involving any gold. For the s[ake] of convenience and also to bring out [the] distinction, we may call such an instrum[ent] the Gold-linked bond. First, the subscr[ip]tion to these bonds will be, not in gold bu[t in] money, on a 'no questions asked' basis a[s in] the case of Gold Bonds. Second, these bon[ds] will have a period of only one year and [not] five years as in the case of the Gold Bon[d] 1998. Third, the maturity value of the bo[nd] will be linked to the price of gold in Bomb[ay] plus a small interest, say, at 2 per cent [per] annum. Such a gold-linked bond will p[er]form exactly the same function as the [ex-] governor of the Reserve Bank envisages [the] Gold Bond to perform. Besides, the go[ld-] linked bond has other advantages.

First, it does not require tendering of g[old] and hence does not involve refining [and] assaying which, besides cost, is time-co[n]suming. Second, it does not drain our f[or]eign exchange through the gray mark[et]. Third, because it does not require gold[,] [it] does not increase demand for gold; in f[act,] it creates quasi-gold and thus increases [the] supply of gold which may bring down [the] gold price at home. Fourth, because it w[ill] have a maturity of only one year, the gove[rn]ment will have an opportunity every yea[r to] revise the interest rate depending upon h[ow] the price of gold is behaving. Of course, [like] the Gold Bond, the Gold-linked Bond [will] also carry with it the 'immunity' and he[nce] will encourage tax-evasion. In fact, [any] instrument which immunises tax-evas[ion] necessarily encourages tax-evasion. [Over] time, as trust develops, that is, between [the] government and the tax-evaders, the pa[ral]lel economy will run parallel to the reg[ular] economy and, unlike in the Euclidean [ge]ometry where two parallels do not meet, [the] one may cross its path and overtake [the] regular economy.

So far, we have confined our rem[arks] mainly to the fiscal aspect of the budg[et] [as] these are what the budget is mainly ab[out]. We shall now turn to an aspect of the

economy, namely, the infrastructure, in particular roads. The reason to choose this particular item is, first, it is most used by the common man and, in spite of all the high technology communication, roads remain indispensable. Second, it offers the largest scope for employment of relatively unskilled workers in rural areas. First, let us see the broad facts regarding our road system and its condition.

Employment Potential of Roads

The total road network in the country was 20.4 lakh kms at the end of 1990-91, half of which was made up of unsurfaced roads. At the end of 1992-93, the national highways network of 3,400 kms constituted less than two per cent of the total network but carried nearly 40 per cent of the total traffic. It is estimated that the road traffic would be more than doubled during the 1990s. To meet the traffic expansion of such magnitude, the national highways network is in need of considerable improvement. A large section has inadequate road pavement and surface thickness. Other deficiencies are poor alignments, weak and narrow culverts and missing bridges. About 12 per cent of national highways need widening from single to double lanes. About 56 per cent of the two-lane roads have to be strengthened, and selected corridors on the national railways need conversion into express ways. This is clearly an enormous task and implies massive investment requirements. The National Highways Act has been amended enabling levy of a fee on selected sections of national highways so that the private sector may participate in construction, maintenance and operation of roads on Build, Operate, and Transfer (BOT) basis. However, a lack of legal framework governing such schemes has so far delayed progress (*Economic Survey 1993-94*, paras 78-80, p 141-42). Incidentally, we should note that, even if some roads may be built by private entrepreneurs on a BOT basis, they will have to be alternatives to the main road system so that there are no private monopolies in the roads. Hence, the construction and maintenance of the road system will have to be a public responsibility.

What is true of the national highways is also true of the state highways. The situation is worse in respect of major and other district roads and village roads. A rough cost estimate by the ministry of surface transport for the development of various categories of roads to meet the requirements of the projected traffic during the 1990s comes to Rs 67,000 crore (at 1987 price level) (Report of Steering Committee, Perspective Planning for Transport Development, Planning Commission, August 1988, para 14.24, p 153). Allowing a price rise of 1.77 between 1986-87 and 1992-93 (GDP deflator), the estimated cost comes to Rs 1,18,748 crore. Clearly, the relative neglect of the roads in the past will have to be made up by undertaking a massive programme of road construction and maintenance. The cost estimate is so high that there is no great point in updating it. Instead, we shall examine its employment potential and see how the programme may be phased over the next few years.

According to the National Transport Committee, 1980, one lakh rupees of investment in roads construction and maintenance provides direct and indirect employment of 15 and 12.5 person-years respectively, adding to a total of 27.5 person-years. In other words, an investment of Rs 3,636 provides employment to one person for a year (Transport Policy Committee, 1980, Planning Commission, Table 3.25, p 56). To allow for the rise in prices between 1980 and now, we may use the GDP deflator which for 1992-93 (at 1980-81 prices) is 2.833. Which means that an investment of about Rs 10,000 in the construction and maintenance of roads creates employment of one person-year. Another estimate of the cost of employing unskilled labour is available from the expenditure on Jawahar Rozgar Yojana. In 1992-93, it was Rs 2,546.21 crore (RE) (Expenditure Budget 1993-94, Vol 2, Demand No 69, p 159). This is estimated to have created employment of 78.21 crore person-days (*Economic Survey 1993-94*, Table 9.11, p 158). This works to Rs 32.56 per person-day or Rs 9,767 per person-year, taking 300 work days in a year, which is close enough to Rs 10,000 per person-year estimated above.

In the budget for 1994-95, there is a provision of Rs 3,855 crore, or say, Rs 4,000 crore for the Jawahar Rozgar Yojana. At the rate of Rs 10,000 per person-year, this should be able to provide full time (300 days a year) to 40,00,000 persons. In a programme of providing wage-employment, which is what a poor man needs, thinking must shift from person-days to persons. The intention so far has been to give to the surplus population, which agriculture cannot support, some succour but without withdrawing it from agriculture. What is needed is to withdraw a substantial proportion of the surplus population from out of current operations of cultivation and employ it on creation of an infrastructure needed for rural development; a well designed network of roads, national highways, state highways, major and other district roads, and village roads, is an important element of such an infrastructure. As mentioned above, the estimated cost of a network of such roads is Rs 1,18,748 crore, or say, Rs 1,20,000 crore (at 1993-94) prices. At Rs 4,000 crore per annum, this is a programme for 30 years and will employ 40,00,000 persons full time. That is the size of the problem both of providing adequate network of roads and of employment.

It may be said that Rs 10,000 per person-year is an underestimate. Possibly it is. Consider, for instance, employment in the central government. As on March 1, 1994, the employees of the central government numbered 39,49,407 and cost (salary and allowances) Rs 14,184 crore which works to Rs. 36,913 per employee (Expenditure Budget, 1994-95, Vol 1, Annexure-7, p 86). Adding something for implements, machinery and transport, let us suppose that the cost of road works per worker will be Rs 40,000 per annum. Even at this rate, the budget provision of Rs 4,000 crore can offer full time employment to a million persons. Hence, the problem of employment of rural poor for rural development is one of organisation rather than one of finance.

Land Army Concept

In the very First Five-Year Plan, the concept of a Land Army was mentioned but was not pursued. It is time we return to that concept. The most appropriate agency for organising rural poor for rural development appears to be a Land Army as a department of the ministry of defence officered by retired army personnel and deployed regionally. The workers in the Land Army should be willing to work anywhere in the country under army conditions. In particular, they will not have the right to strike. They can, of course, resign at will. The ministry of surface transport, in consultation with the state governments should prepare a master plan of roads development, with necessary regional dispersal and well determined priorities. The Land Army should execute the plan in phases. There should be no objections to mechanisation on grounds that it will reduce the employment potential of the programme. The aim should be to improve the skills and productivity of presently unskilled rural labour and create a large disciplined mobile labour force.

If the demand for this kind of employment exceeds the budget provision, it should be enhanced by gradually reducing the food and fertiliser subsidies. Fertiliser subsidies and support prices for agricultural products do not make non-viable agriculture, viable. Also, the distribution of essential commodities through the fair price shops remains not well targeted. Those who join the Land Army are self-selected poorest of the poor. What they need is not subsidised food but a minimum purchasing power; in other words, what they need is a support price for their labour.

It is not fair to expect the finance minister to propose and initiate such programmes. But, now that he has moved into the inner circle of the ruling political party, it would not be unfair to expect him to take a lead in this matter. Otherwise, the new economic policy will remain confined to trade, industry, and finance.

To all our guests, patrons and well wishers
This Trophy belongs to you
We are mere recipients
A grateful thanks to all those who made the International Touristic Promotion award (Madrid) 1994 a reality for us.
That's the way it has been right from our 1st OASME award for Best Hotel in 1986, Followed by the 1988, 1989 OASME award. Then the International Gold star award for quality in 1992.
Come. Together we'll head for even greater heights in the future.
Gold Star '92
OASME '86
OASME '88
OASME '89
Hotel Swosti
103, Janpath. Bhubaneswar.
Phone- 404178, 404179, 404359 Telex: 0675 - 6321 Fax: 91-674 - 407524,
Regional Office - 10, Meher Ali Road Calcutta- 700017, Phone: 2478754
Creation .HS 0294

Tax Reforms for Textile Sector

Mahesh C Purohit

The budget follows the policy of high fiscal deficit to boost the economy. It may be worth the risk provided the supply side responds adequately. The budget has based this assertion on the claim that it has taken a leap forward towards a rational tax policy: This paper challenges this claim and presents an analysis of reforms in the union excise duties for textile sector as a case study. It delves into the priorities as well as the pace of reforms. The paper puts forth proposals for reforms essential to provide an environment conducive to a proper response from the supply side.

THE budget 1994-95 has been presented at a time when the economy is facing low growth. The GNP in 1993-94 increased by 3.8 per cent and industrial output by mere 1.6 per cent. The budget, therefore, attempts to boost the economy through a heavy dose of fiscal deficit to provide stimulus to industrial growth.

Although in an interview last year Manmohan Singh has asserted that the fiscal deficit would be brought down to "no more than 5 per cent of GDP", this budget reverts to the policy of a massive increase in the fiscal deficit. The deficit for 1993-94 (revised estimates) is 7.3 per cent of GDP as against a target of 4.7 per cent budgeted last year. Also, the deficit targeted for the year 1994-95 is as high as 6 per cent of GDP. This is much higher than what was witnessed in 1991-92. Further, going by the experience of what happened to the budget estimates of the last year, as compared to what is achieved through the revised estimates, one could doubt the sanctity of the deficit presented in the 1994-95 budget. If this figure goes awry, we are back to the policy of large deficits.

Assuming that the deficit might increase a little above the budgeted figure, the assertion of the finance minister that the high deficit provided in the budget is to give stimulus to industrial growth and to put the economy back on the track of rapid growth has to be given proper consideration. It is important to realise that even if the deficit enlarges, the increase in inflation would primarily depend upon the response of the supply side. The budget provisions are, therefore, definitely based on a calculated risk: boosting the economy and mobilising resources therefrom.

With a view to providing an environment for a proper response from the supply side, this budget claims to take a leap forward towards a rational tax policy through the implementation of the recommendations of the Tax Reforms Committee (TRC) [Government of India 1992]. Both on corporate tax structure and commodity taxes the budget attempts to provide industry with an environment for heavy investment to enable it to be global. As regards corporation tax, the budget not only reduces the tax rates but in addition the finance minister promises to further look into the capital gains tax when foreign investors prove themselves to be stable in the country. Also, the budget claims that by rationalising customs and union excise duties (UEDs), it paves the way for the value added tax to help achieve an acceptable growth rate for industry.

In the context of the above assertion, this paper analyses the reforms in the UEDs. Since these are industry specific, the paper presents a detailed analysis of the reforms affecting the textile sector as a case study. With a view to evaluating these from the point of efficiency, it delves into the recommendations of the TRC. Finally, the paper presents an evaluation of the proposals and puts forth reforms that must be introduced to give a fillip to exports from the textile sector.

Reforms in UEDs

One of the important reforms of this budget relates to rationalising the UEDs through reduction in the number of rates. Since the existing structure is characterised by a plethora of rates, it is essential that these rates are reduced as much as possible. This budget attempts this through the twin measures of (i) converting specific excises into *ad valorem* rates,[1] and (ii) reducing the total number of rates to about half the existing number. In addition, the budget halves the number of exemption notifications. Since a large number of rates as well as exemptions complicate the tax structure and create administrative inconvenience, it is certainly an important step towards rationalisation.

Also, it extends MODVAT to petroleum products (excluding high speed diesel) and to yarns which would bring another 15 per cent of the basic excise revenue under MODVAT. It proposes to cover all capital goods and machinery under MODVAT. The extension of MODVAT is thus a major step towards introducing VAT.[2]

An attempt is made to reform the tax rates in the textile sector. The budget proposes to neutralise rates between fibres and yarns by proposing an excise duty of 20 per cent on all fibres and blended spun yarns. Thus polypropylene spun and acrylic spun yarn are taxable at the rate of 20 per cent. This would obviate the problems of classification. Also, it proposes a three-rate schedule of 60,30 and 15 per cent on polyster filament yarns; nylon and polypropylene (and PBT) yarn and on viscose (nylon) filament yarn, as well as polyester silk and woollen yarn respectively. For industrial yarns, it proposes to have lower rates of 30 per cent on polyester filament yarn, 20 per cent on nylon tyre yarn and 10 per cent on viscose filament yarn (above 350 deniers). Cotton yarn is taxable at the low rate of 5 per cent only.

Since the budget places heavy reliance on the supply side, this paper examines the reforms proposed in the budget to see whether these would provide a suitable environment for the purpose. As a case study, it takes up details of rationalisation of tax on one of the important sectors, viz, the texile sector.

Tax Reforms in Textile Sector

Textile is the largest single industry in the country accounting for around 20 per cent of the total industrial output and providing employment to about 17 million people. Also, in terms of earning foreign exchange, it contributes nearly 30 per cent of the total value of exports. The trends in output from the industry, as given in Table 1, show that cotton continues to contribute 70 per cent of the total fabric production. In the context of this structure of the textile industry, the tax proposals in the budget 1994-95 are as follows:

First, there are some changes in tax rates on inputs. These include increase in tax rate from 5 to 10 per cent[3] on auxiliary machines (such as OER spinning machines shuttle-less looms, auto-comb winding machines and two for one twisters) and raising tax on almost all other inputs such as acids, hydrogen peroxide, bleaching paste and powder, sodium hydrosulphite, soda ash, DMT, PTA, MEG, acrylonitrile and caprolactum. All these inputs are taxed at 20 per cent against 15 per cent at present. However, there are some items on

which tax has been reduced by 5 per cent. These include optical bleaching agents, organic surface active agents and other synthetic organic dyestuffs. Since these inputs get modvated, their cascading effect is eliminated. However, it does make a difference if the inputs are used by the decentralised sector not covered under the MODVAT.

Secondly, the tax rate on yarn has been made *ad valorem*. Prior to this, there were innumerable rates based on counts. These ranged from Re 0.58 to Rs 9.78 per kg. As shown in Table 2, in *ad valorem* terms the variation was from 1.17 per cent for yarns of 2/6 counts to 6.87 per cent for 100s weft carded yarns. The proposed *ad valorem* rate for cotton yarns now stands at 5 per cent for UED plus 15 per cent of additional excise duty in lieu of sales tax (AEDILST) on UED bringing the total incidence to 5.75 per cent. Similarly, man-made fibres and yarns are taxed at one single rate of 23 per cent through adjustments in tax rates of various yarns. There is an increase in tax rate to 23 per cent on items such as polyester/cotton blended yarn (from 14.79 per cent) acrylic spun yarn (from 14.95 per cent). VSF spun yarn (from 15.45 per cent), and polyester staple fibre (from 19.46 per cent). At the same time there is a reduction in the tax rate to 23 per cent on items such as viscose staple fibre (from 33 per cent), acrylic staple fibre (from 26.69 per cent), and polyester/viscose blended yarn (from 25.7 per cent). However, two different rates exist: 5.75 per cent (as compared to 1.24 per cent) on sewing thread/industrial yarn, and 69 per cent (as against 85.19 per cent) on polyester filament yarn. Thus, the number of rates have been reduced considerably, although the number is still much higher than that recommended by the TRC.

Finally, the search for a revenue neutral rate has resulted in increasing the overall incidence on fabrics. It is clearly seen from Table 2 that the tax rate has gone up for the low priced fabrics. For example, there is an increase of Re 0.25 per metre for a fabric costing Rs 20 per metre and of Rs 3.33 for a fabric costing Rs 30 per metre. Likewise, an increase in tax rate is witnessed in blended/machine-made fabrics. However, the incidence declines with the increase in price of the fabric. The incidence of the tax has also increased due to taxation of 'chindis' and samples, so far exempt from the tax.

Whither Tax Reforms?

An evaluation of the proposals of tax reforms in the budget suggests that the simplification is a welcome step. Both in terms of converting specific rates into *ad valorem* rates and in terms of reducing the number of rates, the budget has moved in the right direction. However, the speed of reforms is painfully slow. In fact, it was expected during the last budget that the number of rates would be brought down to two or three, as recommended by the TRC. Granting that the time available to the finance ministry was inadequate at that time, it was necessary to carry out this exercise during this budget

The experience of reforms in various countries suggests that speed in such reforms is crucial. All the reforms must be attempted as fast as possible. Also, the priorities are important. Adopting the reforms slowly or in bits and bursts affects relative prices. It leads to clash of vested interests and invites political interference causing great inertia to reforms. The delay in reforms ultimately defeats their very purpose. It is, therefore, extremely important that the rates are simplified as early as feasible[4] and possibly in just one go.[5]

While attempting to remove the complexity of the tax on textile sector, this budget has increased the overall incidence of the tax. Almost all the rates are on increase. Some homework seems to have been attempted after the presentation of the budget to restore the tax incidence on texturised yarn to the pre-budget level.[6] However, the overall incidence is extremely high (Table 2). The increase in the incidence of the tax is contrary to the principles enunciated by the TRC and would in all probability have an adverse effect on the output as well as on the demand of the industry. The involved tax incidence at the earlier stages would affect export prospects due to cascading and pyramiding of the taxes.

In addition, the budget does not examine the problem of levy of UEDs on the captive consumption of yarn and the treatment of depot sales. Since these involve subjective assessment, it is essential to simplify procedural requirements. This has not been attempted.

In confining the MODVAT to yarn sector, the budget has created unhealthy competition between the unorganised and organised sectors. This is due to the fact that the process of manufacturing yarn has six major activities, viz, (i) carding, (ii) spinning, (iii) doubling, (iv) dyeing, (v) raising and (vi) ball-packing. The value added is approximately 100 per cent up to doubling and additional 100 per cent through the process involved in dyeing, raising and ball-packing. Since the unorganised sector purchases yarn from the organised sector which has already undergone the processes up to doubling, the proposed system of MODVAT extended up to yarn sector would make unorganised sector pay tax only up to that stage. However, the organised sector would have to pay up to the last stage. This would create disadvantageous situation for the composite mills which are required to pay tax up to the final sale price.

It is, therefore, important to rationalise the overall tax policy for the textile sector. In fact, the TRC has recommended that the VAT should be introduced in the overall textile sector [Government of India 1992: 40]. The report suggests that the first stage reform should consist of introduc-

Table 1 Composition of Production of Textile Industry

Item	Unit	1988-89	1989 90	1990 91	1991-92	1992-93*
(A) Yarn	Million kg					
(1) Spun yarn		1587	1652	1824	1806	1817
(2) Filament yarn						
(a) Cellulosic		44	49	51	53	50
(b) Synthetic		179	195	225	218	278
(B) Staple Fibre	Million kg					
(a) Cellulosic		126	148	160	158	159
(b) Synthetic		138	157	176	183	NA
(C) Cloth	Million sq mtrs					
(a) Cotton cloth		13658	13936	15431	14647	13054
(i) Mill sector		2100	1957	1859	1651	1453
(ii) Decentralised sector		11558	11979	13572	12996	11601
(b) Mixed/blended cloth		2321	2118	2371	2712	2479
(i) Mill sector		782	658	689	666	553
(ii) Decentralised sector		1539	1460	1682	2046	1926
(c) Man-made fibre fabrics		4039	4544	5126	5229	NA
(i) Mill sector		20	52	41	59	NA
(ii) Decentralised sector		4019	4492	5085	5170	NA
Export of textiles, fabrics and manufacturing (of which cotton yarn, fabrics made-ups, etc, as per cent of export of textiles)		18 (31)	20 (28)	21 (31)	22.5 (32)	23 (31)

Notes * = Provisional figures
NA = Not available.

Source: Government of India, *Economic Survey 1993-94*, New Delhi.

tion of MODVAT scheme till the yarn sector and applying the MODVAT principle to cotton textiles without subjecting grey fabrics to tax at the present time [7] As a next stage, the TRC recommends that the MODVAT scheme be extended to the composite mills in the cotton textile sector immediately Soon thereafter the same system be applied to synthetics and blended fabrics other than those made from filament yarn These reforms have to be attempted immediately

Whereas the requisite reforms in the textile sector are still awaited, some reforms in other sectors have been brought about in undue haste One such reform relates to extension of MODVAT to capital goods

From the economic point of view, the priorities have to be set This is especially important because the speed of reforms involves certain political factors [Bhagwati and Srinivasan 1993] In this context, the views of the TRC for extension of MODVAT to capital goods are important The TRC states that "the reduction in rates, the removal of concessions and the extension of coverage have to be undertaken simultaneously because *only then* all of them become possible" (TRC, Pt I, p 36) Further, it suggests that the "extension of MODVAT credit for machinery not fully at the time of purchase but in instalments during a subsequent period of years which could be laid down in the law (TRC, Pt I, pp 39 and 172)

Unlike the above rationale of the TRC, the budget 1994-95 has decided to introduce MODVAT on capital goods in one go Accordingly, the entire amount of duty would be credited in one instalment in the year of purchase/installation of the machinery The revenue implications of this proposal is estimated to be Rs 8,000 crore Presumably, this does not take into account the refund of countervailing duty (CVD) on the imports of machinery, which would also get MODVAT credit Thus, the overall loss of revenue due to MODVAT of UEDs and CVDs would be substantial

Similar haste in reform relates to extension of MODVAT to petroleum products The TRC in this regard opined that "in any case petroleum and tobacco have to be subjected to high rates and their use discouraged Accordingly, it is recommended that these items need not be brought under the proposed system" (TRC, Pt I, p 40) Further, the TRC recommends that "in addition to the VAT at the manufacturing stage, there should be excises on a gross value basis on a few commodities, such as petroleum products, tobacco products and certain luxury goods These excises would serve to achieve the objectives of sumptuary taxation as well as achieving a degree of progression in the taxation of consumption" (TRC, Pt I, p 39). Thus, contrary to the recommendations of the TRC, the budget 1994-95 extends MODVAT to petroleum products at the cost of loss of revenue to the tune of Rs 3,000 crore In addition, it does not attempt any levy of sumptuary excises on these products, which are prevalent all over the world For example, a large number of OECD countries levy additional excise duties to attain progressivity Similarly, in the Asian continent Korea levies special excise tax on luxury items and the rates vary from 5 to 100 per cent [Purohit 1993 43-46]

Revenue Implications

Since the reforms have revenue implications, some of the reforms have to be attempted first to enable the other reforms to follow suit On this count, the budget 1994-95 has faltered Some of the reforms are painfully slow, while others are in undue haste The failure to keep pace with the desired priorities and requisite speed has created serious revenue implications which in turn hamper necessary reforms

One such reform relates to the undue haste in introducing MODVAT for petroleum products and capital goods It has cost the exchequer Rs 1,150 crore, which is one-fifth of the total revenue loss due to the tax proposals, as shown in Table 3 This suggests that the budget could have done extremely well in extending certain other priority reforms by not implementing reforms related to petroleum products and capital goods These were neither recommended by the TRC nor immediately necessary for tax reforms in the country In addition, sumptuary excises could have been levied to yield a substantial revenue under the UEDs

Further, the introduction of VAT to petroleum and capital goods sector has made the government to raise resources from the other sectors (Table 3) Additional resources have been mobilised by increasing tax rate on chemicals (Rs 227 crore), iron and steel (Rs 350 crore), other raw materials (Rs 430 crore), cigarettes (Rs 320 crore) and textiles (Rs 240 crore) These sectors would be adversely affected A lot more rationalisation could have been attempted if the revenue implications of extension of MODVAT to capital goods and petroleum had been avoided

The revenue implications for the textile sector is both from the yarn and the fabrics As regards yarn, the budget has raised the tax rates for most of the counts On estimated turnover of Rs 94,505 crore of dutiable cotton yarn, the net additional yield works out of Rs 136 crore The incidence of duty on polyester/cotton blended yarn has more than doubled Consequently, the additional burden works out to Rs 77 crore Similarly, increase duty on viscose staple fibre spun yarn an estimated production of 75 million for domestic consumption would yield 65 crore The additional yield would Rs 40 crore for acrylic spun yarn, Rs

Table 2 Pre and Post-Budget Tax Rates on Textile Sector

Counts	Pre-Budget (Per Cent)	Post-Budget (Per Cent)
2/6s	1 17	5 75
10s	1 17	5 75
20s	2 80	5 75
24s	2 54	5 75
34s	4 74	5 75
40s	4 43	5 75
60s (Weft carded)	3 02	5 75
70s (Warp combed)	4 89	5 75
80s (Warp carded)	5 18	5 75
80s (Warp combed)	4 82	5 75
100s (combed)	5 89	5 75
100s (Weft carded)	6 87	5 75
120s (combed)	4 89	5 75
Viscose staple fibre	33	23
Polyester staple fibre	19 46	23
Acrylic staple fibre	26.69	23
Polyester cotton blended yarn	14 79	23
Polyester/viscose blended yarn	25 7	23
VSF spun yarn	15 45	23
Acrylic spun yarn	Exempt	23
Acrylic staple fibre	14 95	23
Saving thread (40s)	1 24	5 75
Polyester filament yarn	85 19	69
Fabric priced at		
Rs 20	7 5	10
Rs 25	7 0	10
Rs 30	6 67	10
Rs 35	6 43	10
Rs 40	6 25	10
Rs 50	9 00	10
Rs 60	10 8	10
Rs 75	12 67	10
Rs 100	14 5	10

Source Budget documents and notifications

Table 3 Revenue Effect of Changes in Excise Duties

(Rs crore)

Food items	2[illegible]
Pharmaceutical products	2[illegible]
General consumption items	–1[illegible]
Clocks and watches	[illegible]
Textiles	240
Raw materials	430
Sumptuary items	
Cigarettes	320
Motor vehicles and parts	–3[illegible]
Cosmetics	–2[illegible]
Other sumptuary items	–67
Capital goods including	
AC and refrigeration	[illegible]
Electrical machinery	–100
Medical instruments	[illegible]
Small scale industries	100
Extension of MODVAT (petroleum plus capital goods)	1150

Source Budget document 1994 95

crore for sewing thread and industrial yarn,' Rs 60 crore for cotton fabrics, Rs 63 crore for blended/man-made fabrics and Rs 10 crore for chindis and samples. Thus, the revenue implications for textile sector would be approximately Rs 500 crore, as against estimates of Rs 240 crore.

Proposed Reforms

The above analysis indicates that there is need for rethinking about reforms under the UEDs. To set the pace of reforms in proper perspective, it is important to accord due priority to reforms urgently needed. Once the MODVAT is withdrawn from petroleum and capital goods sector and sumptuary excises are levied on select items as recommended by the TRC, the budget would have enough resources to attempt priority reforms as follows:

Introducing Three-Rate Schedule: An important reform in restructuring UEDs is to have a rate structure with just two or three rates. This is a pre-requisite for further reforms in the UEDs [Purohit 1993a]. As recommended by the TRC we could have 10,15 or 20 per cent rates. In addition, a higher rate of 20-30 per cent be levied on sumptuary goods bringing the total incidence on such goods to 30, 40 or 50 per cent (TRC, Final Report, Pt II, pp 128-32, Annexure XI.I).

Extending MODVAT to Textile Sector: With a view to rationalising the tax policy for the textile sector it is important that the MODVAT is *not* confined to input stage. It must be moved beyond yarn and up to fabrics. Such an extension would sort out the intra-sectoral problems of competition between the organised and the unorganised sectors. Such an extension would pose no problems for the organised sector where the mills would in any case be paying tax at each stage after getting MODVAT credit for the tax paid at the earlier stages. However, for the unorganised sector, there might be some competitive advantage, although it would be marginal and only at the initial stage. In the overall process covering all activities from yarn to fabrics, the unorganised sector would not have any gains. In fact, this sector would be put to a competitive loss if the yarn is sold once more to the composite mill or the grey fabrics are sold to the mills for further processing. This is because no MODVAT credit would be available to the purchaser due to the break in the chain. With a view to putting the unorganised sector at a reasonable advantage, we propose that a notional credit be given when the unorganised sector sells yarn to mills after dyeing, raising and ball-packing. Since this sector would have paid MODVAT on carding, spinning and doubling activities in any case to a mill, a notional credit could be estimated for the tax so paid. Similarly, when grey fabrics are sold to a mill, a notional credit could be estimated to put these units back to the system of MODVAT. Such Schemes are prevalent in various countries. Adopting the system of notional credit would put both the sectors at par.

Exemption of Chindis and Samples: An important feature of the recent budget is the extension of tax base to chindis and samples. Chindis are normally considered a value loss in production.[8] Similarly, samples have no commercial value in business. Hence it is irrational to tax *chindis* and samples. In fact, chindis are among various aspects of value loss in production. Value loss of chindis could be defined as follows:

$$V(P) = \frac{\sum_{i=1}^{n} P_i V_i}{\sum_{i=1}^{n} P_i}$$

where, n = number of sorts in a mill:
V_i = per cent value loss of i^{th} sort; and
P_i = total production of i^{th} sort

The production loss estimated as per the above method accounts for loss due to chindis, i e, bona fide cut pieces which are (a) 23 cms or less in length; (b) more than 23 cms in length but not more than 7.5 cms in width, and (c) man-made fabrics of all kinds, not more than 30.5 cms in width. According to a survey report of Ahmedabad Textile Industry's Research Association (ATIRA), the value loss on account of chindis is 0.8 per cent of the total cotton cloth production [ATIRA 1985]. In addition, all sorts of samples (i e, samples of woollen, cotton and man-made fabrics) are exempted because these are not used for sale. The samples are made from fresh cloth. Hence these are a part of sales cost. An estimate of sales-value loss is that up to 0.2 per cent of the output is used for samples. Since both these components along with fents, rags, and flag allowance are nothing but value loss in production, it is advisable to revert back to grant of exemption to these items under the UEDs.

Procedural Reforms: Finally, an important reform relates to administrative procedures. The budget has attempted to simplify the procedure of approval of price lists. So far the practice was to have approval of price lists from the excise department prior to clearance of goods from the factory. Elimination of this archaic procedure would greatly help the industry. However, in regard to the procedural reforms the budget has tackled only the tip of the iceberg. In fact, there are various time consuming and involved procedures both in regard to declarative obligations and accounting obligations [Purohit 1993c]. The budget has not looked into the simplification of these aspects. At present there are numerous forms (RG-1, RT-12, Form 4, RT-11) in addition to gate passes (GP-1, GP-2).[9] Also, the accounting requirements include maintaining accounts of forms RG-23 Pt 1 (for inputs received), RG-23 Pt 2 (for duty credit) and a personal ledger account (PLA) for adjustment of tax credit.[10] These archaic systems of tax management need to be simplified along with the rationalisation of the tax.

To conclude, the process of tax reform initiated earlier has been carried forward through the budget 1994-95. However, the pace of reforms is erratic; it is painfully slow in some aspects and unduly fast in others. Also, the approach to reforms is piecemeal. The most important reform relates to bringing down the number of rates to two or three. Without this reform VAT cannot be introduced. The priorities in reform are equally important. As suggested by the TRC, the extension of MODVAT to petroleum and capital goods sector should wait and the textile sector must get highest priority for its coverage under MODVAT. This could be accomplished with a system of notional credit for the unorganised sector.

Notes

1 Rate of Additional Excise Duty in lieu of Sales Tax (AEDILST) have also been made *ad valorem* For example, AEDILST on cotton fabrics ranges between 5 and 10 per cent and other fabrics and man made fabrics between 10 and 20 per cent

2 Here it is important to note that at present MODVAT does not include tobacco, textiles, petroleum products, matches and cinematographic films which yield approximately half the revenue of UEDs as per the revised estimates of 1993-94

3 The tax rate continues to be the same (10 per cent) for all other machines. In addition, the budget provides MODVAT credit for capital goods

4 Most VAT-countries of the world levy rates ranging from one to three only In fact, many of the countries have just one rate [Purohit 1993a and 1993b]

5 It is necessary to attempt such rationalisation in just one go Once we achieve the objective of three-rate schedule, almost all the problems of notifications and variations in rates and relative prices through such rates would be over In fact, the present procedure of issuing notifications for changes in tax rates which serves no useful purpose would automatically be inoperative sector

6 *The Economic Times*, March 30, 1994.

7 The TRC has chosen the cotton sector both because this sector has comparative advantage in this sector and because the rate of duty on cotton yarn is not unreasonably high. However, the TRC feels that "MODVAT principle could be applied to man-made and blended fabrics other than those made from filament

yarn with the help of the same system as for cotton textiles" (TRC, p 42)

8 Value loss is the difference between the sale value which would have been realised if 100 per cent cloth would have been sold as sound and at actual sale value

9 The introduction of invoice system would do away with the procedure of subsidiary gate passes, as notified by the Central Board of Excise and Customs on March 31, 1994 However, gate passes or certificates issued before March 31, 1994 would remain valid for claiming MODVAT till June 30, 1994

10 *The Economic Times* March 30 1994

References

ATIRA (1985) *Inter Firm Comparison of Value Loss*, Ahmedabad Textiles Industry's Research Association, Ahmedabad, October

Bhagwati, Jagdish and T N Srinivasan (1993) *India's Economic Reforms* Ministry of Finance, New Delhi

Cowan, M L and M E Jungerman (1980) *Introduction to Textiles* D B Taraporevala Sons Bombay

Government of India (1994) *Economic Survey 1993-94*, Ministry of Finance, New Delhi

—(1993) *Compendium of Textile Statistics 1992*, Ministry of Textiles, New Delhi

—(1993) *Tax Reforms Committee, Final Report, Part II* [chairman Raja J Chelliah], Ministry of Finance, New Delhi

—(1992) *Tax Reforms Committee, Final Report, Part I* [chairman Raja J Chelliah], Ministry of Finance, New Delhi

—(1992) *Interim Report on Simplification and Streamlining of Customs and Central Excise Laws and Procedures*, Customs and Central Excise, [chairman K L Rekhi], New Delhi

—(1991) *Tax Reforms Committee, Interim Report* [chairman Raja J Chelliah], Ministry of Finance New Delhi

—(1990) *The Textile Industry in the 1990s Restructuring with a Human Face* Ministry of Finance New Delhi

—(1985) *Report of the Expert Committee on the Textile Industry*, [chairman S S Varma] Ministry of Supply and Textiles New Delhi

Indian Cotton Mills Federation (1992): *Handbook of Statistics on Cotton Textiles Industry*, ICMF, Bombay

Iyer, S Venkatarama (1993) *Simplification of Customs and Central Excise Procedures*, Economic and Reserach Foundation, New Delhi

Mehta, P C and R S Gandhi (1988) *Man-Made Textile Industry of Surat*, Man-Made Textile Research Association

North India Textile Research Association (1989) *Norms for the Textile Industry*, NITRA, Gaziabad

Purohit, Mahesh C (1993a) 'Adoption of Value Added Tax in India Problems and Prospects', *Economic and Political Weekly*, March 6, pp 393-404

—(1993b) *Principles and Practices of Value Added Tax Lessons for Developing Countries* Gayatri Publications, P B 8495, Ashok Vihar, Delhi-52

—(1993c) 'Rekhi Committee Sensible Package' *The Economic Times* June 14

Sakhardande, S S (1989) 'Feasibility of MODVAT for the Textile Industry—Related Issues' *ICMF journal* April, pp 19-25

Agriculture and Liberalisation

Some Implications for Development Policies

V M Rao

Considering the economy as a whole, including agriculture and its present development status, liberalisation can be a step in the right direction provided it is used as a strategy not to withdraw the government from the economy but to shift the focus of government policies and concerns from helping and subsidising the organised parts of the economy, which are now viable enough to operate on their own, to building up the economy and society in the vast unorganised parts lacking development and remaining backward. Such a strategy can promote broad-based agricultural growth which would not only increase the growth rate of the economy but, more important, enable the backward areas and the poor to participate in growth and share in its benefits. Without such a long-term perspective, liberalisation, instead of promoting growth would only intensify the gathering crisis in the economy.

I
Introduction

A NOTICEABLE feature of the Union Budget for 1994-95 in its dominant theme of achieving growth through liberalisation. The strategy of allowing the fiscal deficit to reach the dizzy height exceeding 7 per cent of GDP in the hope that it would kick-start industrial recovery has been seen by many observers as a rash gamble. The finance minister has referred to the features favourable for a quick spurt in industrial production through infusion of extra demand into the economy—availability on the one hand of idle industrial capacity which could be activated at a short notice if the demand conditions are buoyant and, on the other, accumulation of foreign exchange reserves and large food stocks with the government reducing the risk of overheating the economy through deficit—induced stimulation of demand.

While a finance minister has indeed to take note of such short-term considerations, liberalisation, viewed as a long-term restructuring of the economy for faster growth, needs more substantial foundation than passing circumstances favouring industrial recovery. It is based on an approach to growth and development radically different from the approach adopted so far relying on the government control of the 'commanding heights' of the economy. The former approach leaves economic processes free to operate through market forces and activities of private enterprise. A little reflection would show that a combination of both the approaches is necessary for the sound development of the economy. A measure of liberalisation has become appropriate at the present juncture in the Indian economy precisely because the government and the public sectors and the modern infrastructures and industries developed by them have created conditions where the further growth of the organised parts of the economy could be left to markets. However, a large part of the economy—particularly, rural and agricultural—still remains unorganised and backward. Liberalisation of the economy would have to proceed along with a continuing government role to help these parts to get integrated with the market-led mainstream economy. Unless the government plays this role effectively, the problems arising from the weaknesses of the unorganised parts would further worsen with time. They are at the root of the features like growing rural-urban dualism and policy biases hindering development which are being noted with considerable anxiety by the development economists [Bhalla 1993; Madhur 1994; Rao S L 1994]. The purpose of this note is to describe the priority tasks deserving urgent attention in the agricultural sector.

II
Three Subsectors in Agriculture

The *Economic Survey, 1993-94* mentions that the growth rate of agriculture so far has been 2.2 per cent per annum and that the growth rate needs to be stepped up to 3 per cent per annum in the coming years. Considering the wide diversity of physical and socio-economic conditions in the country, it is clear that any assessment of the prospects for agricultural growth would have to adopt a disaggregated approach, particularly if the focus is not on the arithmetics of growth but on the policies required to help growth in the different environments obtaining in the country. It is useful for this purpose to distinguish between the three subsectors in agriculture which need sharply contrasting policy regimes. The first subsector consists of agricultural/agro-based activities carried out by the business entities belonging to the modern organised industrial sector. Liberalisation is likely to encourage them to take up the production and marketing of speciality items in the field of horticulture, floriculture, fisheries, etc. They may also establish links with farmer groups for supply of farm outputs for processing into branded products for sale in domestic and export markets. This subsector is likely to give rise to enclave-like development though its activities could be of considerable help in increasing exports, creating skill-based opportunities in agriculture and in technological upgradation of farming. As regards policies, the subsector would primarily need a level playing field like other industries and a legal-cum-regulatory regime which is not excessively restrictive. Beyond this, it should not receive any further aid or support as it is expected to be efficient and competent enough to function on its own.

The other two subsectors in agriculture consist of 'green revolution' areas which have made considerable progress towards modernisation and market linkages and the other areas containing some of the most backward parts of agriculture. It would not be easy to mark out these two subsectors clearly in the agricultural map of the country. However, a good idea of some of the characteristic differences between the two subsectors can be obtained from Table 1. It can be seen from the table that while all the major crops and crop-groups bear the evidence of growth in production during the post-independence period, a sharp contrast has emerged among them in relation to the extent of increase in production, improvement in yields and extension of irrigation.

The contrast is attributable to a number of factors including soil-climatic but an important contributor has been the pronounced policy bias towards the 'green revolution' crops as indicated by the dramatic performance of wheat (a nearly nine-fold increase in production and a four-fold increase in yield along with a quantum jump in the extent of irrigation) and of rice. These crops have benefited most from the supportive policies for adoption

of new technologies, intensified use of modern inputs and increased availability of dependable irrigation [Misra 1993; Sinha 1994]. The next two crops in the table—cotton and oilseeds—are illustrative of the policy-maker's attempts in recent years to move beyond the 'green revolution' crops. Their performance is relatively modest as compared to wheat and rice. It also needs to be mentioned that their production and yield continue to remain unstable and, as a result, their markets often go through volatile and speculative price changes. However, the improvement in these crops is of particular significance for the future as it provides ground for hope that, with patience and perseverance, our policies do have the capacity to promote growth in situations which have been considered so far as uncongenial for modernised agriculture. Viewed thus, the last two crops in the table—whose performance in terms of increase achieved in production is poor—can be regarded as crops which have been neglected so far in our development policies for agriculture. The performance of pulses has been poor despite strong demand pressure and high and rising price levels. Prima facie, lack of policy support is the main hurdle faced by this crop group. As regards the coarse cereals, they are neglected by the policy-maker as well as by the market as the demand for them is weak, their short shelf-life comes in the way of providing effective price support and the new technologies developed for them are modest in impact and need local adaptations.

The 'green revolution' subsector has been nursed so far by a policy regime whose main components have been substantive subsidies on modern inputs (including irrigation and credit) to help adoption of new technologies, government procurement at support prices and a wide range of formal and informal restrictions on trade, movement and exports/imports. A beginning has been made to remove restrictions and to progressively reduce subsidies. Freedom from restrictions and exposure of the subsector to market—determined output and input prices would enable it to become capable of operating without any crutches. There would be limits to this process so long as the food security system—highly centralised and depending entirely on rice and wheat—continues in its present form. With the 'revamping' of the food security system, tighter targeting and decentralisation, it would be possible to tap more fully the growth and enterprise potential of the 'green revolution' subsector. The 'other' subsector has received meagre policy support so far excepting relief and assistance programmes. The subsector usually attracts attention only during period of distress. Both the endogenous impulses for growth and the external forces bringing beneficial changes have been weak in these areas. However, their isolation is getting progressively eroded and, along with that, their vulnerability to external events is also increasing. The other side of the coin is that, as compared to the situation some decades back, these areas are now likely to be far more responsive to development interventions. They need a wide-spectrum policy regime comprising anti-poverty programmes, provision of infrastructures, improvements in markets and institutions, schemes for input supply and, above all, supportive macro-economic policies. The task of developing these areas is akin to building up a society and not merely investing in the sector of an economy.

III
Prospects for Agricultural Growth in Poor Areas

Agricultural scientists take the view that the Indian agriculture is still well within the limits imposed by our land and water resources. Unchecked population growth would indeed eventually push the economy closer to these limits and, hence, measures for demographic control would have to be a top priority item in the policy agenda. However, in the field of agriculture over the medium term, the focus would have to be on devising policies for acceleration in agricultural production without impairing the objectives of sustainability of growth and of conservation of resources. Scientists assure us that there are promising opportunities precisely of this kind in large regions across India which are still relatively untouched by policies for agricultural development. We can do no better in this paper than describe a few illustrative cases

Eastern India

M S Swaminathan has described the eastern region of India as a 'non-green-revolution' green area offering scope for substantially higher production within a reasonable time. Social science observers of the region have catalogued a number of institutional barriers inhibiting agricultural growth. Field visits to poor groups like small jute growers in backward pockets would leave an overwhelming impression of unrelievable poverty. Placed in an environment of shrinking export markets, sick manufacturing units, speculative traders and absence of new technologies, the jute growers indeed face a grim future. However, during the latter half of the 1980s substantial increase in agricultural production seems to have taken place in some areas in this region [Rao, C H H 1994]. The performance of West Bengal in recent years in agricultural and rural development has been impressive. Even the jute industry is showing some signs of revival through diversification of products and prospects of increased exports. On the whole, the indications are that the situation in the eastern region might have reached a stage where determined policy efforts to increase production would evoke good response. The region needs major reforms in infrastructure, markets, credit and co-operatives. Once these pre-conditions for steady growth are established, it would be easier to tackle the other problems in the region like those connected with land relations.

Dryland Areas

The dryland areas in the central, western and southern parts of India have a weak and exhausted land base and poor water resources. While the relief needs of these areas during periods of scarcity receive prompt and even generous policy response, little success has been achieved so far in setting up stable arrangements for conservation and optimum use of land and water resources in the region and to insulate the farm economy from the disruption caused by periodic droughts [Rao, V M 1992]. When this is done, the region would find it possible to absorb the new technologies which are being developed to suit the conditions of the region. There are already a number of successful experiments in this region where local leader-

Table 1: Production, Area and Yield of Important Crops/Crop Groups

Crop	Production (million tonnes)		Area (million hect)		Yield (kgs/hect)		Per Cent Irrigated Area	
	I	II	I	II	I	II	I	II
Wheat	6.4	55.1	9.8	23.0	655	2397	31.5	78.4
Rice	23.5	73.7	30.5	42.3	771	1741	32.3	45.2
Cotton	2.8	9.8	4.9	7.7	95	217	8.2	33.6
Oilseeds	5.2	18.3	10.1	25.4	519	719	0.8	19.8
Coarse cereals	16.8	26.3	38.8	33.8	433	778	8.5	9.3
Pulses	8.2	12.1	20.2	22.6	405	534	7.8	9.5

I = 1949-50, II = 1991-92

Source: Agricultural Statistics at a Glance, March 1993 (Government of India).

ship has organised people to improve farming through their own efforts and use of local resources. The main problem is to arrange for replication of such experiments on a sufficiently wide scale and to provide for the components of public sector investments in the region. While the region may not achieve quick and dramatic increases in agricultural production, considerable expansion in employment, sizeable improvement in levels of living and effective coping with weather-related instability would be feasible objectives for the region to achieve given the required policy support. Considering the proneness of this region to chronic poverty, progress in realising these objectives would be a major gain for our development strategy seeking to bring the poor within the mainstream economy.

Fallow and Waste Lands[1]

The land-use statistics show that even as recently as in 1989-90 fallow and waste lands totalled to 56 million hectares. They formed nearly 20 per cent of total reporting area (305 million hectares). The importance of their judicious use can be gauged from the fact that the Indian agriculture has the land base of only 140 million hectares of net area sown. While fallow and waste lands cannot support regular cultivation, putting them under tree cover would serve both the purposes of conservation of land and adding to agricultural production through increased output of tree-based and related products. The land-use statistics show that an active policy regime is yet to emerge for the fallow and waste lands. Land classified as current fallows increased from 11 million hectares in 1950-51 to 16 million hectares in 1989-90 and 'other fallow land' after decreasing from 17 million hectares in 1950-51 to nine million hectares in 1970-71 registered a small increase in later years to reach the level of 11 million hectares in 1989-90. As regards 'culturable waste' land, its extent decreased from 23 million hectares in 1950-51 to 18 million hectares in 1970-71. But the decrease in the next two decades was quite modest and in 1989-90 there were still 15 million hectares of culturable waste lands. On the other hand, the land under tree crops decreased sharply from 20 million hectares in 1950-51 to four million hectares in 1989-90. The grazing lands and permanent pastures also decreased from 14 million hectares in 1960-61 to 12 million hectares in 1989-90. It needs to be mentioned that though fallow and waste lands occur in all regions, they are likely to be concentrated precisely in the regions having weak agriculture. Their development, preferably through grass roots level organisations of rural people, could bring many benefits to the backward areas, particularly to the poor in these areas. Where such organisations are not available, private enterprise might be in a position to develop the fallow and waste lands though care would have to be taken to see that the local people share adequately in the benefits flowing from the development of these lands.

IV
Critical Policies and Priorities

The agricultural growth achieved so far has relied chiefly on the potential of a small part of our resources located in the green revolution area. The new strategy based on promoting broad-based agricultural growth would need to shift towards resources in other regions requiring different technologies but also providing opportunities to spread agricultural growth far more widely and to make the development process genuinely participatory and poor-friendly than has been the case in the past. While this shift in emphasis would mean a growing and eventually large role for local people and voluntary organisations, the transition would need time and strong policy support to activate the development process at the grass roots level. Four policy areas which are likely to be of critical importance are described below.

Support Measures

A major handicap of the third subsector of agriculture is that the dispersed small producers, unless suitably organised for group action, find it extremely difficult to cope with volatile, unpredictable and, often, depressed markets. Consider, for example, the behaviour of wholesale prices in the five markets connected with cotton and its manufactures—raw cotton and handloom cloth where producers are rural, small, dispersed and unorganised and cotton yarn and cotton cloth (mills and powerloom) whose producers are urban-based and much better organised (Table 2).

The period covered by the table–September 1990 to March 1993–witnessed a sharp inflationary rise of nearly 30 per cent in the wholesale price index for 'all commodities' from 181 to 233. There was a matching rise in the index for cotton yarn and cloth. On the other hand, the increase in the index was only 8 per cent in the case of handloom cloth indicating fall in its real price when the price of cotton yarn—its main raw material—was rising sharply. Even more alarming, the index for raw cotton increased by nearly 80 per cent from September 1990 to September 1991 and, thereafter, declined continuously from the peak level of 252 to 202 in March 1993. Table 2 reflects well the hardships suffered by cotton cultivators and handloom weavers in marketing their produce. An implication of Table 2 is that such market-vulnerable producers would have to be given a measure of protection through price support and market intervention policies. Such policies are difficult to devise. By a convenient coincidence, the present state (in February 1994) of the cotton market provides a good example of these difficulties. The high prices of cotton prevailing at the moment despite its comfortable availability in the economy have baffled both the government and the industry and the drastic measures like banning of exports of cotton being taken by the government reflect more a sense of panic than deftness in handling a tricky situation created by shrewd speculators and hoarders

Table 2: Index Number of Wholesale Prices
(Base 1981-82 = 100)

Month	Raw Cotton	Cotton Cloth (HL)	Cotton Yarn	Cotton Cloth (Mills)	Cotton Cloth (PL)	All Commodities
September 1990	141.3	201 6	187.3	157 6	169.6	180.9
December 1990	153.3	201 6	190 6	162.1	174.9	186.6
March 1991	171.9	200.6	195.4	166.6	192.7	191.7
June 1991	219.6	202.7	208.3	177 9	193.1	198.4
September 1991	251.5	202.7	240.6	184.1	200.0	210.4
December 1991	242 1	202 7	241.2	185.6	196.9	213.2
March 1992	231.1	213.1	258.2	196 9	196.9	217.7
June 1992	233.1	216.6	248.1	198.3	209.5	224.1
September 1992	217.7	216 6	254.2	199.7	214.1	230.7
December 1992	204.8	216.6	254.2	201 5	218.9	231.4
March 1993 (P)	202.3	218.5	252.2	205.8	226.8	232.5

PL = Powerloom; HL = Handloom; P = Provisional.

Source: Compendium of Textile Statistics, 1993, Office of the Textile Commissioner, Government of India, Bombay.

Investment[2]

The gross capital formation in agriculture (at 1980-81 prices) which was in excess of Rs 5,000 crore per annum in the late 1970s is estimated to have declined to levels close to Rs 4,000 crore per annum over the 1980s. The major reason for this decline has been the sharp fall in the public sector gross capital formation from nearly Rs 1,700 crore in 1978-79 to less than Rs 1,200 crore in 1989-90. There has been some decline in the private sector gross capital formation also and, considering its complementary relationship with the public sector capital formation, the situation may further worsen unless the latter revives. A plausible explanation for the decline in the public sector capital formation is that while the tempo of investment in the green revolution areas is slowing down, the other areas whose investment needs are large and pressing are yet to receive the attention they deserve. It is obvious that development of watersheds, conservation and productive use of common lands and provision of wide range of infrastructures for backward areas would all need substantial amounts of public investments. A systematic assessment of these needs and arrangements to meet them would have to be given priority to raise the public sector capital formation.

Panchayati Raj Institutions

Reaching investments and development inputs across large and widely spread areas needs active networks of grass roots level organisations. Those like co-operatives and voluntary groups have to emerge through the initiative of local people themselves and the government can only lend a helping hand. On the other hand, the institutions to bring about decentralisation in administration and in development planning and implementation have to be established and nurtured by the government. Without effective local-level integration of schemes, co-ordination in implementation, participatory mechanisms and continuous monitoring, it would hardly be possible to implement the development strategy for agriculture sketched in this paper. In large parts of areas to be reached, the situation is likely to be one of institutional vacuum. However, determined efforts would have to be made to establish the panchayati raj institutions and to put pressure on them to shoulder the tasks of decentralised development as is being done in a few states like Karnataka. The tendency among the policy-maker is still to take it for granted that once priority is given to a sector in terms of larger allocation in the Five-Year Plans, the development of the sector would automatically follow. In the case of agriculture (and rural development in general), ineffectiveness of the grass roots level organisations is likely to be a constraint which is far more difficult to overcome than the problems in enhancing the plan allocations for the sector.

Incentive Framework

There is a misconception that the agricultural sector as a whole is a heavily subsidised and pampered sector. Scholars who have looked at the direct as well as indirect interventions of the government in the agricultural sector find that the net effect of all these interventions is equivalent to imposition of a modest tax on agriculture rather than handing out large subsidies [Gulati and Sharma 1992]. Others have pointed out that subsidies categorised as agricultural often reach manufacturers of inputs or meet the costs of employing expensive government bureaucrats [Tyagi 1991]. Terms of trade for agriculture—which can be taken as a rough indicator of the incentive framework for agriculture and which remained at the level of 100 or above during the period mid-60s and mid-70s—have been below the level of 90 for all the years after 1976-77. Liberalisation implies freeing of domestic input and output markets and permitting exports and imports in response to the changing demand and supply conditions. Agriculture is still subject to numerous restrictions which would have to be progressively relaxed to improve the incentive framework for producers.

V
Conclusions

Liberalisation and deregulation are being viewed by the policy-maker as a strategy for stimulating industrial recovery and for reducing the burden imposed on the economy by the inefficient governmental and public sectors. The purpose of this paper is to argue that, considering the economy as a whole including agriculture and its present development status, liberalisation can be a step in the right direction provided it is used as a strategy not to withdraw the government from the economy but to shift the focus of government policies and concerns from helping and subsidising the organised parts of the economy which are now viable enough to operate on their own to building up the economy and society in the vast unorganised parts lacking development and remaining backward. Such a strategy can promote broad-based agricultural growth which would not only increase the growth rate of the economy but, more important, enable the backward areas and the poor to participate in growth and share in its benefits. Without a long-term perspective and a strong commitment to help the unorganised and poor, liberalisation instead of promoting growth would only intensify the gathering crisis in the Indian economy.

Notes

1 The statistics given in this paragraph are from *Agricultural Statistics at a Glance*, March 1993 (Government of India).

2 The statistics given in this paragraph are from *Economic Survey, 1993-94*, Government of India.

References

Bhalla, Sheila (1993), 'The Dynamics of Wage Determination and Employment Generation in Indian Agriculture', *Indian Journal of Agricultural Economics*, Vol XLVIII, No 3, July-September (Conference Number).

Government of India (Office of the Textile Commissioner), *Compendium of Textile Statistics*, 1993.

—,(Ministry of Agriculture), *Agricultural Statistics at a Glance*, March 1993.

—,(Ministry of Finance), *Economic Survey, 1993-94*.

Gulati, A and A N Sharma (1992), 'Subsidising Agriculture. A Cross Country View', *Economic and Political Weekly*, September 26.

Madhur Srinivasa (1994), 'Trade and External Sector Reforms in Developing Asia: An Overview', *Economic and Political Weekly*, Vol XXIX, No 6, February 5.

Misra V N (1993), 'Relative Efficiency and Technological Change in Paddy Cultivation: Indian Experiences', *Journal of Indian School of Political Economy*, Vol V, No 3, July-September.

Rao, C H H (1994), 'Agricultural Growth and Rural Poverty in India: Emerging Trends and Perspectives', *Dharm Narain Memorial Lecture*, Institute of Economic Growth, Delhi

Rao, S L (1994),'Labour Adjustment as Part of Industrial Restructuring: Human Dimensions of Liberalisation', *Economic and Political Weekly*, Vol XXIX, No 6, February 5.

Rao, V M (1992), 'Change Processes in Dryland Communities', *Indian Journal of Agricultural Economics*, Vol 47, No 1, January-March.

Sinha, R P (1994), 'Efficiency Differentials in Wheat Cultivation and Their Implications for Development Policies', *Journal of Indian School of Political Economy*, Vol VI, No 1, January-March.

Tyagi, D S (1991), 'Pricing of Fertilisers: Some Reflections on Subsidy Question', Institute of Development Studies, Jaipur, paper presented to the National Consultation on Fertiliser Pricing held in October.

Reforming Agriculture in the New Context

C H Hanumantha Rao

Agriculture can work as the biggest safety net in the process of adjustment by softening the rigours of inflation as well as by raising income and employment for the vulnerable sections of the population. Broadening the domestic agricultural base by stepping up public investment in irrigation, research and extension and in social development such as education and skills formation holds the key to the exploitation of possible gains from trade as well as to ensuring that such gains are widely shared by different regions and classes of farmers.

I
The Institutional Context

THE organisation of Indian agriculture has been based on individual farming under the system of peasant proprietorship, unlike in the former socialist countries. Moreover, no attempts have been made in India to deliberately shift the terms of trade against agriculture. On the other hand, owing to the persistence of imbalances between the supply and demand for agricultural commodities, particularly foodgrains, the terms of trade have continued to be favourable to agriculture throughout the greater part of the plan period including the first decade of green revolution [Thamarajakshi 1977]. Also, because of growing influence of farmers, inevitable in a democratic polity, the farm subsidies—open as well as hidden—have been mounting over a period of time undermining the capacity of the government to make productive investments in agriculture. The rise in subsidies on irrigation and fertilisers has induced the allocation of resources in favour of crops like wheat and rice resulting in the achievement of self-sufficiency in foodgrains and, consequently, some decline in the relative price of these crops during the 80s.

There was considerable underutilisation of capacity in agriculture in the former socialist economies both because of very high rate of capital accumulation for over four decades, achieved in part by using surplus labour for capital construction as in China, and because of the organisation of agriculture under the system of collectives and communes leading to the suppression of markets and gross inefficiencies in the use of resources. In China, for instance, in total disregard for agro-climatic variations across regions, the policy of self-sufficiency in agricultural commodities in each region was strictly enforced. The authorities in communes used to decide what seed to be sown and how much fertilisers to be applied. Therefore, there was a big spurt in agricultural output in China in the 80s when the communes were disbanded, inter-regional trade was opened up and terms of trade were shifted in favour of agriculture.

In India, on the other hand, the rate of capital formation in agriculture has been much lower and utilisation of available capacities relatively more efficient. For example, the proportion of cultivated area irrigated in India is only about one-third, as against over 50 per cent in China. The level of human capital formation in terms of literacy, education and health of rural population was also much higher in China when economic reforms were launched. Moreover, except for occasional restrictions on the inter-regional movement of foodgrains for the purposes of public procurement in India, there has, by and large, been a free flow of commodities and resources between different regions in the country. The success of green revolution would have been unthinkable in the absence of integrated national market in India which has been conducive to regional specialisation in the production of crops. Therefore, unlike in the socialist or command economies, there is little scope for stepping up agricultural output in India merely by improving the efficiency of resource-use at the farm level by restructuring the management of agriculture or by redefining the role of the state in relation to markets

II
Reforms in the Indian Context

The economic reforms for Indian agriculture at present need to be directed basically towards augmenting the productive potential rather than designed merely to improve the utilisation of available resources. The declining trend in investment in agriculture, increasing land degradation, technological stagnation and growing non-viability of credit institutions reinforce the need for such reforms. The reforms for agriculture that need to be undertaken fall broadly under two categories, viz, infrastructural-technological and institutional. The three major areas of concern under the former category are: (i) stepping up public investment in agriculture, among other things, by reducing farm subsidies; (ii) exploring new avenues of technological breakthrough such as the introduction of biotechnologies; and (iii) strengthening of the programmes for soil and moisture conservation in dryland areas by integrating wage-employment programmes with them. The areas of concern on the institutional front are: (i) restoring the health of rural credit institutions; (ii) restructuring institutions for decentralised management of agricultural infrastructure; and (iii) raising incentives for investment and effort by the farmers and improving the efficiency of resource-use by relaxing restrictions on trade in agricultural commodities.

Farm Subsidies versus Investment

It would be instructive to know the increase in the magnitude of subsidies for agriculture incurred by the centre and states together in relation to plan expenditure for the development of this sector. For irrigation we are considering only the subsidy incurred on account of the non-recovery of operation and maintenance charges leaving out the cost of capital deployed. Further, based on the world price of fertilisers, we are assuming that only about half the actual subsidy on fertilisers benefits the farmers and the consumers [Gulati 1990].

The input subsidies, so calculated, on fertilisers, irrigation, electricity and credit combined constituted around one-third of total plan expenditure on agriculture, irrigation (including flood control) and Special Area Programmes incurred by the centre as well as state governments in 1980-81, and rose steeply to as high as 90 per cent of such plan expenditure in 1989-90 [Rao 1994]. If annualised cost of capital invested in irrigation is also accounted for at historical cost, which is quite modest when compared to the replacement cost, the subsidy on surface irrigation during the Seventh Plan period (Rs 11,800 crore) exceeded the Seventh Plan expenditure (Rs 11,000 crore) on major and medium irrigation. The subsidy on rural electricity during Seventh Plan period amounted to Rs 11,700 crore which is about three times the Eighth Plan outlay of Rs 4,000 crore provided in the State Plans for rural electrification in the Power Sector (Eighth Five-Year Plan, p 197). It is clear, therefore, that for every rupee of investment

in agriculture, we are incurring today more than a rupee by way of subsidies on inputs for agriculture.

These subsidies have reached a point where their beneficial effects seem to be outweighed by the adverse effects in terms of macroeconomic imbalances, slowing down of public investment in agriculture, inefficient use of resources at the farm level, degradation of environment, and reduction of employment. Since there is now an overuse of these inputs in limited pockets, efficient pricing of such inputs may lead to greater diversification of their use benefiting a larger number of crops over wider areas. This would result in greater employment and output per unit of capital invested.

The latest data from the CSO up to 1990-91 shows that although gross capital formation in agriculture by the private sector at 1980-81 prices has shown an increase since 1987-88, that by the public sector continued to decline significantly, so that the total real gross capital formation in agriculture in the late 80s is still lower than that achieved in the early 80s. This trend has to be reversed by stepping up public investment in agriculture. For this to happen, it is imperative to reduce subsidies on inputs. However, there is considerable political resistance and, in a democratic polity, the process of change towards rational pricing of inputs is bound to be slow. In these days of globalisation and easy flow of information, it is becoming difficult to convince our farmers about the need to reduce such subsidies when their counterparts in the market economies like the US, Japan and European Community enjoy much higher level of subsidies. Despite some reduction in fertiliser subsidy, the plan investment in agriculture has been declining because of the negligible rise in central assistance to state plans on account of the drive for reducing fiscal deficits. This is being attempted not by reducing revenue deficits but largely by reducing capital expenditures. Also, the states' resources have been eroded by the slow rise in the revenues from the shareable taxes like income tax and union excise duties consequent to the recent reduction in tax rates.

Technological Upgradation

The achievements of the Indian agricultural research system so far in respect of raising yields in the unirrigated and unfavourable agro-climatic regions are not comparable with those realised for the irrigated areas in the early years of green revolution. Even in irrigated areas, the yields under seed-fertiliser technology have been hovering around their peak for some time. The tools of emerging biotechnology like genetic engineering, tissue culture and so on seem to offer significant possibilities for breaking these barriers. The most important feature of biotechnology distinguishing it from the seed-fertiliser technology is the possible saving on chemical inputs like pesticides and fertilisers.

The pro-poor bias of biotechnology arises from this saving on chemical inputs, from its scale-neutrality at the farm level, relative stability in yields and improved prospects for crops grown in agro-climatically unfavourable areas. Biotechnology may also contribute to the protection and regeneration of environment by reducing the dependence on chemical inputs. If farm subsidies are reduced significantly in the developed countries in pursuance of the recently concluded GATT agreement, chemical fertilisers may increasingly be replaced by the renewable sources like biologically fixed nitrogen [Jain 1993]. More significantly, biotechnologies may contribute to eco-protection by raising yields and thus releasing marginal lands from cultivation. They also facilitate large-scale afforestation through tissue culture techniques.

However, being knowledge-intensive and skill-intensive, they necessitate greater investment in research as well as in improving the capabilities of farmers. Although some advanced centres of research in biotechnology have been established in the country, it is not clear how such priorities find their place in the existing agricultural research system in India. It is necessary to have a fresh look at the priorities of the Indian agricultural research system in the light of these emerging prospects and for adequately taking into account the socio-economic factors relevant in the evolution of new technologies.

India is currently investing only about 0.3 per cent of its agricultural domestic gross product in agricultural research, as against 0.7 per cent in the developing countries as a whole and as much as 2-3 per cent in the developed countries [Jain 1993]. Therefore, so far as India is concerned, there is considerable scope for diverting incremental outlays for the priority areas in research. Strengthening indigenous capabilities in biotechnology by involving the private sector in research as well as in the multiplication and distribution of seeds provides an effective safeguard, in the long-run, against the patenting of seeds and other restrictive practices by the multi-national corporations.

Soil and Moisture Conservation

A large part of unirrigated area is characterised by low and uncertain rainfall, low wages and high poverty. Owing to the unregulated exploitation, these fragile areas have been highly degraded. Because of low and defective pricing of electricity, the pumping of ground water has been greater than the recharge resulting in low water table and shortage of drinking water. Nevertheless, there is considerable scope for soil and moisture conservation and for harvesting rain water in such areas by arresting the run-off. The ongoing programmes for this purpose need to be strengthened through better planning and sequencing of works on a watershed basis by involving people and improving co-ordination between various departments. The wage employment programmes, so essential for these areas, can be integrated with the ongoing programmes for soil and moisture conservation, as is being attempted through the Employment Assurance Scheme (EAS) recently launched by the government to guarantee wage employment for 100 days for those in need and seeking employment in drought-prone, desert, tribal and hill areas.

Some of the ardent advocates of economic reform feel that such employment programmes are populist, as they may result in raising the fiscal deficit [Narasimham 1993]. It is important to recognise that such programmes, when properly implemented, will raise agricultural productivity, improve equity and promote sustainability. Indeed, in a democratic polity like ours, reconciling the goals of efficiency with those of social justice is necessary for sustaining the reform process itself.

Credit Reform

According to the Report of the Agricultural Credit Review Committee [RBI 1989], the rural credit system is now threatened by rising overdues and deficiencies in management attributable basically to the policy environment as well as political culture which encourage lending at subsidised rates for activities that are not productive, discourage professional approach and necessary follow-up in lending, and promote wilful default on the part of those who have the capacity to repay. As a consequence, recycling of credit has become a major casualty, the losers being the present as well as the prospective borrowers. Therefore, improving the viability of credit institutions should be foremost on the policy agenda.

Institutional credit for agriculture has to expand at a faster rate than before because of the need to step up agricultural exports and also because the changing product-mix will necessitate larger investments. It would be desirable to phase out the concessional rates of interest as recommended recently by the Committee on the Financial System [GOI 1991], because the normal rates of interest charged by the institutional sources would still be lower than those charged in the informal market. It would, however, be necessary to ensure the timely availability of institutional credit to the weaker sections through appropriate rationing of credit. Otherwise, the well known tendency on the part of the bankers to reduce unit costs by serving a smaller number of big borrowers rather than a large number of small borrowers would result in squeezing credit to the needy sections. Incidentally, the recommendation of the Narasimham Committee that the credit share for the 'redefined priority sector' con-

sisting of weaker sections be pegged at the existing level of 10 per cent does not take into account the need to replace the informal sources on which these sections are heavily dependent at present, let alone meeting the growing demand for credit from them. Subject to such broad guidelines, the managements of credit institutions have to be accorded greater autonomy by doing away with administrative and political interference in their day-to-day functioning.

Decentralisation

The designing and management of infrastructure such as surface irrigation and rural electrification is done by the top-down bureaucratic structures with very little say for the concerns and perceptions of user-farmers. The absence of a link between the payment of service charges and the prospect of improvement in the infrastructural services has provided a fertile ground for the politicisation of cost-recovery processes. Involvement of the user-farmers in the management of agricultural infrastructure through the users' associations and the local level elected institutions represents the closest approximation to privatisation of such activities. Such non-market institutions of representative type at the local level including the voluntary organisations seem to provide the only workable alternative at this stage, whether to bureaucratic management or to full-scale privatisation. The recent agricultural breakthrough achieved in West Bengal points to the efficacy of decentralised management of infrastructure [Sen 1993].

The political and bureaucratic resistance to decentralisation notwithstanding, the need as well as the prospects for decentralisation are much greater now than ever before. The Constitution (Seventy-third) Amendment Act, 1993, has given some impetus to the processes of decentralisation insofar as it mandates periodic elections to the Panchayati Raj Institutions, reservation of seats for scheduled castes and scheduled tribes and for women. However, the states have to muster the necessary political will to delegate to these institutions, the vital subjects bearing on economic development and social justice as listed in the Eleventh Schedule; to devolve adequate resources to them through the mechanism of the state-level Finance Commissions; and to entrust them with necessary power over the administration. The realisation of these goals is bound to be a painstaking and time-consuming process.

The success of decentralisation in achieving its social objectives would very much depend upon the prevailing social structure. It is not accidental that panchayati raj institutions have been functioning well in situations where land reforms have been implemented effectively. Because of low wages and scale-neutrality of bio-chemical technology, there is, as yet, no evidence of increasing returns to scale in Indian agriculture. There is, therefore, no case on efficiency grounds for doing away with the existing ceiling on landholdings and for encouraging large-scale corporate farming at this stage, except in cases where land, hitherto uncultivated, cannot be reclaimed without large-scale investments in heavy machinery and equipment. It would, however, be necessary to remove restrictions on the lease market for agricultural land with a view to ensuring efficient use of resources as well as for augmenting the operational holdings of the small and the marginal farmers.

Trade Liberalisation

There is considerable potential for raising India's share in world exports of agricultural commodities. It is necessary to exploit this potential not only for earning foreign exchange but more importantly to widen the opportunities for raising farm income and employment by diversifying and modernising agriculture. Dryland areas where wages are low and poverty is widespread may benefit significantly from trade, as they have a comparative advantage in horticulture and livestock products, the demand for which is less inelastic than for foodgrains. However, this would require large investments in agro-processing and other infrastructure.

Rice, cotton and wheat seem to have emerged as good exportables up to a point, particularly after the recent adjustments in the exchange rate and convertibility of the rupee on trade account, whereas the imports of edible oils, which have been heavily protected could be increased [Gulati and Sharma 1991]. However, if input subsidies are brought down, there would be some diversion of resources from water-intensive and fertiliser-intensive crops to semi-irrigated crops, thus narrowing down the difference between the international and domestic prices of cereals as well as oilseeds, unless farm subsidies are drastically reduced in the developed countries. Nevertheless, there may still be some gains through trade by specialising in crops like rice and cotton, including particularly in the non-traditional areas like horticulture, and by importing edible oils up to a point.

However, world trade in grains is highly volatile and considering the possible impact of India's decision to export (import) grain on world prices, exports (imports) may cease to be profitable beyond a point. Further, the possibilities of inter-crop substitution with a view to stepping up the output of 'exportables' may not be as bright as may appear at first sight from the highly aggregated data on the relative profitabilities of 'competing' crops. Beyond a point, the rise in the prices of exportables or fall in the prices of importables may affect the incomes of the farmers more than they alter the cropping patterns. Besides, in view of the uncertainties of world supplies, the country cannot run the risk of undermining its food security by running down the domestic stocks below a certain critical minimum, considering the incidence of droughts and the commitments of the public distribution system to meet the requirements of a large population still living below the poverty line. Also, care has to be taken to ensure that the prospects for technological change in respect of oilseeds are not jeopardised because of unremunerative prices resulting from heavy imports. It is important to recognise in this context that technological changes in the case of cereals like wheat and rice after the mid-60s were critical in altering the comparative advantage of different crops.

III
Conclusions

The most important consequence of the reduction in input subsidies for agriculture and the relaxation of restrictions on trade in agricultural commodities would be to raise the investible resources with the government as well as the farmers. This tendency would be reinforced in the long run because agriculture would also benefit significantly from the improvements in the domestic terms of trade, as the industrial inputs for agriculture and consumer goods become competitive and cheaper consequent to deregulation and opening up of the economy. In the short run, however, there is a need to cope with some of the adverse consequences of economic reform such as inflation and slow growth of output and employment. Agriculture can work as the biggest safety net in the process of adjustment by softening the rigours of inflation as well as by raising income and employment for the vulnerable sections of population. Broadening the domestic agricultural base by stepping up public investment in irrigation, research and extension, and in social development such as, education and skills holds the key to the exploitation of possible gains from trade as well as for ensuring that such gains are widely shared by different regions and classes of farmers.

Of the six sets of reforms discussed above, freeing trade for 'setting prices right' is perhaps the easiest to achieve. But ensuring adequate supply response and equitable distribution of gains depends critically on the non-price factors like stepping up investment, technological change, conservation of land and water resources, credit reform and decentralisation of management which are far more difficult to achieve. Therefore, 'freeing' trade without simultaneously undertaking measures for augmenting capacities and building 'safety nets' for the poor may result in slow growth, high prices of foodgrains and the accentuation of regional disparities in development. Excessive pre-

occupation with prices may prove to be harmful by diverting attention from the more important tasks which belong to the non-price world for releasing constraints on production such as investment and technological change [Narain 1976]. The experience with agricultural supply response in several developing countries shows that the elasticity of output with respect to major technological shifters like irrigation is significantly higher than the price elasticity even after the effect of price-induced innovations is accounted for [Krishna 1982]. "National policy-makers and international development bankers will therefore do well to devote at least as much attention and effort to the development of technology, infrastructure, and human capital as to the price environment" [Krishna 1982].

[This paper is based on the Dharm Narain Memorial Lecture delivered by the author on January 17, 1994 under the joint auspices of the Institute of Economic Growth and the Delhi School of Economics, University of Delhi.]

References

Government of India, Planning Commission (1992): Eighth Five-Year Plan, Vol II, New Delhi.

Gulati, Ashok (1990): 'Fertiliser Subsidy: Is the Cultivator "Net Subsidised?"', *Indian Journal of Agricultural Economics*, Vol XVL, No 1, January-March.

Gulati, Ashok and Pradeep K Sharma (1991): 'Government Intervention in Agricultural Markets: Nature, Impact and Implications', *Journal of Indian School of Political Economy*, April-June.

Jain, H K (1993): 'The GATT Proposals on Agriculture: Their Scientific Implications' (unpublished), National Institute of Science, Technology and Development Studies, New Delhi.

Krishna, Raj (1982): 'Some Aspects of Agricultural Growth, Price Policy and Equity in Developing Countries', Food Research Institute Studies, Vol XVIII, No 3.

Narain, Dharm (1976): 'Growth of Productivity in Indian Agriculture' in Raj, K N, Amartya Sen and C H Hanumantha Rao (eds), *Dharm Narain—Studies in Indian Agriculture* Oxford University Press, Delhi, 1988.

Narasimham, M (1993): 'Economic Reforms. The Unfinished Agenda', Rajiv Gandhi Institute of Contemporary Studies, New Delhi

—(chairman) (1991): Report of the Committee on the Financial System, New Delhi.

Rao, C H H (1994): *Agricultural Growth, Rural Poverty and Environmental Degradation in India*, Oxford University Press, New Delhi

Reserve Bank of India (1989): A Review of Agricultural Credit System in India. Report of the Agricultural Credit Review Committee, Bombay (chairman: A M Khusro).

Sen, Abhijit (1993): 'Agriculture in Structural Adjustment', paper presented at the seminar on Agricultural Reform in India, Indira Gandhi Institute of Development Research, January 11-12.

Thamarajakshi, R (1977): 'Role of Price Incentives in Stimulating Agricultural Production in a Developing Economy' in Douglas Ensminger (ed), *Food Enough or Starvation for Millions*, Tata Mcgraw-Hill, New Delhi

The Budget and 'Structural Adjustment with a Human Face'

K Seeta Prabhu

The structural adjustment programme in the country is being implemented against a background of incomplete structural transformation, low level of human development and distorted patterns of expenditure in education and health. Complicating the issue further is the fact that the bulk of the expenditure on social sectors is incurred by the state governments which have pursued human development strategies with varying degrees of intensity. Given such dismal initial conditions and the low rate of growth of the economy, the pursuit of structural adjustment with a human face depends on the degree of political commitment at both the centre and the state levels.

I

THE current union budget is the fourth in a series of budgets prepared by the union finance minister Manmohan Singh. The budgets presented since 1991-92 have attempted to bring about far-reaching changes in the fiscal structure of the economy in keeping with the philosophy of stabilisation and structural adjustment programmes currently under way in the country with the active support of the international financial institutions. International experience with these programmes suggests that they could often lead to a deterioration in social sector development, particularly in the short run, unless specific measures are taken to avoid such an occurrence. The impact of the budgets presented since 1991-92 in general, and the current budget proposals for 1994-95, need to be examined in the light of such apprehensions. This is particularly important in the case of India, whose low level of human development has been a cause of global concern.

The Human Development of the UNDP Report 1990 had ranked India 123 among 160 countries in the Human Development Index constructed by them.[1] In 1993, India's rank was even lower at 134 among 173 countries. At this level, India's position is lower not only than that of several south-east Asian countries such as Indonesia and Malaysia, but also than that of several south Asian countries [UNDP 1993]. It has also been pointed out that rapid strides in human development have been made at relatively low income levels by China and Sri Lanka, whose efforts at development were initiated at about the same time as that of India [Griffin 1992, Tan and Mingat 1992]. For example, the under-five mortality rate in China and India in 1960 were 203 and 282 respectively. By 1990, China managed to drastically reduce child mortality levels to 42 per 1000 live births whereas in India the rate continued to be more than three times higher at 142. Consequently, while life expectancy in China soared from 47.1 years in 1960 to 70.1 years in 1990, in India the increase was of a smaller magnitude from 44.0 years to 59.1 years, during the same period (UNDP, 1992). In the case of another important human development indicator, literacy, the differences are much more glaring. Several Asian as well as south-east Asian countries achieved high levels of literacy of over 70-80 per cent more than two decades ago while India has yet to reach this goal despite the fact that achieving universal literacy has been an important goal of Indian planning since its inception.

It was necessary to reiterate the above well known facts in order to be aware of the background against which the macro economic adjustment programme has been initiated. The government of India has been repeatedly assuring the nation that adjustment in India would be with a 'human face'. Given this assurance, it only seems logical to examine the impact of the current budget on social sectors against the backdrop of what has been stated above. This paper addresses itself to an analysis of the impact of budgetary measures undertaken thus far on social sectors with particular reference to education and health sectors which account for the bulk of social sector expenditures.

The paper is arranged into seven sections for analytical convenience. The next section briefly reviews country evidence with respect to the impact of adjustment on social sectors with particular reference to south-east Asian countries. Section III outlines the state of human development in India. Section IV explains the concept of 'structural adjustment with a human face' while Section V examines the main proposals of the union budget from this perspective. Since the majority of expenditures on social sectors is incurred by state governments, Section VI examines the trends in their expenditure pattern on social sectors in the light of the financial stringency experienced by them. The last section brings together the main conclusions of the study.

II
Impact of Adjustment on Social Sectors

Measurement of the impact of adjustment on social sectors is problematic for more reasons than one. Firstly, there is generally no definite idea as to what exactly constitutes adjustment and how the identified measures affect social sectors independently of other simultaneous influences [Noss 1991]. Secondly, the impact of measures taken in the education and health spheres is experienced mainly in the long run and evaluations based on a relatively short period of five to 10 years tend to under-estimate the true impact of adjustment. Furthermore, the indicators used to judge education and health development are themselves subject to limitations. For example, the most commonly used indicator in the education sphere is expenditure on education as percentage of GNP. More often than not, it is the pattern of expenditure and the efficiency with which resources are used that influence outcomes to a larger extent than mere quantum or levels of expenditure. In fact, a distinction needs to be maintained between (a) reduction in per capita expenditures, and (b) deterioration in sectoral development. While most 'adjusting' countries have experienced a reduction in per capita expenditures, it is rather simplistic to conclude that, *ipso facto*, there has been a deterioration in social conditions unless corroborative evidence is cited to that effect.

A more fundamental methodological objection to the series of studies conducted in this sphere has been raised by Kakwani et al (1990). They point out that in order to estimate the likely impact of adjustment on social sectors, it would be necessary to arrive at a judgment of sectoral development in the absence of adjustment. While

the importance of counterfactual approach has been stressed, it is not clear what alternative measures would have been adopted in the absence of the IMF-World Bank-sponsored package of measures. Adjustment need not necessarily imply globalisation but could he mainly indigenous in nature Thus while all attempts at comparing the experience of vastly disparate economics is prone to criticism, the comparison of the experience of 'adjusting' countries is even more hazardous.

The above point may hest be illustrated with the help of evidence with respect to the education sector. Sahn (1989) while reviewing the experience of 16 adjusting countries before and after adjustment concluded that adjustment did not reveal any clear impact of the share of education in total budgetary spending of the governments. Kakwani et al (1990) adopt a more sophisticated approach and grouped the countries studied into five categories, depending on the degree of adjustment that a country had experienced. The World Bank (1990) used a three-fold classification, viz, intensely adjusting, others and non-adjusting countries to study the impact of adjustment on various sectors. While Sahn did not find any strong evidence that adjustment affected the education sector, methodologically sophisticated studies of Kakwani et al and World Bank observed that adjustment lending was associated with a declining trend of education financing from public sources. Per capita expenditure as well as gross primary enrollment ratios declined in most of the intensely adjusting countries between 1980 and 1985.

While the evidence on the impact of structural adjustment on social sectors is confusing or even contradictory at times, there are certain conclusions that have emerged unambiguously from the literature which have acquired the status of 'stylised facts' [Prabhu and Kamdar 1993]. We identify some of these below:

(1) The initial conditions, which signify the base from which structural adjustment programmes (SAP) are initiated, and the egalitarian ethos in the concerned countries seem to be crucial in determining the impact of SAP on social sectors. (2) The rate of growth of the economy during 'adjustment' plays a key role in determining the impact of SAP on social sectors. (3) The political commitment to social sector development influences the extent and direction of adjustment to be borne by these sectors.

The evidence from Latin America and sub-Saharan Africa on the one hand and south-east Asia on the other bear ample testimony to the above facts. There is near unanimity in the literature that structural adjustment programmes had adverse effects on the poor in Latin America and sub-Saharan Africa and that low or negative growth rates of the economy resulted in a deterioration in living conditions of the poor in the absence of adequate safeguards to protect the vulnerable sections [Cornia, Jolly and Stewart 1987, Stewart 1992, and Bourguinon and Morrisson 1992]. The south-east Asian experience, on the other hand, has been one where 'adjustment' was accompanied by an improvement in social conditions. An understanding of the factors contributing to such an experience assumes importance for a country seeking to implement structural adjustment with a human face.

There is no denying the fact that favourable initial conditions have eased the path of adjustment in south-east Asian countries. While their success in achieving high rates of growth during a relatively short period of time is highly commended, their pursuit of egalitarian policies and massive and sustained investment in human resource development is often not given due attention. For example, in Korea as well as in Malaysia primary and secondary enrolment rates were over 60 per cent as far back as 1970 [UNDP 1991]. Undernourishment, in terms of shortfall from required caloric intake was marginal In 1965, Korea reported that its population obtained 99 per cent of the required daily caloric supply whereas in Malaysia the percentage was higher at 101 [UNDP 1993]. The Latin American countries, such as Brazil and Mexico, also had high literacy and nutritional levels. However, they lacked the egalitarian policies implemented in Malaysia and Indonesia.

The major distinguishing feature of the two south-east Asian economies has been that they had an ethos of pursuit of egalitarian policies and the adoption of what is now being termed structural adjustment with a human face was a natural extension of this ethos to encompass structural adjustment programmes. This is reflected in the various measures adopted by these two economies much before the need for adjustment arose in early 1980s. The set of measures adopted included higher prices for the principal food crop, rice, empolyment generation programmes and subsidies for agricultural inputs. The combined effect of these measures was an increase in employment, productivity and incomes in rural areas. For the urban poor, the programmes comprised rapid expansion in mining construction, transport and utilities sectors which helped to increase the demand for unskilled labour and considerably raised their income levels. Consequent to the adoption of the above series of well integrated measures, poverty in rural Malaysia declined sharply from over two thirds of rural population in 1970 to a quarter in 1984. In urban areas, the reduction was from 25 per cent in 1970 to 8 per cent in 1980 [Demery and Demery 1991; Bourguinon and Morrisson 1992].

In Indonesia also the emphasis was on raising incomes in the rural sector through structural reforms such as land consolidation, investment in rural infrastructure and subsidies to key agricultural inputs such as fertilisers. The resultant rice boom that ensued helped in reduction of poverty and malnutrition [Thorbecke 1991].

Structural transformation was an important feature of both these economies in the pre-adjustment period. In Indonesia the share of agriculture in GDP (at current prices) declined from 38 per cent in 1973 to 24 per cent in 1980 whereas industry's share increased sharply from 26.5 per cent to 42 per cent. The decline in share of agriculture in national income was accompanied by a similar decline in the proportion of population dependent on this sector from 63.9 per cent to 57 per cent between 1973 and 1980. In Malaysia, between 1973 and 1980, the share of agriculture in GDP declined from 26.4 per cent to 22 per cent while that of industry increased from 27 per cent to 38 per cent, with the share of manufacturing in particular increasing substantially from 15 per cent to 20. 6 per cent between that two time points [World Bank 1991]. A significant feature was the protection of indigenous industry by means of tariffs and quotas which enabled Malaysia to emerge as a leading exporter of labour-intensive manufactured goods subsequently. The creation of more flexible economic structures, expansion of labour-intensive investment programmes and shifting the composition of public expenditure towards sectors that benefit the poor have ensured that vulnerable sections and the quality of human resources embodied therein were protected [Heller et al 1988].

While it has been recognised that high rates of growth of income do not necessarily ensure human development, it has also been realised that the development of social sectors would be a formidable task in the absence of a reasonable rate of growth of the economy [Cornia, Jolly and Stewart 1987]. South-east Asian countries like Indonesia and Malaysia entered the adjustment period with high growth rates of over 7 per cent per annum. While adoption of adjustment policies resulted in the decline of growth rates in both the economics, they remained at over 5 per cent per annum for the period 1980-90, rates which are considered high by international standards for an 'adjusting country' [World Bank 1991]. In sharp contrast to the experience of most south-east Asian countries is the experience of Latin America and sub-Saharan Africa. Most countries have experienced very low (less that 2 per cent) or negative growth rates during adjustment.

Growth rates have significant implications for government expenditures, more particularly for expenditures on social sectors like education and health. Real per capita government expenditure on social services in most of the countries undergoing

adjustment in Latin America and sub-Saharan Africa declined. While social spending as a proportion of non-interest spending remained broadly constant in sub-Saharan Africa during 1980-1987, it fell in Latin America. "The aggregate effect of the fall in total government expenditure per capita in the two adjusting regions, together with the decline in the share of health and education was a decline in social spending per head of 26 per cent in sub-Saharan Africa and 18 per cent in Latin America (1980-5)" [Stewart 1992, p 190].

The impact of political factors on living standards of the poor during adjustment can best be illustrated with the example of Chile. The Chilean case is often highlighted as one in which despite an adverse macro-economic situation and consequent reduction in real per capita social sector expenditure, appropriate targeting ensured protection of the poorest sections of the population [World Bank 1990]. While this is true, it constitutes only part of the story. A peculiarity of the Chilean experience is that government policies benefited the richest and poorest groups simultaneously. Several policies such as preferential rate of exchange to dollar debtors mainly benefited the high income groups even as targeting of subsidies and distribution of food to pregnant women and children under six years of age had a beneficial impact on malnutrition and infant mortality. However, a general impoverishment of families other than those belonging to the poorest sections led to the emergence of sharp class distinctions in the country [Bourguinon and Morrisson 1992]. This shows that while specific targeted programmes are effective, their utility is limited to the short run until more egalitarian policies diffuse the benefits of growth more widely.

The lessons of the brief digression are clear. Human development policies have greater chances of success if implemented as an integral part of development strategy and with full commitment on the part of the government. As the Human Development Report, 1991, observed, "It is too often a lack of political commitment, not of resources, that is the ultimate cause of human neglect" [UNDP, 1991, p 11].

III
Human Development in India

In contrast to the conditions prevailing in Indonesia and Malaysia, the conditions with respect to human resource development in India are appalling. In 1991, the literacy rate in the country was only 52.1 per cent with 324 million in the age group of seven years and above being classified as illiterates. India has the largest pool of children in the world who do not attend school. In 1991 out of 100 million children in least developed countries who were not in school, the bulk, i e, 72.9 million were in India [UNDP 1993]. The drop-out rates at the primary level in 1989-90 at 46 per cent for boys and 50 per cent for girls [IAMR 1993] make a mockery of the 'high' gross enrolment ratios reported. The average number of years of schooling in 1990 was only 2.4 years in India as compared to 8.8 years in Korea and 5.3 years in Malaysia [UNDP 1993]. In terms of health, infant mortality continues to be high at 79 at the all-India level [Government of India 1994] even as under-nutrition is rampant.

The general economic conditions have also not been favourable to the poor. Structural transformation of the economy has remained incomplete with the share of agriculture in Gross Domestic Product having declined drastically from 42.36 per cent in 1970 to 31.8 per cent (at current prices) in 1992-93 [CSO 1994], whereas the population dependent on agriculture has declined only from over 70.7 per cent to 63.9 per cent during 1977-78 to 1987-88.

The share of agriculture and allied activities, irrigation and rural development declined steadily from 24.9 per cent in the First Plan to 20.6 per cent in the Eighth Plan. The reduced emphasis given to the agricultural sector, which is the main source of livelihood of the bulk of the rural population, is also reflected in the deceleration in public investment in agriculture [Rath 1989, Shetty 1990]. Private investment in agriculture is complementary to public investment. There has therefore been a deceleration in agricultural gross fixed capital formation in agriculture in the 80s. The annual compound rate of growth of asset formation in agriculture was 2.57 per cent in the 50s, 4.68 per cent in the 60s and -0.56 per cent in the 80s. The share of gross capital formation in agriculture to gross fixed capital formation declined from 18 per cent in 1980-81 to 9.2 per cent in 1990-91 [Mallick 1993]. The economic reform period has also witnessed a decline in gross capital formation in agriculture, which declined at 1980-81 prices from Rs 4,642 crore in 1990-91 to Rs 4,581 crore in 1991-92 and further to Rs 4,567 crore in 1992-93 [CSO 1994]. The rate of growth in agricultural output has been moderate at the trend rate of 2.6 per cent over the period 1967-68 to 1988-89 despite the 'green revolution' whose impact remained confined to select crops and regions. The agrarian structure has been marked by increasing marginalisation of holdings their share increasing from 56.4 per cent in 1980-81 to 57.8 per cent in 1985-86. Casualisation of labour is also evident with the share of such employment increasing from 31 per cent of rural workers in 1977-78 to 34.7 per cent in 1987-88. While land redistribution is not even considered as a goal any longer, politically less intractable issues such as land consolidation have also not been pursued.

The pattern of growth has not led to increase in employment. In fact, there has been a deceleration in employment growth

TABLE 1: PUBLIC SECTOR OUTLAYS ON HEADS OF DEVELOPMENT

(Rs crore)

Sl No	Period	Total (All Heads of Development)	Education	Health	Family	Sub total	Water Supply and Sanitation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	First Five-Year	1960 00	133 00	65 20	0 10	65 30.	11 00
	Plan (1951-1956)	(100 0)	(6 79)	(3 3)	(-)	(3 3)	(0 56)
2	Second Five-Year	4620 00	208.00	140 80	2 20	143 00	74 00
	Plan (1956-1961)	(100)	(4 50)	(3 0)	(0 1)	(3 1)	(1 58)
3	Third Five-Year	8576 50	418 00	225 90	24 99	250 80	458 90
	Plan (1961-1966)	(100 0)	(4 87)	(2 6)	(0 3)	(2.9)	(2 9)
4	Fourth Five-Year	15778.80	822 66	335 50	278 00	613.50	458 90
	Plan (1969-1974)	(100 0)	(5 21)	(2 1)	(1 8)	(3 9)	(2 9)
5	Fifth Five-Year	39426.20	1285.00	760 00	491 80	1252 60	1091 60
	Plan (1974-1979)	(100 0)	(3 26)	(1 9)	(1 3)	(3 2)	(2.8)
6	Sixth Five-Year	97500 00	2523.74	1821 05	1010 00	2831.10	3922.00
	Plan (1980-1985)	(100 0)	(2 59)	(1 9)	(1 0)	(2 9)	(4 0)
7	Seventh Five-Year	180000.00	6382 65	3392 89	3526 20	6649 09	6522 47
	Plan (1985-1990)	(100 0)	(3.55)	(1.88)	(1.80)	(3 69)	(3 62)
8	Eighth Five-Year	434100.00	21319.02	7575.92	6500.00	14075 92	16711.03
	Plan (1992-1997)	(100.00)	(4 91)	(1 75)	(1 49)	(3 24)	(3.85)
9	1992-93 (RE)	77127.40	2993 33	1276 29	1041 02	2317 31	2194.53
		(100 00)	(3.88)	(1 65)	(1 35)	(3 00)	(2 85)
10	1993-94 (BE)	100120.16	3983 59	1622 18	1270 00	2892 18	2944.96
		(100.00)	(3 98)	(1.62)	(1 27)	(2 89)	(2 94)

Notes: 1 Figures in parentheses indicate percentage to total.
2 Education includes general education comprising primary, secondary and university education, technical education, art and culture and sports and youth services

Sources: Government of India, Planning Commission, Five-Year Plans, respective Plans, Annual Plan, 1993-94

rates from 2.10 per cent in 1977-78 to 1983 to 1.77 per cent between 1983 and 1987-88 even after making allowance for the fact that both the years were agriculturally 'bad' years. Despite the implementation of special targeted asset distribution programmes such as IRDP and employment generation programmes such as NREP and several rojgar yojanas in recent times, the proportion of population below the poverty line continues to be high at 38 per cent in 1987-88 [Expert Group of Planning Commission 1993]. The above programmes are, by their very nature, short-term measures and do not constitute a substitute for more broad-based and employment-oriented development strategy. This needs to be stressed as the present emphasis is on initiation of specific targeted programmes for the poor even as the process of liberalisation is pushed ahead relentlessly. The fact is that the poor have neither the skills nor the assets to respond to market signals [Vyas 1993] and hence the developments in the market economy are of little relevance to them. It is in this context that human resource development acquires an overwhelming significance. Having failed to ensure a more egalitarian distribution of productive assets, an improvement in education and skill levels is the only means left to the poor sections to ensure reasonable upward mobility. Human development strategies are important not only for enhancing the quality of human resources but also as a means towards a more egalitarian distribution of income.

Given the importance of human development in the Indian context, it is a matter of regret that the political commitment at the central and state levels has been inadequate. While ritual obeisance has been paid to goals of human development in successive Five-Year Plans, social sectors have been considered as a peripheral welfare activity rather than as the central pivot on which success of all planning rests. The allocations to social sectors have been low[2] and even these have been declining. Table 1 reflects this situation. Ironically, even as the emphasis on human resources development in the plan documents has been increasing, the proportionate allocations made to these sectors has been declining. Despite such proclamations there has been no substantial step-up in allocations for social sectors. As will be observed later, even the plan allocation targets have not been met in actual practice.

Low outlays *per se* need not be a constraint to the achievement of human development goals. As Dreze and Sen (1991) pertinently note, it is the manner in which these outlays are spent and the social, political and economic conditions created that enable the benefits of the programmes to be oriented towards the deprived sections of the population. The examples of Kerala, Sri Lanka and China bear eloquent testimony to the fact that judicious use of limited funds can bring about substantial improvement in human capital.

In the case of India, not only were the public funds available for human development low, they were also allocated in distorted manner. In the case of education this is exemplified by subsidised higher education claiming a larger share of government finances than primary education. The share of primary education in total educational outlay was as high as 58 per cent in the First Plan. This share steadily declined and in the Seventh Plan, the share of primary education was only 29 per cent of the total outlay for this sector. In health, the distorted priorities are reflected in the emphasis given to the creation of expensive curative facilities rather than simple preventive measures. It has been observed that over the plan periods more that 50 per cent of the public expenditure on health services has been allocated to curative health care whereas public health services, which are more relevant to the prevention of diseases, afflicting the poor, received only around one-third of the total expenditure.[3]

This unsatisfactory state of affairs is further complicated by the varying intensity with which human development strategies have been pursued by the state governments. On the one hand, we have the example of Kerala, which has achieved high levels of adult literacy (91 per cent in 1991) and the lowest infant mortality rates (28 per thousand) in the country even with modest increase in per capita income. The long and sustained effort that has enabled Kerala to achieve high levels of literacy, particularly female literacy, is highlighted by Dreze and Sen (1989). The native states of Travancor and Cochin, which together form the preser state of Kerala, had the privilege of havin enlightened rulers who paid a great deal c attention to education. As early as 1817, th ruler of Travancore, Rani Gouri Parvath issued a command that the state should bea the entire cost of education of its people s that there might be no backwardness in th spread of enlightenment among them. Thi was a step in the right direction as "the wid educational base in Kerala seems to hav had a major impact on other public policie in the state, including medical care and foo policy, in addition to encouraging intelli gent health practice at the family level [Dreze and Sen 1989, p 223]. In shar contrast is the case of Punjab where despit a high rate of growth of income, the adul literacy level remains relatively low at 5 per cent in 1991 and the infant mortality rat high at 64 per thousand. The third categor is that of states with a poor record of growt as well as human development. Typica examples are UP, Bihar and Orissa. A pe rusal of Table 2 which presents data on ke social indicators on education and health i the year 1990-91 clearly reveals the differences across states in human development Even more worrisome is the fact that there are very sharp disparities in levels of humar development within states. The distinctly different patterns of development of region within a state are best illustrated by the situation in Maharashtra [Prabhu and Sarke 1992]. A district level Human Development Index constructed for 312 districts of the country for 1981 showed the existence of low human development districts even in better developed states [Prabhu 1992].

TABLE 2 SOCIAL INDICATORS AT STATE LEVEL

State	IMR (1990)	Life Expectancy Combined (1981-86)	Adult Literacy (Per Cent) 1991	Female Literacy (Per Cent) 1991
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	70	58.4	44.09	32.72
Assam	77	51.9	-	—
Bihar	75	52.8	38.48	22.89
Gujarat	72	57.6	61.29	48.64
Haryana	69	60.3	55.85	40.47
Karnataka	71	60.6	56.04	44.34
Kerala	17	68.4	89.81	86.17
Madhya Pradesh	111	51.6	44.20	28.85
Maharashtra	58	60.6	64.87	52.32
Orissa	123	50.0	49.09	34.68
Punjab	55	63.1	58.51	50.41
Rajasthan	83	53.5	38.55	20.44
Tamil Nadu	67	56.9	62.66	51.33
Uttar Pradesh	98	50.0	41.60	25.31
West Bengal	80	57.4	57.70	46.56

Note: Census data for Assam not available

Sources: Cols 2 and 3: CSO *Selected Socio-Economic Statistics for India*, 1991, Department of Statistics, Ministry of Finance, Government of India

Cols 4 and 5: Government of India, 1991, *Census of India* Final Population Totals: Brief Analysis of Primary Census Abstract, New Delhi

It is in this context that the development strategy articulated in the Eighth Plan which will be in operation over the 1992-97 period assumes importance. The Eighth Plan marks a noticeable shift in the approach of Indian planning towards human development. In sharp contrast to its earlier approach of treating provision of basic needs as a welfare activity, the plan document recognises that they contribute positively to development of human capital. The importance given to human development in the plan may be gauged from the following statement. "Human development will be the ultimate goal of the Eighth Plan. It is towards this that employment generation, population control, literacy, education, health, drinking water and provision of adequate food and basic infrastructure are listed as the priorities. The provision of the basic elements, which help development of human capital remain the primary responsibility of the Government of India" [Planning Commission 1992, p 16]. However, the macro-economic adjustment programme initiated in mid-1991 and the consequent financial stringency threatens to thwart the initiatives undertaken in the plan as is evident from the fact that allocations to education and health in 1992-93 and 1993-94 have been lower than the plan target (Table 1).

The relatively low level of human development, the wide disparities across states, the declining share of plan outlays devoted to human development and the distorted pattern of allocation of scarce resources form the backdrop against which the government of India is attempting to achieve structural adjustment with a human face. While this term has been bandied about a great deal, its exact elements are not widely known. The next section is devoted to an understanding of the concept.

IV
Elements of New Concept

The decade of the 1980s witnessed the phenomenon of a record number of countries in Latin America and sub-Saharan Africa undertaking stabilisation and structural adjustment measures with the active support of the IMF and World Bank. The worsening of the condition of the poor during adjustment in several countries drew the attention of policy-makers to the need for incorporating redistributive measures in the adjustment policy. Observers such as Cornia, Jolly and Stewart (1987) began to pressurise the international financial institutions to evolve structural adjustment with a human face, a concept which emerged in 1985-86 and gained acceptance in 1986-87. These economists argued that adjustment is a long-term process, the benefits reach the poor only after a long time and hence social or redistributive policies must be adopted to reduce the interim social costs. 'Adjustment with a human face' calls for required adjustment to be implemented with the minimum harm to the most vulnerable groups such as children and women [Streeten 1987]. Arguing for 'adjustment with a human face' UNICEF (1987, p 2) pointed out that "policies which undermine a nation's most valuable services—its human resources—weaken its future economic capacity".

Cornia, Jolly and Stewart (1987, pp 134-35) list out the main elements of such a strategy that must be undertaken by the governments once there is an explicit acceptance of the objective of structural adjustment with a human face. These are reproduced below.

(1) Adoption of macro policies which are more expansionary with a view to sustaining levels of output, investment and satisfaction of human needs over the adjustment period and gradually moving to acceleration of development.

(2) Meso policies[4] which are designed in such a way as to fulfil priorities in meeting the needs of vulnerable groups and producing economic growth in the context of limited resources must be adopted. In view of the resource constraint it is necessary to improve the allocation resources. Therefore, prioritising, selectivity, redistribution and restructuring are essential aspects of achieving adjustment with a human face.

(3) Implementing sectoral policies which achieve restructuring in the productive sector within any aggregate level of resource availability. This involves promoting opportunities, resources and productivity in the small-scale sector both in agriculture and in industry and services.

(4) Designing and implementing policies that increase the equity and efficiency of the social sector by redirecting effort and resources from high cost areas which do not contribute to basic needs towards low-cost basic services and by improving targeting of interventions. This implies active support for a new range of initiatives which mobilise people for health and education, and for greater community action in such areas as housing, water and sanitation will often need to be part of this.

(5) Devising compensatory programmes to protect the basic living standards, health and nutrition of the low-income during adjustment, before restructuring of production and economic growth have raised output and incomes sufficiently to enable the most vulnerable to meet minimum acceptable standards. While appropriate design for compensatory programmes depends on country circumstances, the two major elements in all such programmes are emergency public works employment schemes to sustain incomes through employment, and nutrition interventions, encompassing targeted food subsidies and direct feeding for the most vulnerable.

(6) An important element is monitoring of the living standards, health and nutrition of the vulnerable during adjustment. Such monitoring needs to be on a regular basis (quarterly for some items as with much economic data), and processed speedily so that progress can be assessed and design of programmes modified accordingly. Monitoring of the human dimension should be given at least as much weight as monitoring monetary variables has in the usual approaches to adjustment.

The actual package comprising the main elements of adjustment with a human face would vary from country to country depending on the structure of the economy, characteristics of the vulnerable sectors and so on. Cornia et al point out that whereas the IMF approach to adjustment concentrated on re-

TABLE 3: REVENUE AND CAPITAL EXPENDITURE OF THE CENTRAL GOVERNMENT, 1990-91 TO 1994-95

(*Rs crore*)

Period	Revenue Expenditure			Capital Expenditure			Aggregate
	Revenue Plan	Revenue Non-Plan	Total	Capital Plan	Capital Non-Plan	Total	Expenditure (4+7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1990-91	12620	60896	73516	15745	16037	31782	105298
(Actuals)	(5.1)	(16.6)	(14.5)	(1.3)	(21.9)	(10.8)	(13.3)
1991-92	15074	67217	82291	15887	13234	29121	111412
(Actuals)	(19.4)	(10.4)	(11.9)	(0.9)	(- 17.5)	(–8.4)	(5.8)
1992-93	19777	72925	92702	16883	13033	29916	122618
(Actuals)	(31.2)	(8.3)	(12.7)	(6.3)	(-1.5)	(2.7)	(10.1)
1993-94	24185	77654	101839	17066	13418	29484	131323
(BE)	(22.3)	(6.5)	(9.9)	(1.1)	(–4.7)	(–1.4)	(7.1)
1993-94	26355	83870	110224	19672	24185	33648	143872
(RE)	(33.3)	(15.0)	(18.9)	(16.5)	(12.5)	(12.5)	(17.3)
1994-95	28062	90749	118811	18520	17066	32888	151699
(BE)	(6.5)	(8.2)	(7.8)	(-5.9)	(1.1)	(–2.3)	(5.4)

Notes: Figures in parentheses indicate percentage change over the previous year. BE denotes budget estimates RE denotes revised estimates

Source: Annual Financial Statement of the Central Government 1994-95, Ministry of Finance, Government of India

storing balance at the aggregate level leaving meso implications to fall out from the existing system, the alternative approach in sharp contrast includes meso policies as an integral part of adjustment policies even as the importance of restoring macro balances is not undermined. The adoption of this alternative strategy therefore implies that appropriate measures need to be devised and implemented as an integral part of the reform process rather than as 'add on' component subsequently when the adverse impact of the reforms have already caused considerable damage.

V
Union Budget 1994-95

The main feature of the budget proposals for 1994-95 is the adoption of a more expansionary policy by the government. The revised estimates for 1993-94 deviate substantially from the budget estimates presented. There has been a shortfall in total revenues to the extent of Rs 7,803 crore even as expenditure exceeded budget estimates by a whopping Rs 12,549 crore. Consequently the gross fiscal deficit has exceeded the budget estimate by Rs 21,952 crore to touch Rs 58,551 crore, 7.4 per cent of GDP. This is much higher than the 4.6 per cent deficit that was visualised in the budget estimate. More pertinent is the fact that the revenue deficit which was expected to be pegged at Rs 17,630 crore (2.2 per cent of GDP) almost doubled to Rs 34,058 crore (4.3 per cent of GDP).

The 1994-95 budget proposals do not attempt any substantial reduction in the deficit as the targeted figure of Rs 54,915 crore constitutes 6.1 per cent of GDP. Given last year's experience of considerable laxity in fiscal discipline, a repeat performance in the coming year should not come as a surprise.

The relatively expansionary policy, it is claimed, is a deliberate move to stimulate growth in the economy. This measure apparently also is in keeping with the requirements of adjustment with a human face. However, the similarity is only at the superficial level. The expansionary policy advocated by Cornia et al is one that leads to sustaining of investment and output levels and enhancing the productive capacity of the economy. The current fiscal gap in India is more on account of the burgeoning revenue deficit due to uncontrolled increase in expenditure. The strategy of the government has been to use the surplus on government's capital account to finance its revenue deficit.

The compression in expenditure at the central level has affected capital expenditure which has declined even in nominal terms in most years since 1990-91 (Table 3). In 1991-92, aggregate capital expenditure in nominal terms declined from Rs 31,782 crore to Rs 29,121 crore, i e, a decline of 8.4 per cent. While the expenditure recovered marginally to Rs 29,916 crore in 1992-93 (increase of 2.7 per cent), the budget estimates for 1993-94 indicated a marginal decline of 1.4 per cent. The revised estimates of 1993-94 however show an increase of 12.5 per cent over the budget estimates. The 1994-95 budget estimates once again indicate a decline of 2.3 per cent in the aggregate capital expenditure of the central government. The overall trend has been one of axing capital expenditure which does not augur well for maintaining, let alone enhancing, the productive capacity of the economy.

One welcome feature of the current budget is the fact that there is a substantial increase in allocations proposed for social sectors in nominal terms (Table 4). This is perhaps in response to the concern expressed in various quarters regarding the budgets since 1991-92 that the allocations to social sectors in real terms may have declined. The allocation for education (including art and culture) has been budgeted at Rs 1,749 crore which constitutes an increase of 15.67 per cent over that of the previous year. Moreover, the emphasis within the education sector is to be on elementary education and increased central support to library facilities. The health and family welfare outlay has increased from Rs 1,780 crore to Rs 2,008 crore. The health outlay has been raised from Rs 506 crore to Rs 578 crore (14.23 per cent increase). Within the health sector, blindness eradication, leprosy and AIDS prevention are to be emphasised. Family welfare would receive increased allocation from Rs 1,274 crore to Rs 1,430 crore, an increase of 12.24 per cent over the previous year. Several employment programmes have also received enhanced allocations, e g, the employment assurance scheme announced by the prime minister on August 15, 1993, which is being implemented in 1,752 identified blocks of the country would receive an allocation of Rs 1,200 crore; National Renewal Fund's allocation increased by Rs 320 crore taking the total to Rs 1,020 crore. The latter scheme benefits mainly organised sector employees as it is meant for funding of voluntary retirement schemes in public sector undertakings and financing of training and counselling.

While not discounting the above positive features of the proposed central government expenditures, the following facts need to be borne in mind in order to arrive at a realistic assessment of their impact on human development.

(1) The central plan outlays on major social services has increased slightly from 3.4 per cent of GDP in 1990-91 to 4.4 per cent of GDP in 1993-94 (BE). However, revised estimates for 1993-94 show that the share was only 4 per cent of GDP. In 1994-95 (BE) though there was an increase in share to 4.3 per cent this is lower than the budget estimates of 1993-94.

(2) More importantly, the bulk of expenditure (80 to 90 per cent) on education and health is incurred by the state governments. Ironically, in the case of education, which is on the concurrent list, the central government's participation is much more limited than in the case of health which is a state subject. In the case of education, in 1990-91 (Accounts), the revenue expenditure of the central government was Rs 1,274.54 crore which constituted only 8 per cent of the total revenue expenditure incurred by the central and state governments on this sector. It is estimated that in

TABLE 4 CENTRAL GOVERNMENT PLAN OUTLAY ON SELECT SOCIAL SERVICES

(Rs crore)

Sl No	Item	1990-91 (Actuals)	1991-92 (Actuals)	1992-93 (Actuals)	1993-94 (BE)	1993-94 (RE)	1994-95 (BE)
1	Education, arts and culture	965	993	1175	1489	1512	1749
			(2 90)	(18 33)	(26 72)	(1 54)	(15 67)
2	Health and family welfare	1037	1101	1531	1753	1780	2008
			(6 17)	(39 06)	(14.50)	(1 54)	(12 81)
3	Water supply, sanitation and housing	718	845	690	1043	1060	1305
			(17 69)	(18 34)	(51 16)	(1 63)	(23 11)
4	Information and broadcasting	154	112	51	75	64	61
			(-27.27)	(-54 46)	(47 06)	(-14 67)	(-4.69)
5	Welfare of SC/ST and OBC	344	414	479	558	589	632
			(20 35)	(15 70)	(16 49)	(5 56)	(7 30)
6	Labour and labour welfare	20	69	63	160	65	126
			(245.00)	(-8.70)	(153 97)	(-59.38)	(93 85)
7	Social welfare and nutrition	359	413	605	652	661	735
			(15.04)	(46 49)	(7 77)	(1 38)	(11 20)
8	Total	3597	3947	4594	5730	5731	6616
		(3 4)	(3 5)	(3 7)	(4 4)	(4 0)	(4 3)

Notes: 1 Figures in parentheses under items 2 to 7 indicate percentage change over previous year
2 Figures in parentheses under item 8 indicate percentage to GDP

Source: Government of India, *Expenditure Budget Volume I* for respective years

the health sector, the central government financed around 11 per cent of the total expenditure on medical and public health in the country in 1992-93 while the share of the states was as high as 89 per cent [Tulasidhar 1993]. World Bank estimates place the share of the central government higher at 27.4 per cent in 1991-92 [World Bank, 1993]. The central support to the health sector is mainly in terms of financial support to medical education and research, centrally sponsored programmes, central government health scheme and the family welfare programme. Under the circumstances, the role of the central government may be seen more as one of indicating priorities and providing leadership in the field rather than one of deciding upon allocations and actually incurring the said expenditures.

The thrust of the above arguments is that while changes in the centre's financing of the social sectors as observed in the current budget proposals are welcome their impact is at best symbolic as it is the states which incur a major proportion of the expenditure on these sectors. Hence the financial position at the level of the states' and their commitment to social sector development are crucial determinants in achieving 'Structural Adjustment with a Human Face'. The next section is therefore devoted to an examination of these issues.

VI
State Level Expenditures

The impact of the resource crunch at the central level has resulted in a decline in the share of developmental expenditure in the total expenditure. The share of developmental expenditure declined from 54.3 per cent of total outlay in 1990-91 to 48 per cent in 1993-94 (BE) (Table 5). At the states' level the decline has been from 68.8 per cent to 64 per cent during the same period. When the developmental expenditure by the centre, states and union territories is considered, the decline continues to be quite sharp from 58.8 per cent to 52.9 per cent between 1990-91 and 1993-94.

The financial stringency at the central level has also had its repercussions on state finances which were already under considerable pressure since the mid 1980s. As the *RBI Bulletin* of October 1993 remarks, "The consolidated position of the finances of state governments during 1993-94 indicates an accentuation of the imbalances in their budgetary operations as revealed by the major deficit indicators" [RBI 1993, p 1285].

The gross fiscal deficit of states which rose by 5.8 per cent in 1992-93 increased further by 18.6 per cent in 1993-94 leading to an increase in the ratio of gross fiscal deficit to GDP from 2.8 per cent to 3 per cent. While the gross fiscal deficit of the states is lower than that of the central government, the worrying aspect is that for the seventh year in succession the consolidated financial position of the states shows a deficit on the revenue account [RBI 1993].

As mentioned earlier, the resource crunch has affected the developmental expenditure of the states. Along with the above trend is also observed a consistent pattern of shortfall in actual plan expenditures from approved outlays (Table 6). In real terms plan expenditure has been declining at least since 1990-91. Along with the decline in plan expenditures, there has also been a reduction in the share of expenditure on social services. The share on social services in total plan outlay of centre, states and union territories has declined from 16.5 per cent in 1990-91 to 15.4 per cent in 1993-94. These shares are also lower than the Eighth Plan target of 18.2 per cent in total plan outlay. Given the fact that for the first time in the history of planning in India human development has been made 'the ultimate goal', it is ironical that the share of these very sectors in the total plan outlay has suffered a decline. Thus the allocations to the social sectors are doubly disadvantaged. Not only is there a shortfall in actual total plan expenditures at the state level from those approved, there is also a reduction in the lower outlays for the social sectors. The financial position of the states has much to do with this phenomenon as the bulk of expenditures on social sectors is incurred by the state governments. The situation for 1994-95 is not clear as the budget documents of all the state governments are yet to be analysed. However the situation is not likely to be different from the earlier years in view of the financial stringency that continues to affect the states and the proposed reduction of Rs 1,341 crore in net resources transferred to states in 1994-95 (Table 7).

A combination of circumstances have contributed to the acute financial crisis of the state governments. In the recent past the states have had to suffer a decline in their share in central taxes as well as non-plan grants from the centre. The gross devolution of resources from the centre have decelerated significantly since 1991-92. The growth rate in tax revenue decelerated from 21.5 per cent in 1992-93 to 7.1 per cent in 1993-94 whereas the growth rate for grants declined from 20.6 per cent to 2.9 per cent during the same period [RBI 1993]. The centre has embarked on a course of reducing/surrendering revenues in which states have a share. The centre's policy has also made small savings, which were a major source of borrowings at the states' level, less attractive.

Table 6 State Plan Expenditure

(Rs crore)

Years	Approved Outlay	Actual Outlay
1990 91	23462	22443
1991 92	27208	24950
1992 93	29868	25303
1993 94	34695	—

Source: Planning Commission, *Annual Plans*, various issues

Table 7 Net Resources Transferred to States and Union Territories

(Rs crore)

1990 91 (RE)	37332
1991 92 (RE)	42396
	(13.56)
1992 93 (RE)	47863
	(12.90)
1993 94 (RE)	54127
	(13.09)
1994 95 (BE)	53786
	(–0.63)

Notes: 1 The data presented are revised estimates rather than actuals as the latter are not available from Plan documents.
2 Figures in parentheses give percentage increase over the previous year.

Source: Annual Financial Statement of the Central Government

Table 5 Developmental and Non-Developmental Expenditure of the Central and State Governments

(Rs crore)

Year	Central		States		Combined	
	Development Expenditure	Total Expenditure	Development Expenditure	Total Expenditure	Development Expenditure	Total Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1990 91	58645	108012	62831	91288	98151	166883
	(54.3)	(100.0)	(68.8)	(100.0)	(58.8)	(100.0)
1991 92*	61807	114500	73932	114981	108766	195456
	(54.0)	(100.0)	(64.3)	(100.0)	(55.7)	(100.0)
1992 93*	65577	125691	79948	122595	117378	214477
(RE)	(52.2)	(100.0)	(65.2)	(100.0)	(54.7)	(100.0)
1993 94*	65245	135799	85430	133524	121080	229020
(BE)	(48.0)	(100.0)	(64.0)	(100.0)	(52.9)	(100.0)

* Regarding state governments data relate to 25 states of which 11 are from Vote on Account Budgets.
Figures in brackets indicate per cent to total expenditure.
Source: Reserve Bank of India, *Annual Report*, various issues

While the centre has tried to compensate for the decline in tax and non-plan grants by substantially increasing the loan component, its impact is reduced by simultaneously increasing the rate of interest on such loans. The rate of interest on central loans has been continuously revised upwards and at present carry an interest rate of 12 per cent. There has also been a step-up in the market rate of interest on borrowing of the states to 13.5 per cent.[5] The sharp increase in interest burden of the states is evident from the fact that it is estimated to rise from Rs 9,694.81 crore in 1993-94 (RE) to Rs 11,126.50 crore in 1994-95. Furthermore, the continuous upward revisions in dearness allowance and other benefits to central government employees have forced the state governments to follow suit thereby contributing substantially to a rise in their administrative expenses.

The devaluation of the rupee in mid-1991 has also contributed to a sharp increase in the rupee costs of state level projects. In fact the centre has had to enhance the budgetary support to plan expenditure to states on the current year from Rs 41,251 crore provided for in the budget estimate to Rs 46,026 crore, i e, an increase of Rs 4,775 crore. Of this as much as Rs 3,493 crore was intended as assistance to the states for financing their plans. The finance minister in his budget speech has explicitly stated that a large part of this amount relates to externally-aided projects (p 11, Part A of Budget Speech).

Analysis conducted earlier indicates that financial stringency severely affects the states' expenditures on social sectors [Prabhu and Chatterjee 1993]. It was observed that between 1974-75 and 1991-92 there was an increase in the real per capita total expenditure (RTE), real per capita social sector expenditure (RSE), real per capita education expenditure (REDN) as well as real per capita medical and public health expenditure (RMPH). However, an analysis of the growth rate of these four categories of expenditures between two sub-periods, viz, 1974-75 to 1984-85 and 1985-86 to 1991-92 revealed a sharp deceleration in all categories of expenditure in the second sub-period except for REDN in some states. The impact of the deceleration was on RSE, whose rate of growth declined sharply during the second period in all states. Within the social sectors the decline in the growth rate was experienced to a greater extent by MPH where all the 15 states experienced sharp deceleration in growth rates with as many as six states recording negative growth rates. In the case of REDN, the growth rate declined in as many as nine states. There was a step up in growth rates in REDN in Madhya Pradesh, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh [Prabhu and Chatterjee 1993]. Considering the general deceleration in RSE and a very sharp deceleration in RMPH in the above states, it seems probable that the expenditures on education have been enhanced at the expense of the expenditures on health. Given the synergistic relationship between education, health and nutrition, the above short-sighted policy, to say the least is, self-defeating in nature.

The above situation, it must be recalled, was in the context of financial stringency at the level of the states and not at the centre. The sectors that where the centre's contribution was significant therefore escaped a cut. In fact, preliminary analysis of the trends in revenue and capital expenditures in the health sector in Maharashtra indicates that capital expenditure was relatively protected as compared to revenue expenditure [Prabhu 1994]. The current scene is however one of fiscal stringency at both the central as well as the state levels and its repercussions could be more damaging than in the earlier period. Additionally, the centre is keen on relegating the responsibility in the education and medical spheres to the private sector, including voluntary agencies, in the belief that this will improve the efficiency with which services are provided.

Some preliminary exploratory analysis conducted for the years 1991-92-1993-94 with respect to education, health and social services for four states provides interesting insights in this regard. Pending the publication of the Reserve Bank of India's data on state finances for the years 1992-93 (revised estimates) and 1993-94 (both budget and revised estimates), an attempt has been made to compile the data from individual state

TABLE 8: PER CAPITA SOCIAL SECTOR EXPENDITURES AT STATE LEVEL: SELECT STATES

States	Education		Medical and Public Health		Family Welfare		Water Supply and Sanitation		Total Social Services		
	Revenue (Rs)	Total (Rs)	Revenue (Rs)	Total (Rs)	Revenue (Rs)	Total (Rs)	Revenue (Rs)	Total (Rs)	Revenue (Rs)	Total (Rs)	Percentage Change in (11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Punjab											
1991-92 (Ac)	97.92	103.42	29.18	29.54	3.79	4.16	9.24	9.25	173.97	193.19	
1992-93 (RE)	113.67	114.09	31.25	32.72	4.92	6.51	13.34	13.40	201.93	216.35	(11.99)
1993-94 (BE)	117.10	121.63	32.87	34.65	6.32	7.67	12.20	12.27	209.62	242.66	(12.16)
Maharashtra											
1991-92 (Ac)	95.31	95.71	21.22	22.08	3.25	3.25	9.46	12.67	163.03	172.82	
1992-93 (RE)	105.45	105.94	23.60	24.38	3.87	3.99	10.88	11.36	182.85	190.59	(10.28)
1993-94 (BE)	99.70	100.42	23.37	24.17	4.03	4.39	7.69	10.46	170.38	181.16	(–0.05)
Tamil Nadu											
1991-92 (Ac)	94.52	96.52	22.86	23.64	5.07	5.31	12.10	15.48	190.12	201.60	
1992-93 (RE)	102.46	102.98	26.19	26.71	5.12	5.33	12.08	13.96	206.41	213.49	(5.90)
1993-94 (BE)	115.33	115.74	28.89	29.45	5.90	6.04	13.16	15.68	211.72	223.68	(4.77)
Uttar Pradesh											
1991-92 (Ac)	52.91	53.03	12.58	13.65	4.83	4.33	4.44	6.15	90.51	95.02	
1992-93 (RE)	59.06	60.22	13.96	14.59	3.66	3.86	4.96	5.09	95.54	102.73	(8.11)
1993-94 (BE)	63.16	64.01	14.16	15.19	3.16	3.36	3.16	4.03	99.11	105.45	(2.65)

Notes: (1) Ac = Actuals; BE = Budget Estimates; RE = Revised Estimates; (2) Per capita total expenditures include Revenue and Capital Expenditures in case of Education, Medical and Public Health and Family Welfare; (3) Per capita total expenditures include Revenue, Capital Expenditures and Loans and Advances in case of Water Supply and Sanitation and Total Social Services (Cols 9 and 11); (4) Total social services include Housing and Urban Development, Information and Publicity, Welfare of SC, ST and OBC, Labour and Labour Welfare, Social Security and Welfare, Nutrition, Expenditure on National Calamities, other Social Services and Secretariat Social Services in addition to the categories mentioned above; (5) Figures in parentheses indicate growth rate (percentage) over the previous year; (6) Deflated Using Consumer Price Index for Industrial Workers (1982=100).

Source: Annual Financial Statements of Respective State Governments, 1993-94 as laid before the parliament.

budget documents for the respective years. While all possible care has been taken to confirm to the RBI classification of expenditures, it is likely that the figures compiled by us may not exactly tally with those of RBI due to inclusions/exclusions of some minor items of expenditure. Hence, our data must be viewed as approximations of the trends and are strictly provisional in nature. The emphasis therefore is more on the direction and extent of change rather than on absolute numbers.

The data pertain to four states, viz, Punjab, Maharashtra, Tamil Nadu and Uttar Pradesh. The four states represent four typologies of social sector development. Punjab, despite being the state with highest per capita income has lagged behind Kerala in crucial human development indicators though in recent years it has stepped up efforts in this regard. Maharashtra is a state with identical ranking in per capita SDP and human development, ranking third among 15 states in both respects [Prabhu and Chatterjee 1993]. The intra-sectoral allocations in both the education and health sectors however reveal a clear bias towards higher level facilities. The state is also characterised by sharp regional disparities in its development [Prabhu and Sarker 1992]. The state of Tamil Nadu, despite its ranking seventh among 15 states in terms of per capita SDP in 1990-91, recorded per capita expenditures on par with that of Maharashtra and even Punjab in some aspects. Moreover, a larger proportion of these expenditures is directed towards items of social priority such as elementary education, preventive health care, nutrition and water supply and sanitation. In recent years, the state has been in the forefront of implementing innovative social welfare schemes which reflects a strong political commitment to the cause of the poor [Guhan 1992]. Finally, Uttar Pradesh represents a state with low level of per capita income as well as low level of human development. The state ranked 12 in terms of per capita SDP and 13 in terms of human development.

The per capita state government expenditures on education and health for the years 1991-92 to 1993-94 are presented in Table 8. As may be observed almost the entire expenditure incurred is on revenue account with capital expenditure being negligible in all states. The annual growth rates in social services expenditure were higher between 1991-92 and 1992-93 than for the later year, i e, 1992-93 to 1993-94 in all states except in Punjab where there was a marginal step-up from 11.99 per cent in 1991-92-1992-93 to 12.16 per cent in 1992-93-1993-94. The state of Tamil Nadu has been able to maintain an annual growth rate of over 4 per cent in real per capita expenditures on social services despite a severe resource crunch. In Uttar Pradesh, a state where the per capita social sector expenditure is half or even less than half of the expenditure incurred in Punjab and Tamil Nadu, the rate of growth fluctuated sharply between the two years. The allocations to family welfare and water supply and sanitation seemed to have suffered an absolute decline in real terms in 1993-94 as compared to the previous year. In Maharashtra also per capita revenue expenditure on social services in general, and education and water supply and sanitation in particular, declined in 1993-94 as compared to 1992-93. The per capita expenditure on medical and public health also was marginally lower in 1993-94.

The above brief analysis of the trends in social sector expenditures reveal the complex nature of responses to the structural adjustment programme among Indian states. The expenditure pattern in Tamil Nadu seems to contradict Ravallion and Subba Rao's (1992) observation that social sector allocations improved in states where internal financial discipline was maintained. In the past, it was observed that in states with the lowest debt service ratio, there has been a steady increase in government spending on social sectors. This was particularly true in case of states ruled by opposition parties. Tamil Nadu seems to be able to maintain its social sector commitments despite acute resource crunch. The question that inevitably crops up in this context is whether such spending can be sustained in the long run in the absence of either a high rate of growth of the state's economy or a substantial step-up in additional resource mobilisation efforts.

We had argued earlier that low per capita expenditure *per se* do not lead to poor outcomes. It is the pattern of expenditure and the efficiency with which these expenditures are incurred that is crucial in determining the level of human development. Some evidence of the distorted pattern of expenditure was presented in Section III. The intra-sectoral allocations in education and health in the years 1985-86 and 1991-92 for 15 major Indian states confirm the observations made at the aggregate level and provide adequate evidence that there has been no change in the pattern of expenditure on these sectors.

The share of expenditures incurred on elementary education, on an average, was around 50 per cent in 1985-86 and 1990-91 though in some states there was an increase in share for this sector across the two time points. In the case of health, public health expenditures accounted for, on an average, only 12.6 per cent of total expenditure on the sector in 1985-86. However, by 1990-91, even this meagre share declined to 10.6 per cent. As many as 13 states reported an increase in the share of medical expenditures between 1985-86 and 1990-91 [Prabhu and Chatterjee 1993].

The current fiscal crisis offers an excellent opportunity to restructure the entire education and health systems. The response of the government at the centre as well as the states thus far has been to resort to *ad hoc* measures with allocations fluctuating from year to year. The evidence from the health sector financing at the central level indicates that the expenditures on disease control programmes, which are essentially in the nature of preventive health spending, have been cut even as medical expenditure on facility-based disease control programmes suffered minimal cuts [Tulasidhar 1993].

There is no evidence either of increase in efficiency of spending. The expenditures in these sectors have been predominantly revenue expenditure, the bulk of which is preempted by the salary component leaving very little for commodity purchases. The impact of such distorted priorities on the quality of services provided at public institutions is too well known to need repetition. The curious phenomenon of unutilised health and education services at the village level bear testimony to the lack of faith of the people in the very institutions created to serve them. In the case of the health sector only 8.2 and 5.8 per cent of all illness episodes in rural and urban areas respectively were referred to the primary health centres [NCAER 1992]. In education, it was reported in the 42nd Round of the NSS that in 1986-87, 30 per cent of children never enrolled in schools had cited 'not interested' as the cause for non-enrolment (NSS). Commenting on this, Minhas (1991, p 5) states, "Although the non-interest in enrolment might be considered a demand side constraint on access to education by many, I am of the view that the main cause for being 'not interested' in enrolment may reside in the lack of facilities... In other words, it is not only the physical non-availability of schools as such but also the poor quality of what is available".

It has been observed that when faced with expenditure compression on the one hand and increasing socio-political pressure for educational expansion on the other the governments tend to trade off quality for quantity [Tilak 1993]. Commenting on the impact of the structural adjustment programme on the educational sector Tilak states, "First, quality of education gets traded off for quantitative expansion. The policy-makers find a compromise solution of apparent maintenance of the *status quo* by meeting the quantitative demand fairly satisfactorily but by diluting the quality of education, with inadequate allocation of physical and monetary resources for programmes and objects relating to improvement in quality..." (p 136). Special efforts need to be taken to ensure that the low quality of services provided do not deteriorate further.

Conclusions

The structural adjustment programme in the country is being implemented against a background of incomplete structural transformation, high-level of poverty, low level of human development and distorted patterns of expenditure in education and health which are attuned more towards higher level facilities as compared to primary level institutions. Complicating the issue further is the fact that the bulk of expenditures on social sectors is incurred by the state governments which have pursued human development strategies with varying degrees of intensity. Given such dismal initial conditions and a low rate of growth of the economy in the past three years, the pursuit of 'structural adjustment with a human face' depends to a very large extent on the prioritisation of goals and the degree of political commitment at both the centre and the states' level. Such a strategy requires the adoption of a series of measures of which financial allocations form only one of several equally important elements. The crux of the matter is that the approach requires human development goals to be an integral part of the strategy of structural adjustment as well as development.

While not undermining the new initiatives taken so far at the central level, it needs to be pointed out that development of these sectors is a long and arduous task and sustained effort in this direction over a long period of time is essential. Given the responsibility of the states in this regard, the present situation wherein the financial allocations keep fluctuating in view of the fiscal exigencies do give an impression of the lack of a long-term perspective in this regard. The present tendency is to initiate several rather conspicuous social welfare programmes without adequate planning or preparation at the ground level. Further the implementation of individual social welfare schemes is being interpreted as adhering to the concept of adjustment with a human face. As it was repeatedly stressed earlier, the concept implies that the bias towards the poor is to be built in to all measures taken by the government and its responsibility does not end with the initiation of specific schemes. What is necessary is the identification of various components of an integrated human development strategy and implementation of projects with appropriate sequencing so as to yield maximum social returns. Furthermore, given the synergistic relationship between education, health and nutrition, the measures adopted in the past in some states of accelerating expenditures on education even as the health sector's allocations suffer needs to be curbed.

In a country of India's size and diversity there are limitations to what the governments even with the best of programmes can achieve. The participation of the people, particularly women and the adoption of community approach are imperative if the success of social sector programmes is to be ensured. Recent examples from Tamil Nadu in the field of social welfare programmes bear ample testimony to this. The adoption of the structural adjustment programme, to use a cliche, offers both a challenge and an opportunity to overhaul the system that organises and delivers social services. The enhancing of allocations at the central level could, at best, serve as a signal to the states to follow similar policies. However, the other elements of the strategy of structural adjustment with a human face which involve, *inter alia*, prioritising, reorganisation and targeting, ensuring equity and monitoring (possibility every quarter) of human development outcomes during structural adjustment programme needs to be given top priority at the highest level. The sheer magnitude of the problem involving over 300 million people below the poverty line and 324 million illiterates demands an immediate and sustained response from the government. The stakes are too high and the magnitude of the problem too large to be swept under the carpet. The repercussions of failing India's vulnerable sections could trigger off responses which may seriously undermine the very sustainability of reforms. It is in the enlightened self-interest of all concerned to adopt structural ajustment with a human face whole-heartedly and with all its implications.

Notes

[Extensive discussions with S L Shetty and Romar Correa helped me a great deal in the preparation of this paper. Sangita Kamdar and A Radha compiled data from state budget documents and provided valuable research assistance. N V Ramaswamy, in his usual efficient manner, transformed an untidy manuscript to a neat final copy in record time. My gratitude to each one of them. The usual caveat applies.]

1 There have been several criticisms of the methodology adopted by the UNDP for constructing the Human Development Index. Criticism has been on choice of indicators, weights given to the indicators as well as on the utility of such an index [Bhanoji Rao 1991, McGillivray 1991, Prabhu and Sarker 1994]. For the present purpose, it will suffice to recognise its utility as a crude indicator of human development across countries.

2 The allocations to education and health are at par with the average levels in other Asian countries and hence considered adequate by studies conducted at the World Bank [Griffin 1992, Tan and Mingat 1992]. However, in view of the low level of human development and the large magnitude of the task, a higher allocation of at least 6 per cent of GNP is recommended by experts [Bhanoji Rao 1992] as well as official bodies [ICSSR-ICMR Joint Panel 1981, Government of India 1986, Planning Commission 1992).

3 Private expenditures on health are high and are estimated to account for as much as 75 per cent of total expenditure on health in the country (World Bank 1993). The high level of private expenditure in the context of low incomes and widespread poverty indicates that expenditures are diverted from essential consumption to unavoidable curative medical care [Griffin 1992]

4 Van Der Hoeven (1991) defines meso policies as those that "deal with the consequences of macropolicies on special groups, the poor in particular. They encompass, the way taxes are collected, government expenditure is distributed, and how credit and interest rate policies, etc, are carried out in practice" Meso policies rely more on direct government intervention rather than on market forces.

5 The rate of interest on small savings loans was 13.5 per cent from June 1, 1991, was raised to 14.5 per cent from June 1, 1992, 15 per cent from June 1, 1993. The rate of interest on other plan and non-plan loans was raised to 10.75 per cent from June 1, 1991 to 11.75 per cent from June 1, 1992 and from June 1, 1993, these loans carry an interest rate of 12 per cent [Receipts Budget 1994-95].

References

Bourguinon, F and C Morrisson (1992): *Adjustment and Equity in Developing Countries: A New Approach*, Development Centre Studies, Organisation for Economic Co-operation and Development, Paris

Cornia, G, Jolly R and F Stewart (eds) (1987): *Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth*, Vol I, Oxford University Press, Oxford, UK and UNICEF

CSO (1994) *Quick Estimates of National Income, Consumption Expenditure, Saving and Capital Formation*, 1992-93

Demery L and D Demery (1991): 'Poverty and Macroeconomic Policy in Malaysia, 1979-87', *World Development*, Vol 19, No 1, pp 1615-32.

Dreze J and A K Sen (1989): *Hunger and Public Action*, Clarendon Press, Oxford

—(1991). 'Public Action for Social Security: Foundations and Strategy' in E Ahmad, J Dreze, J Hills and A K Sen (eds), *Social Security in Developing Countries*, Clarendon Press, Oxford.

Government of India (1991). *Selected Socio Economic Statistics for India*, Department of Statistics, Ministry of Finance.

—(1994): Annual Financial Statement of the Central Government 1994-95, Ministry of Finance.

—(1994): *Economic Survey, 1993-94*, Ministry of Finance.

—(1986): *National Policy on Education*, New Delhi

Governments of Punjab, Maharashtra, Tamil Nadu and Uttar Pradesh (1993): Individual Annual Financial Statement 1993-94.

Griffin Charles C (1992) *Health Care in Asia: A Comparative Study of Cost and Financing*; World Bank Regional and Sectoral Studies, The World Bank, Washington, DC.

Guhan, S (1992): 'Social Security for the Unorganised Poor, A Feasible Blueprint for India', Discussion Paper presented at Symposium on Economic Growth, Sustainable Human Development and Poverty Alleviation in India, held at Indira Gandhi Institute of Development Research, Bombay.

Hoeven, Rolph Van Der (1991): 'Adjustment with a Human Face: Still Relevant or Overtaken by Events?' *World Development*, 19(12), p 1835.

Heller P S, A Lans Bovenberg, T Catsambas, Ke-Young Chu, and P Shome (1988). *The Implications of Fund-Supported Programmes for Poverty: Experiences in Selected Countries*, Occasional Paper No 58, International Monetary Fund, Washington, DC.

Indian Council of Social Science Research (ICSSR) and Indian Council of Medical Research (ICMR) (1981): *Health for All: An Alternative Strategy*, Indian Institute of Education, Pune.

Institute of Applied Manpower Research (IAMR 1993), *Manpower Profile India Yearbook* 1992-93, New Delhi.

Kakwani N, Elene Makonnen and Jacques Van der Gaag (1990): *Structural Adjustment and Living Conditions in Developing Countries*, WPS 467, The World Bank.

Mallick, S K (1993): 'Capital Formation in Indian Agriculture: Recent Trends', *Indian Journal of Agricultural Economics*, XLVIII(4), October-December, pp 667-77.

McGillivray Mark (1991): 'The Human Development Index: Yet Another Redundant Composite Development Indicator?' *World Development*, Vol 19(10), pp 1461-68

Minhas, B S (1991): 'Educational Depravation and its Role as a Spoiler of Access to Better Life in India', Technical Report No 9104, Indian Statistical Institute, New Delhi.

National Council of Applied Economic Research, (NCAER), (1992): *Household Survey of Medical Care*, New Delhi.

National Sample Survey Organisation (NSSO) (1989): *Forty-Second Round* (July 1986-June 1987), Report No 365, Participation in Education Part II: Major States.

Noss A (1991): *Education and Adjustment: A Review of the Literature*, WPS 701, The World Bank.

Planning Commission (1992): *Eighth Five-Year Plan 1992-97*, New Delhi.

—(1993): *Report of the Expert Group on Estimation of Proportion and Number of the Poor*.

Prabhu K Seeta (1992): 'Regional Dimensions of Human Development in India: Implications for the Eighth Plan', mimeo, paper presented at the seminar, Issues Pertaining to the Eighth Plan at the University of Bombay, April 16.

—(1994): 'Financing of Health Sector in Maharashtra', paper presented at the Seventy-Sixth Annual Conference of the Indian Economic Association, included in Conference Volume of the Indian Economic Association, pp 24-31.

Prabhu K Seeta, and P C Sarker (1992): 'Identification of Levels of Development: Case of Maharashtra', *Economic and Political Weekly*, Vol XXVI (36) pp 1927-37

— (1994): 'Measuring Human Development', *Journal of Educational Planning and Administration*, forthcoming.

Prabhu K Seeta, and Sangita Kamdar (1993): 'Structural Adjustment with a Human Face: Inferences for India', paper presented at the seminar on 'New Economic Policy', Lala Lajpatrai College, Bombay, January 9.

Prabhu K Seeta and S Chatterjee (1993): *Social Sector Expenditures and Human Development: A Study of Indian States*, Development Research Group Study No 6, Reserve Bank of India, Bombay.

Rao Bhanoji V V, (1991): 'Human Development Report, 1990: Review and Assessment', *World Development*, Vol 19(10), pp 1451-60.

—(1992). 'A Note on Financing Education: Towards a Strategy for the 1990s and Beyond', *Journal of Educational Planning and Administration*, VI(1), January, pp 73-78.

Rath, Nilkantha (1989): 'Agricultural Growth and Investment in India', *Journal of Indian School of Political Economy*, Vol 1(1), January-June, pp 64-83.

Ravallion M and K Subbarao (1992): 'Adjustment and Human Development in India', *Journal of Indian School of Political Economy*, January-March, pp 55-79.

Reserve Bank of India (1993): 'Finances of State Governments—1993-94, Highlights', *Reserve Bank of India Bulletin*, October.

Sahn D E (1989) *Fiscal and Exchange Rate Reforms in Africa: Considering the Impact upon the Poor*, Cornell University, Food and Nutrition Policy Programme, Washington, DC. Prepared for Africa Bureau, USAID

Shetty, S L (1990): 'Investment in Agriculture: Brief Review of Recent Trends', *Economic and Political Weekly*, Vol 25 (7 and 8), pp 389-98.

Stewart F (1992). 'The Many Faces of Adjustment' in Mosley P (ed), *Development Finance and Policy Reform*, St Martin's Press New York.

Tan Jee-Ping and Mingat Alain (1992): *Education in Asia: A Comparative Study of Cost and Financing*, World Bank Regional and Sectoral Studies, The World Bank, Washington, DC.

Thorbecke E (1991). 'Adjustment, Growth and Income Distribution in Indonesia', *World Development*, Vol 19, No 11, pp 1595-1614.

Tilak J B G (1993): 'Economic Reforms and Investment Policies in Education', *Perspectives in Education*, Vol 9, No 3, pp 133-46.

Tulasidhar V B (1993). 'Expenditure Compression and Health Sector Outlays', *Economic and Political Weekly*, Vol XXVIII, pp 2472-77.

United Nations Children's Fund (UNICEF) (1987): *The State of the World's Children*, UNICEF, Division of Information and Public Affairs, New York.

United Nations Development Programme (1991, 1992, 1993). *Human Development Report*, Oxford University Press, New York

Vyas, V S (1993): 'New Economic Policy and Vulnerable Sections: Rationale for Public Intervention', *Economic and Political Weekly*, Vol XXVIII(10), pp 405-07.

World Bank (1990): *Adjustment Lending Policies for Sustainable Growth*, Policy and Research Series No 14.

—(1991). *Trends in Developing Economies*, The World Bank, Washington, DC

—(1993). *India: Health Sector Financing—Coping with Adjustment Opportunities for Reform*, Washington, DC.

Finances of Government of India

Table 1: Overall Budgetary Position

(Rs crore)

	1994-95 Budget	1993-94 Revised	1993-94 Budget	1992-93 Actuals	1991-92 Actual	1990-91 Actuals	1989-90 Actuals	1988-89 Actuals	1987-88 Actuals	1986-87 Actuals	1985-86 Actuals
(1) Revenue receipts	86084 (13.0) [9.5]	76166 (2.7) [9.6]	84209 (13.6) [10.6]	74128 (12.3) [10.5]	66031 (20.2) [10.7]	54954 (5.1) [10.4]	52296 (20.0) [11.5]	43591 (17.7) [11.0]	37037 (12.0) [11.1]	33083 (18.0) [11.3]	28035 (19.5) [10.7]
(a) Tax revenue (net to centre)	62742 (15.2) [6.9]	54473 (0.8) [6.8]	62739 (16.1) [7.9]	54044 (7.9) [7.7]	50069 (16.5) [8.1]	42978 (12.1) [8.1]	38349 (13.6) [8.4]	33751 (20.5) [8.5]	28015 (15.2) [8.4]	24319 (15.0) [8.3]	21140 (19.8) [8.1]
(b) Non-tax revenue	23342 (7.0) [2.6]	21693 (8.0) [2.7]	21470 (6.9) [2.7]	20084 (25.8) [2.8]	15961 (33.3) [2.6]	11976 (-14.1) [2.3]	13947 (41.7) [3.1]	9840 (9.1) [2.5]	9022 (2.9) [2.7]	8764 (27.1) [3.0]	6895 (18.6) [2.6]
(2) Capital receipts	59615 (1.7) [6.6]	58646 (62.1) [7.4]	42800 (15.3) [5.4]	3617[illegible] ([illegible]) [5.1]	35528 (-1.2) [6.3]	38997 (29.1) [7.3]	30020 (0.5) [6.6]	29879 (17.6) [7.5]	25408 (17.8) [7.6]	21572 (11.7) [7.4]	19315 (17.6) [7.4]
(a) Recovery of loans	6700 (0.7) [0.7]	6655 (4.7) [0.8]	6655 (4.7) [0.8]	6356 (5.6) [0.9]	6021 (5.4) [1.0]	57[illegible]2 (14.1) [1.1]	4980 (8.3) [1.1]	4597 (10.0) [1.2]	4180 (19.7) [1.3]	3491 (25.9) [1.2]	2773 (0.8) [1.1]
(b) Other receipts	4000 (60.0) [0.4]	2500 (27.5) [0.3]	3500 (78.5) [0.4]	1961 (-35.5) [0.3]	3038 [0.5]						
(c) Borrowing and other liabilities	48915 (-1.2) [5.4]	49491 (77.6) [6.2]	32645 (17.2) [4.1]	27861 (-5.5) [3.9]	29469 (-11.5) [4.8]	33285 (32.9) [6.3]	25040 (-1.0) [5.5]	25281 (19.1) [6.4]	21228 (17.4) [6.4]	18081 (9.3) [6.2]	16541 (21.2) [6.3]
(3) Total receipts (1+2)	**145699 (8.1)** [16.1]	**134812 (22.2)** [16.9]	**127009 (15.1)** [16.0]	**110306 (5.5)** [15.6]	**104559 (11.3)** [17.0]	**93951 (14.1)** [17.7]	**82316 (12.0)** [18.1]	**73469 (17.7)** [18.5]	**62445 (14.3)** [18.7]	**54655 (15.4)** [18.7]	**47350 (18.7)** [18.1]
(4) Non Plan expenditure	105117 (7.4) [11.6]	97846 (13.8) [12.3]	90072 (4.8) [11.3]	85958 (6.8) [12.2]	80453 (4.6) [13.1]	76933 (17.7) [14.5]	65388 (23.5) [14.4]	52960 (23.5) [13.4]	44052 (10.4) [13.2]	39920 (21.7) [13.6]	32812 (21.4) [12.5]
(a) On revenue account	90749 (8.2) [10.0]	83870 (15.0) [10.5]	77654 (6.5) [9.8]	72925 (8.5) [10.3]	67217 (10.4) [10.9]	60896 (16.6) [11.5]	52231 (21.5) [11.5]	42988 (18.5) [10.8]	36267 (11.1) [10.9]	32644 (20.8) [11.1]	27017 (22.7) [10.3]
of which											
(a 1) Interest payment	46000 (22.7) [5.1]	37500 (20.8) [4.7]	38000 (22.4) [4.8]	31035 (16.7) [4.4]	26595 (23.7) [4.3]	21498 (21.1) [4.0]	17757 (24.4) [3.9]	14278 (26.9) [3.6]	11251 (21.7) [3.4]	9246 (23.1) [3.2]	7512 (25.7) [2.9]
(b) On capital account	14368 (2.8) [1.6]	13976 (7.2) [1.8]	12418 (-4.7) [1.6]	13033 (1.5) [1.8]	13234 (-17.5) [2.1]	16037 (21.9) [3.0]	13157 (31.9) [2.9]	9972 (28.1) [2.5]	7785 (7.0) [2.3]	7276 (25.6) [2.5]	5795 (15.6) [2.2]
(5) Plan expenditure	46582 (1.2) [5.1]	46026 (25.5) [5.8]	41251 (12.5) [5.2]	36660 (18.4) [5.2]	30961 (9.2) [5.0]	28365 (3.1) [5.3]	27520 (5.2) [6.1]	26151 (8.0) [6.6]	24209 (5.3) [7.3]	22996 (15.8) [7.8]	19854 (19.6) [7.6]
(a) On revenue account	28062 (6.5) [3.1]	26354 (33.3) [3.3]	24185 (22.3) [3.0]	19777 (31.2) [2.8]	15074 (19.4) [2.4]	12620 (5.4) [2.4]	11979 (7.7) [2.6]	11118 (12.2) [2.8]	9907 (20.6) [3.0]	8216 (19.0) [2.8]	6907 (21.6) [2.6]
(b) On capital account	18520 (-5.9) [2.0]	19672 (16.5) [2.5]	17066 (1.1) [2.1]	16883 (6.3) [2.4]	15887 (0.9) [2.6]	15745 (1.3) [3.0]	15541 (3.4) [3.4]	15033 (5.1) [3.8]	14302 (-3.2) [4.3]	14780 (14.2) [5.0]	12947 (18.5) [4.9]

(Contd)

Table 1: Overall Budgetary Position (*contd*)

(*Rs crore*)

	1994-95 Budget	1993-94 Revised	1993-94 Budget	1992-93 Actuals	1991-92 Actuals	1990-91 Actuals	1989-90 Actuals	1988-89 Actuals	1987-88 Actuals	1986-87 Actuals	1985-86 Actuals
(6) **Total expenditure (4+5)**	**151699 (5.4)**	**143872 (17.3)**	131323 (7.1)	**122618 (10.1)**	**111412 (5.8)**	**105298 (13.3)**	**92908 (17.4)**	**79111 (15.9)**	**68261 (8.5)**	**62916 (19.5)**	**52666 (20.7)**
	[16.7]	[18.1]	[16.5]	[17.4]	[18.1]	[19.8]	[20.5]	[19.9]	[20.5]	[21.5]	[20.1]
(a) Revenue expenditure	118811 (7.8)	110224 (18.9)	101839 (9.9)	92702 (12.7)	82291 (11.9)	73516 (14.5)	64210 (18.7)	54106 (17.2)	46174 (13.0)	40860 (20.4)	33924 (22.5)
(4.a + 5.a)	[13.1]	[13.8]	[12.8]	[13.1]	[13.4]	[13.8]	[14.1]	[13.6]	[13.9]	[13.9]	[12.9]
(b) Capital expenditure	32889 (–2.3)	33648 (12.5)	29484 (–1.4)	29916 (2.7)	29121 (–8.4)	31782 (10.7)	28698 (14.8)	25005 (13.2)	22087 (0.1)	22056 (17.7)	18742 (17.6)
(4.b + 5.b)	[3.6]	[4.2]	[3.7]	[4.2]	[4.7]	[6.0]	[6.3]	[6.3]	[6.6]	[7.5]	[7.1]
(7) Revenue deficit (1 – 6a)	32727	34058	17630	18574	16261	18562	11914	10515	9137	7777	5889
	[3.6]	[4.3]	[2.2]	[2.6]	[2.6]	[3.5]	[2.6]	[2.7]	[2.7]	[2.7]	[2.2]
(8) Budgetary deficit (3 – 6)	6000	9060	4314	12312	6855	11347	10592	5642	5816	8261	5315
	[0.7]	[1.1]	[0.5]	[1.7]	[1.1]	[2.1]	[2.3]	[1.4]	[1.7]	[2.8]	[2.0]
(9) Fiscal deficit (2c + 8)	54915	58551	36959	40173	36325	44632	35632	30923	27044	26342	21857
or (1 + 2a + 2b – 6)	[6.1]	[7.4]	[4.6]	[5.7]	[5.9]	[8.4]	[7.8]	[7.8]	[8.1]	[9.0]	[8.3]
(10) Primary deficit (9 – 4.a1)	8915	21051	–1041	9138	9729	23134	17875	16645	15793	17096	14345
	[1.0]	[2.6]	[–0.1]	[1.3]	[1.6]	[4.4]	[3.9]	[4.2]	[4.7]	[5.8]	[5.5]
Memo Items											
Budget support for central Plan outlay	27278 (9.1)	25012 (23.9)	23241 (15.2)	20180 (18.0)	17096 (–2.3)	17496 (–3.1)	18049 (10.5)	16333 (13.0)	14458 (–3.6)	15001 (17.3)	12791 (11.1)
	[3.0]	[3.1]	[2.9]	[2.9]	[2.8]	[3.3]	[4.0]	[4.1]	[4.3]	[5.1]	[4.9]
Internal and external budgetary resources of public enterprises, etc	42863 (17.6)	36442 (21.9)	40695 (36.1)	29906 (32.9)	22501 (10.0)	20451 (17.0)	17479 (30.5)	13395 (25.7)	10657 (20.6)	8833 (28.7)	6863 (19.5)
	[4.7]	[4.6]	[5.1]	[4.2]	[3.7]	[3.9]	[3.9]	[3.4]	[3.2]	[3.0]	[2.6]
Total central Plan outlay	70141 (14.1)	61454 (22.7)	63936 (27.7)	50085 (26.5)	39597 (4.3)	37947 (6.8)	35528 (19.5)	29728 (18.4)	25115 (5.4)	23834 (21.3)	19654 (13.9)
	[7.7]	[7.7]	[8.0]	[7.1]	[6.4]	[7.1]	[7.8]	[7.5]	[7.5]	[8.1]	[7.5]
GDP at current market prices	907301*	795878*	795878*	705566	615655	532030	453986	396593	333201	292949	262243

* *Projected*

Notes: (1) Figures in round brackets next to absolute numbers are per cent variations over the previous year.
(2) Figures in square brackets are percentages to GDP at current market prices.
(3) Data for internal and external budgetary resources of public enterprises are as per revised estimates up to 1993-94

Table 2: Central Government's Receipts

(Rs crore)

	1994-95 Budget	1993-94 Revised	1993-94 Budget	1992-93 Actuals	1991-92 Actuals	1990-91 Actuals	1989-90 Actuals	1988-89 Actuals	1987-88 Actuals	1986-87 Actuals	1985-86 Actuals
(I) Revenue receipts	86084	76166	88190	74128	66031	54954	52296	43591	37037	33083	28035
	[59.1]	[56.5]	[67,3]	[67.2]	[63.2]	[58.5]	[63.5]	[59.3]	[59.3]	[60.5]	[59.2]
(a) Gross tax revenue (1+2)	87136	76750	89389	74637	67361	57576	51636	44474	37666	32838	28670
(1) Taxes on income, property and capital transactions	24790	21211	21261	18132	15207	11024	10005	8825	6748	6236	5563
	(28.4)	(27.6)	(23.8)	(24.3)	(22.6)	(19.6)	(19.4)	(19.8)	(17 9)	(19.0)	(19.4)
of which											
Corporation tax	12480	10500	10500	8899	7853	5335	4729	4407	3433	3160	2865
	(14.3)	(13.7)	(11.7)	(11.9)	(11 7)	(9.3)	(9.2)	(9.9)	(9 1)	(9.6)	(10.0)
Taxes on income other than corporation tax	10925	9500	9500	7888	6731	5371	5010	4241	3192	2879	2511
	(12.5)	(12.4)	(10.6)	(10.6)	(10.0)	(9.3)	(9.7)	(9.5)	(8 5)	(8.8)	(8.8)
Wealth tax	125	115	200	468	307	231	179	122	101	174	153
(2) Taxes on commodities and services	62346	55539	68128	56505	52154	46552	41631	35649	30918	26602	23107
	(71.6)	(72.4)	(76.2)	(75.7)	(77.4)	(80 9)	(80.6)	(80.2)	(82.1)	(81 0)	(80.6)
of which											
Custom duties	25200	22500	31000	23776	22257	20644	18036	15805	13702	11475	9526
	(28.9)	(29.3)	(34.7)	(31.9)	(33 0)	(35.9)	(34 9)	(35 5)	(36.4)	(34 9)	(33.2)
Excise duties	36700	31750	35000	30832	28110	24514	22406	18841	16426	14470	12956
	(42.1)	(41.4)	(39.2)	(41.3)	(41.7)	(42 6)	(43.4)	(42 4)	(43 6)	(44.1)	(45.2)
(b) State and UTs' share of tax revenue	24394	22277	22669	20593	17292	14598	13287	10723	9651	8519	7530
	(28.0)	(29.0)	(25.4)	(27.6)	(25.7)	(25 4)	(25.7)	(24.1)	(25 6)	(25 9)	(26.3)
(A) Centre's net tax revenue (a-b)	62742	54473	66720	54044	50069	42978	38349	33751	28015	24319	21140
	(72.0)	(71.0)	(74.6)	(72.4)	(74.3)	(74.6)	(74.3)	(75 9)	(74.4)	(74.1)	(73.7)
	[43.1]	[40.4]	[50.9]	[49.0]	[47.9]	[45.7]	[46 6]	[45.9]	[44 9]	[44.5]	[44.6]
(B) Centre's non-tax revenue	23342	21693	21470	20084	15961	11976	13947	9840	9022	8764	6895
	[16.0]	[16.1]	[16.4]	[18.2]	[15.3]	[12.7]	[16.9]	[13.4]	[14.4]	[16.0]	[14.6]
Interest receipts	15978	14538	14531	12487	10933	8730	8474	6981	5755	5353	4595
Divident and profits	2793	2737	2691	2493	1058	774	716	475	605	507	515
Other non-tax revenue	4571	4418	4248	5104	3970	2472	4757	2384	2662	2904	1785
(II) Capital receipts (A+B+C+D+E+F+G)	59615	58646	42800	36178	38528	38997	30020	29878	25408	21572	19315
	[40.9]	[43.5]	[32.7]	[32 8]	[36.8]	[41.5]	[36.5]	[40 7]	[40 7]	[39.5]	[40.8]
(A) Net internal borrowings (a-b)	14700	17692	3700	3676	7510	8001	7404	8418	5862	5532	4884
(a) Gross	15654	18840	4848	4821	8921	8988	8044	8894	6684	6570	5543
(b) Repayments	954	1148	1148	1145	1411	987	640	476	822	1038	659
(B) Net external borrowings (a-b)	4279	3837	5454	5319	5421	3181	2595	2460	2893	2024	1449
(a) Gross	9667	9008	10549	9625	8279	5339	4443	4016	4069	3040	2145
(b) Repayments	5388	5171	5095	4306	2858	2158	1848	1556	1176	1016	696
(C) Recovery of loans (net)	6700	6655	6655	6356	6021	5712	4980	4597	4180	3491	2773
(D) Small savings (net)	6000	6000	5500	5717	6640	9104	8575	5835	3911	3411	4369
(a) Centre's share	1000	1000	1000	1453	1159	2078	2833	1630	814	611	1466
(b) States' share	5000	5000	4500	4264	5481	7026	5742	4205	3097	2800	2903
(E) Net provident fund	1800	1700	1600	1611	1286	1221	1116	961	893	767	419
(F) Special deposits	8100	8090	8420	7144	6670	7716	7970	6151	4381	3913	1001
(G) Other items of capital receipts (net)	18036	14672	11471	6356	4980	4062	−2620	1456	3288	2434	4420
(III) Aggregate receipts (I + II)	145699	134812	130990	110306	104559	93951	82316	73469	62445	54655	47350
(IV) Central government's total liabilities (A+B)	533053	471919	436460	401924	354662	314558	268193	229771	195561	166546	137484
(A) Central government's debt (a+b)	327068	288621	251143	241369	209698	185529	161536	140244	121869	106612	89192
(a) Internal debt	277561	242729	204690	199100	172750	154004	133193	114498	98646	86313	71039
(b) External debt	49508	45892	46453	42269	36948	31525	28343	25746	23223	20299	18153
(B) Other liabilities	205985	183298	185317	160554	144964	129029	106657	89527	73692	59935	48292
Ratios (percentages)											
(1) Taxes on income, property and capital transactions to GDP at current market prices	2.7	2.7	2.7	2.6	2.5	2 1	2.2	2.2	2.0	2.1	2.1
(2) Taxes on income other than corporation tax to GDP at current market prices	6.9	7.0	8.6	8.0	8 5	8.8	9.2	9.0	9.3	9.1	8.8
(3) Central government's total liabilities to GDP at current market prices	58.8	59.3	54.8	57.0	57 6	59 3	59 1	57.9	58.7	56.9	52.4
(A) Central government's debt to GDP at current market prices	36.0	36.3	31 6	34.2	34.1	34.9	35 6	35.4	36 6	36.4	34.0
(a) Internal debt	30.6	30.5	25.7	28.2	28.1	29 0	29.3	28 9	29.6	29 5	27.1
(b) External debt	5 5	5.8	5.8	6.0	6.0	5.9	6.2	6.5	7 0	6.9	6.9
(B) Other liabilities	22.7	23.0	23.3	22.8	23.5	24.3	23.5	22 6	22.1	20.5	18.4

Notes: (1) Figures in round brackets are percentages to gross tax revenue.

(2) Figures in square brackets are percentages to aggregate receipts.

(3) Other items of capital receipts includes Rs 4,000 crore in 1994-95, Rs 2,500 crore in 1993-94, Rs 1,961 crore in 1992-93, Rs 3,038 crore in 1991-92: disinvestments of equity holdings in public sector enterprises.

Table 3: Central Government's Expenditure

(Rs crore)

	1994 95 Budget	1993 94 Revised	1993 94 Budget	1992 93 Actuals	1991 92 Actuals	1990 91 Actuals	1989 90 Actuals	1988 89 Actuals	1987-88 Actuals	1986-87 Actuals	1985-86 Actuals
(I) Non-plan expenditure	105117	97845	90073	85958	80453	76933	65388	52960	44052	39920	32812
	(69.3)	(68.0)	(68.6)	(70.0)	(72.2)	(73.1)	(70.4)	(66.9)	(64.5)	(63.4)	(62.3)
(A) Interest payments	46000	37500	38000	31035	26596	21498	17757	14278	11251	9246	7512
	(30.3)	(26.1)	(28.9)	(25.3)	(23.9)	(20.4)	(19.1)	(18.0)	(16.5)	(14.7)	(14.3)
(B) Defence	23000	21500	19180	17582	16347	15426	14416	13341	11968	10477	7988
	(15.2)	(14.9)	(14.6)	(14.3)	(14.7)	(14.6)	(15.5)	(16.9)	(17.5)	(16.7)	(15.2)
(C) Subsidies	9463	12400	8376	12043	12253	12158	10474	7732	5980	5451	4796
	(6.2)	(8.6)	(6.4)	(9.8)	(11.0)	(11.5)	(11.3)	(9.8)	(8.8)	(8.7)	(9.1)
Food	4000	5700	3000	2800	2850	2450	2476	2200	2000	2000	1650
Fertilisers (indigenous+imported)	4000	4400	3500	5796	5185	4389	4542	3201	2164	1898	1924
Export promotion	300	700	500	819	1758	2742	2014	1386	962	785	603
Other subsidies	822	1600	876	1128	1035	1075	1442	945	854	768	619
(D) General services	9692	9466	8807	8824	6932	6849	6129	4979	4388	3633	3030
	(6.4)	(6.6)	(6.7)	(7.2)	(6.2)	(6.5)	(6.6)	(6.3)	(6.4)	(5.8)	(5.8)
Police	2623	2526	2223	2109	1849	1564	1297	1132	980	819	631
Pension (defence+civil employees)	3604	3331	3112	2974	2416	2138	2327	2014	1586	920	727
(E) Social services	2623	2643	2372	2145	1945	1783	1522	1293	1309	1206	877
	(1.7)	(1.8)	(1.8)	(1.7)	(1.7)	(1.7)	(1.6)	(1.6)	(1.9)	(1.9)	(1.7)
Education, sports, youth affairs	932	945	887	830	762	721	589	474	608	499	328
Health and family welfare	362	363	321	303	281	236	200	140	163	145	166
Labour and employment	438	493	305	314	288	269	253	231	163	232	117
Information and broadcasting	403	373	389	347	305	282	222	150	164	125	99
(F) Economic services	3433	3119	2675	2654	2606	2192	2782	1944	1894	1437	1361
	(2.3)	(2.2)	(2.0)	(2.2)	(2.3)	(2.4)	(3.0)	(2.5)	(2.8)	(2.3)	(2.6)
Agriculture and allied activities	473	488	400	442	431	418	378	261	243	164	243
Energy industry and minerals	574	661	587	688	938	830	1091	672	805	469	381
Transport and communication	444	496	369	456	210	340	482	232	207	183	150
Science, technology and environment	816	787	728	672	621	555	476	427	376	343	297
(G) Postal deficit	125	173	126	86	209	186	260	170	191	215	162
	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
(H) Non plan expenditure of UTs without legislatures	494	1133	1305	1291	1174	986	865	725	437	556	414
	(0.3)	(0.8)	(1.0)	(1.1)	(1.1)	(0.9)	(0.9)	(0.9)	(0.6)	(0.9)	(0.8)
(I) Grants to states and UTs	2334	2381	2254	2613	3921	3982	2143	2186	1789	1714	1786
	(1.5)	(1.7)	(1.7)	(2.1)	(3.5)	(3.8)	(2.3)	(2.8)	(2.6)	(2.7)	(3.4)
(J) Grants to foreign governments	187	167	185	132	147	139	120	124	139	114	81
	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
(K) Loans and advances to state and UTs	5228	5009	4429	4728	5532	7606	5793	4293	3134	3722	4206
	(3.4)	(3.5)	(3.4)	(3.9)	(5.0)	(7.2)	(6.2)	(5.4)	(4.6)	(5.9)	(8.0)
(L) Other loans	936	1074	1017	1001	2009	2881	2036	1107	905	1769	217
	(0.6)	(0.7)	(0.8)	(0.8)	(1.8)	(2.7)	(2.2)	(1.4)	(1.3)	(2.8)	(0.4)
(M) Non plan capital expenditure	1402	1280	1473	1824	782	947	1091	788	667	380	382
	(0.9)	(0.9)	(1.1)	(1.5)	(0.7)	(0.9)	(1.2)	(1.0)	(1.0)	(0.6)	(0.7)
Memo item											
Defence pension (revised estimates)	2706	2531	2379	2333	1840	1670	1600	1597	1213	695	527
(II) Plan outlay	46582	46027	41251	36660	30961	28365	27520	26151	24209	22996	19854
	(30.7)	(32.0)	(31.4)	(29.9)	(27.8)	(26.9)	(29.6)	(33.1)	(35.5)	(36.6)	(37.7)
(A) Budget support for central Plan	27278	25012	23242	20180	17096	17496	18049	16333	14458	15001	12791
	(18.0)	(17.4)	(17.7)	(16.5)	(15.3)	(16.6)	(19.4)	(20.6)	(21.1)	(23.8)	(24.3)
(1) Economic services	20455	19126	17360	15558	13122	13859	14762	13073	11756	12809	10932
	(13.5)	(13.3)	(13.2)	(12.7)	(11.8)	(13.2)	(15.9)	(16.5)	(17.2)	(20.4)	(20.8)
(a) Agriculture and allied services	2614	2383	2402	2119	1634	1184	1291	1275	1111	1375	1302
(b) Rural development	6036	4829	4229	3195	2279	2672	2766	1753	1844	1360	706
(c) Irrigation and flood control	261	280	275	213	210	161	46	209	158	114	58
(d) Energy	4035	3838	3625	3121	2979	3646	4162	3575	2916	1566	1789
(e) Industry and minerals	3457	4125	3156	2801	2368	2372	2653	2846	3018	5074	4485
(f) Transport	2147	1917	1893	2716	2358	2313	2696	2411	2015	2088	1602
(g) Communication	82	70	80	71	72	335	144	194	151	616	472
(h) Science technology and environment	1362	1268	1251	939	814	706	679	660	499	477	445
(i) General economic services	461	416	449	383	408	470	325	150	44	139	73
(2) Social services	6616	5731	5730	4594	3947	3597	3240	3202	2633	2134	1801
	(4.3)	(4.0)	(4.4)	(3.7)	(3.5)	(3.4)	(3.5)	(4.0)	(3.9)	(3.4)	(3.4)
(a) Education arts and culture	1749	1512	1189	1175	993	965	960	1063	645	398	297
(b) Health and family welfare	2008	1780	1753	1531	1101	1037	828	872	750	728	690
(c) Water supply sanitation housing	1305	1060	1043	690	845	718	511	456	287	382	381

(Contd)

Table 3. Central Government's Expenditure (*contd*)

(Rs crore)

	1994 95 Budget	1993 94 Revised	1993 94 Budget	1992 93 Actuals	1991 92 Actuals	1990 91 Actuals	1989 90 Actuals	1988 89 Actuals	1987 88 Actuals	1986-87 Actuals	1985-86 Actuals
(d) Information and broadcasting	61	64	75	51	112	154	266	225	198	232	106
(e) Welfare of SC/STs and OBCs	632	589	558	479	414	344	345	299	234	218	203
(f) Labour and labour welfare	126	65	160	63	69	20	27	20	15	15	10
(g) Social welfare and nutrition	735	661	652	605	113	359	303	267	504	161	114
(3) General services	207	155	152	28	27	40	17	58	69	58	58
	(0 1)	(0 1)	(0 1)	(neg)	(neg)	(neg)	(0 1)	(0 1)	(0 1)	(0 1)	(0 1)
(B) Central assistance to state Plans	18741	20013	16520	15249	12708	9949	8719	9082	8923	7079	6383
	(12 4)	(13 9)	(12 6)	(12 4)	(11 4)	(9 4)	(9 4)	(11 5)	(13 1)	(11 3)	(12 1)
(C) Central assistance to UTs	563	1002	1490	1232	1157	920	757	736	828	916	680
	(0 4)	(0 7)	(1 1)	(1 0)	(1 0)	(0 9)	(0 8)	(0 9)	(1 2)	(1 5)	(1 3)
Aggregate Expenditure (I + II)	151699	143872	131124	122618	111412	105298	92908	79111	68261	62916	52666

Notes Figures in brackets are percentages to aggregate expenditure Subsidies include debt relief to farmers of Rs 341 crore in 1994 95 Rs 500 crore in 1993 94 Rs 1 500 crore in 1992 93 Rs 1 425 crore in 1991 92 and Rs 1 502 crore in 1990 91

Table 4: Revenue from Custom Duties

(Rs crore)

	1994 95 Budget	1993 94 Revised	1993 94 Budget	1992 93 Actuals	1991 92 Actuals	1990 91 Actuals	1989 90 Actuals	1988 89 Actuals	1987 88 Actuals	1986 87 Actuals
Gross custom duties (A+B+C+D)	26369	23480	28984	24599	22881	21226	18562	16234	14059	11771
Refunds and duty drawbacks	1169	980	1257	882	804	658	654	479	424	300
Net custom duties	25200	22500	27727	23717	22077	20568	17908	15755	13635	11471
(A) Import duties	25873	23031	27595	24136	21839	20962	18326	16019	13815	11507
	(24713)	(22056)	(26340)	(23261)	(21037)	(20306)	(17675)	(15546)	(13405)	(11209)
Of which										
(1) Fruits (dried and fresh)	140	125	121	107	92	93	80	77	63	67
(2) Animal or vegetable oils and fats and their cleavage products prepared edible fats animal or veg waxes	145	130	56	101	148	429	249	626	619	271
(3) Mineral substance	213	190	267	215	216	206	153	120	89	76
(4) Petroleum oils and oils obtained from bituminous minerals and crude	4200	4544	3972	4053	3344	3145	2149	1917	1862	857
(5) Petroleum oils and oils obtained from bituminous minerals other than crude	2325	2200	982	1227	731	555	282	396	274	218
(6) Organic and inorganic chemicals and pharmaceuticals	2117	1868	2047	1977	1916	1742	1613	1408	995	933
(7) Dyes colours paints and varnishes	170	150	206	174	155	164	131	100	91	99
(8) Photographic and cinematographic goods	388	335	403	335	286	241	182	155	131	113
(9) Plastic and articles thereof	1200	970	2090	1516	1782	1332	997	869	703	597
(10) Rubber and articles thereof	351	325	469	378	321	290	210	174	149	165
(11) Manmade filaments and staple fibres	100	93	91	84	127	396	328	219	198	276
(12) Primary materials of iron and steel	339	300	805	509	392	538	433	271	137	125
(13) Iron and non alloy steel	726	625	1035	876	864	808	754	776	677	648
(14) Stainless steel	80	78	88	102	149	136	156	131	90	71
(15) Other alloy steel hollow drill bars and rods	267	220	314	387	341	299	264	201	172	120
(16) Articles of iron and steel	407	380	333	386	488	364	318	283	264	220
(17) Copper	678	650	632	693	530	505	439	431	401	238
(18) Machinery excl machine tool and ball or roller bearings	2300	1950	2779	2214	1835	1945	1541	1065	921	1158
(19) Machine tools (parts and accessories)	155	140	206	202	225	209	164	135	108	123
(20) Ball or roller bearings	266	230	355	256	232	232	144	141	119	111
(21) Electrical machinery	1850	1500	2035	1859	1654	1589	1733	1348	797	668
(22) Motor vehicles and parts thereof	533	470	288	300	294	352	297	265	235	253
(23) Instruments (optical surgical etc)	529	480	480	473	315	381	317	193	175	212
(24) Project imports	1450	1135	1520	1360	1874	1291	960	1154	1710	1306
(25) Baggage	1260	900	1500	664	487	619	586	453	364	377
(B) Export duties	48	40	104	130	16	1	6	26	49	83
	(46)	(39)	(103)	(129)	(16)	(1)	(5)	(23)	(47)	(82)
(C) Cess on exports	83	69	64	55	47	35	32	30	25	17
	(82)	(69)	(64)	(54)	(46)	(35)	(31)	(30)	(24)	(17)
(1) Coffee	3	3	3	3	3	2	3	3	1	1
(2) Tobacco unmanufactured	2	2	2	2	2	1	1	1	1	1
(3) Marine products	14	12	12	11	9	6	5	4	4	4
(4) Iron ore	6	5	4	3	3	3	2	2	2	2
(D) Other receipt incl sale of gold and silver confiscated	365	340	1222	279	979	228	198	159	161	164
	(358)	(337)	(1220)	(274)	(969)	(224)	(196)	(156)	(159)	(163)

Notes Figures in brackets are net of refunds and duty drawbacks Due to rounding off totals may not tally

Table 5: Revenue from Union Excise Duties

(Rs crore)

	1994 95 Budget	1993 94 Revised	1993 94 Budget	1992 93 Actuals	1991 92 Actuals	1990 91 Actuals	1989 90 Actuals	1988 89 Actuals	1987 88 Actuals	1986 87 Actuals
Gross union excise duties (excl electricity)	37800	32650	34591	31362	28585	24881	22670	19122	16591	14544
Refunds and drawbacks	1100	900	840	710	465	430	380	296	169	56
Net union excise duties	36700	31750	33751	30652	28120	24451	22290	18825	16422	14489
(A) Basic excise duties	31516	27198	28992	26412	23557	20036	17719	15308	13216	12016
	(30416)	(26298)	(28152)	(25702)	(23092)	(19606)	(17339)	(15012)	(13047)	(11960)
Of which										
(1) Tea incl tea waste		–	–	68	75	76	79	77	77	73
(2) Vegetable fats and oils partly or wholly hydrogenated	25	23	44	45	49	50	103	100	104	68
(3) Cane or beet sugar and chemically pure sucrose in solid form	355	341	330	311	284	216	200	185	164	140
(4) Molasses resulting from extraction or refining of sugar	95	79	118	90	75	58	52	26	16 *	9
(5) Tobacco manufactures	2363	2240	2327	2134	1842	1602	1506	1291	1158	1013
(6) Cement clinkers cement of all sorts	2275	2070	2033	1769	1281	1086	951	898	870	826
(7) Motor spirit	1515	1442	1346	1287	1245	1202	1201	1034	903	814
(8) Kerosene	305	303	288	239	246	255	268	241	250	233
(9) R D oil	800	782	747	743	703	693	731	683	646	596
(10) Caustic soda and potash peroxides thereof	138	119	124	117	111	118	95	71	56	49
(11) Soda ash	155	131	149	125	98	79	69	63	44	37
(12) Organic chemicals	790	690	923	714	633	437	288	246	170	144
(13) Pharmaceuticals	670	583	657	527	426	353	311	292	183	171
(14) Paints and varnishes	378	300	369	294	239	187	138	119	81	77
(15) Essential oils resinoids perfumery cosmetics	311	270	280	295	263	226	188	167	136	122
(16) Soaps	345	250	282	216	186	157	118	111	120	72
(17) Organic surface active agents	375	300	318	255	164	129	112	95	85	60
(18) Plastic and articles	1900	1500	1371	1221	792	488	441	359	280	254
(19) Tyres tubes flaps	1100	950	1048	837	811	803	629	676	557	520
(20) Paper and paper board articles of paper pulp or paper or paper board	525	450	495	430	388	340	313	250	221	218
(21) Cotton and cotton yarn	352	319	318	295	191	185	129	118	119	140
(22) Synthetic filament yarn and sewing thread etc	2000	1609	1508	1503	1630	1401	1049	924	1047	872
(23) Artificial or synthetic staple fibre tow including waste	478	435	327	298	256	249	227	221	248	146
(24) Iron and steel and articles	2735	2200	2676	2009	1431	1181	1070	829	631	537
(25) Aluminium and articles	578	500	695	615	653	582	523	271	194	157
(26) Refrigerator and air conditioners and parts	300	250	116	261	271	196	180	153	126	108
(27) Machinery tools	41	36	66	60	88	61	32	24	20	21
(28) Ball or roller bearings	200	168	197	186	184	139	111	64	51	44
(29) Reception apparatus radio broadcasters television receivers incl video monitors and projectors	250	200	190	189	232	264	216	139	114	120
(30) Insulated wires cables electrical conductors	475	410	515	421	271	205	202	188	143	51
(31) Tractors	24	21	33	79	82	59	46	43	26	42
(32) Motor cars and other motor vehicles for transport of persons	725	600	600	711	779	608	391	291	242	184
(33) Instruments (optical photographic surgical)	115	103	94	101	93	79	65	59	51	45
(B) Additional duties on textiles and products	494	412	318	378	348	275	209	189	176	185
(C) Additional duties in lieu of sales tax	2701	2435	2430	2177	1868	1490	1475	1276	1147	1111
Of which										
(1) Cane or beet sugar and chemically pure sucrose in solid form	397	381	371	339	314	244	229	226	197	163
(2) Tobacco manufactures	1062	1008	1050	933	811	708	656	526	508	481
(3) Textile products	1232	1037	1002	899	735	534	584	520	438	458
(D) Cess on commodities	3090	2605	2851	2395	2812	3080	3267	2348	2052	1232
Of which										
(1) Sugar	175	168	168	163	160	142	134	133	117	105
(2) Indigenous crude oil	2680	2218	2475	2169	2466	2757	2947	2029	1770	980
(3) Coal and coke	92	88	83	80	73	70	70	65	58	63
(4) Television	–			4	32	36	38	48	39	28

Table 6: Resources Transferred to State and Union Territory Governments

(Rs crore)

	1994-95 BE	1993-94 RE	1993-94 BE	1992-93 RE	1991-92 RE	1990-91 RE	1989-90 RE	1988-89 RE	1987-88 RE	1986-87 RE	1985-86 RE
(1) States' share of taxes and duties	24394	22244	22049	20525	17199	14535	13232	10669	9598	8464	7490
Income tax	8205	7771	7136	6060	5106	4121	3922	2749	2589	2159	1846
Union excise duties	16189	14473	14913	14465	12093	10414	9310	7919	7003	6295	5625
Estate duties	—	—	—	—	—	—	—	1	6	10	19
(2) Share of small savings, etc. collection	5152	5000	4500	4400	5500	6770	5900	4100	3200	2800	2900
(3) Non-Plan grants and loans	2614	2311	2414	3730	3244	3749	2504	2518	2056	1924	4111
Grants*	2538	3302	2485	3262	3265	3164	2443	2424	1984	1763	1911
Loans**	76	9	-71	468	-21	585	61	94	72	161	2200
(4) Central assistance for state and UT Plans**	18268	19550	16028	15598	13732	10909	9016	9011	8841	7168	6538
Grants	9868	10295	8834	8332	7215	4965	3635	3745	3617	3000	2650
Loans	8400	9255	7194	7266	6517	5944	5381	5266	5224	4168	3888
(5) Assistance for central and centrally-sponsored schemes	7601	8098	8681	6991	5888	5185	2971	4156	3781	3119	2848
Grants	7437	7918	8457	6824	5599	5044	2796	3953	3529	2951	2672
Loans	164	180	224	167	289	141	175	203	252	168	176
(6) Total grants and loans (2+3+4+5)	33635	35959	31623	30719	28364	26613	20391	19785	17878	15011	16397
Grants	19843	21515	19776	18418	16079	13173	8874	10122	9130	7714	7233
Loans	13792	14444	11847	12301	12285	13440	11517	9663	8748	7297	9164
(7) *Less*—recovery of loans and advances	4243	4076	4106	3381	3167	3816	3002	2969	2606	2280	1625
(8) Net resources transferred to state and UT governments (1+6+7)	53786	54127	49566	47863	42396	37332	30621	27485	24870	21195	22262
(9) Centre's interest receipt from the state and UTs	11162	9724	9767	7843 (A)	6565 (A)	5174 (A)	4424 (A)	3770 (A)	3158 (A)	2754 (A)	1872 (A)
(10) Net resource transfers excluding interest payments by states and UTs (8–9)	42624	44403	39799	40020	35831	32158	26197	23715	21712	18441	20390
Memo Items											
Total assistance for state/UT Plans											
(11) Provision for Rural Electrification Corporation and North-Eastern Council and UTs without legislatures (addition to 4 above)	1036	1464	1982	1741	1629	1453	1226	1124	1040	972	727
(12) Total assistance to state and UT Plans (4+11)	19304	21014	18010	17339	15361	12362	10242	10135	9881	8140	7265

* Inclusive of subsidies ** Net of recovery of short-term loans and advances (A) = Accounts BE = Budget Estimates RE = Revised Estimates

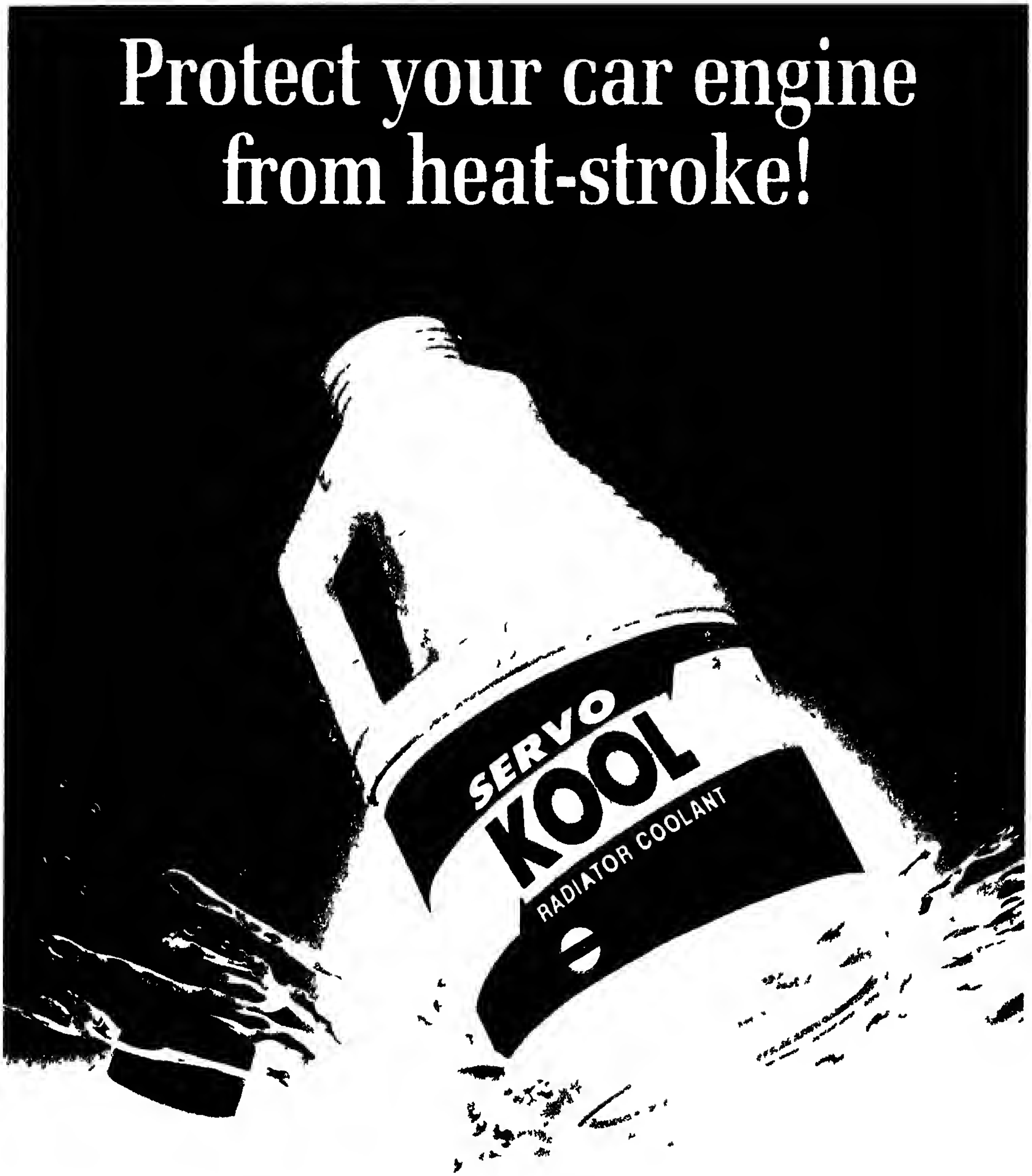
Note In the absence of final accounts under all of the above heads of resource transfers, Revised Estimates as contained in the centre's *Budget At a Glance* for all the years are presented in this table (except for interest payments in item 9 for which accounts data for 1985-86 to 1992-93 are available in the budget documents)

Table 7: Estimated Strength of Central Government Establishments and Provision Therefor

(Strength in numbers; pay and allowances in rupees crore)

Ministries/Departments	1994-95 Strength as on 1.3.1995	1994-95 Pay and Allowances Budget	1993-94 Strength as on 1.3.1994	1993-94 Pay and Allowances Revised	1992-93 Strength as on 1.3.1993	1992-93 Pay and Allowances Revised	1991-92 Strength as on 1.3.1992	1991-92 Pay and Allowances Revised	1990-91 Strength as on 1.3.1991	1990-91 Pay and Allowances Revised	1989-90 Strength as on 1.3.1990	1989-90 Pay and Allowances Revised	1988-89 Strength as on 1.3.1989	1988-89 Pay and Allowances Revised	1987-88 Strength as on 1.3.1988
Agriculture	12,424	46.37	12,423	50.67	12,355	40.81	12,809	37.10	12,509	31.92	11,979	27.75	10,947	27.51	11,685
Rural development	2,280	11.71	2,249	11.35	2,235	8.82	2,292	8.23	2,271	7.81	2,247	7.76	2,247	6.72	2,246
Chemicals and petrochemicals	210	1.15	210	1.11	211	0.98	207	0.95	205	0.89	203	0.88	203	0.97	245
Fertilisers	364	1.17	365	2.04	381	1.88	396	1.60	396	1.50	396	1.26	396	1.22	377
Petroleum and natural gas	325	1.81	325	1.86	329	1.56	322	1.48	319	1.22	320	1.17	322	1.04	305
Civil aviation	1,594	9.48	1,594	8.31	1,540	8.05	1,513	7.37	1,514	10.97	1,464	8.50	1,474	5.22	1,472
Tourism	688	6.18	688	5.94	688	5.66	690	4.31	724	4.74	690	4.14	707	3.84	710
Civil supplies, etc	666	3.39	660	3.21	676	3.00	682	2.94	682	2.49	678	2.27	678	2.28	683
Food	1,922	11.72	1,922	11.34	2,546	10.37	2,501	10.40	2,501	8.83	2,534	8.17	2,534	7.48	2,634
Food processing industries	1,062	6.12	1,076	5.13	1,070	5.09	947	4.31	947	3.58	764	3.44	947	2.46	..
Commerce	11,007	63.55	11,007	61.18	11,166	50.22	11,744	48.92	11,964	44.83	11,867	42.05	11,699	38.95	11,583
Communication	9,85,343	3,061.01	9,72,284	2,809.17	9,59,235	2,436.44	9,48,760	2,192.94	9,37,712	1,949.71	9,39,775	1,741.82	9,30,390	1,587.47	9,30,185
Defence (Civil)	38,027	176.72	37,745	169.59	38,680	159.86	39,983	140.47	39,003	137.87	37,623	118.22	37,621	84.29	31,775
Environment and forest	5,470	34.00	5,460	28.56	5,484	27.42	5,439	19.33	6,903	21.94	6,866	22.97	6,875	19.24	6,672
External affairs	7,320	214.91	7,320	202.39	6,994	165.60	6,990	122.98	6,942	88.04	6,901	71.19	5,882	67.17	5,848
Finance	2,32,044	1,097.96	2,22,563	1,013.36	2,29,331	856.81	2,25,838	743.02	2,22,097	672.86	2,21,981	618.45	2,16,109	555.50	2,11,107
Health and family welfare	30,819	153.04	30,764	141.74	29,106	128.71	41,455	108.76	41,122	98.45	40,785	87.47	40,535	72.68	39,924
Home affairs	5,45,505	2,014.72	5,43,389	1,807.37	5,43,318	1,612.91	5,79,028	1,354.03	4,99,771	1,217.67	4,95,015	938.28	4,58,521	840.45	3,98,448
Human resource development	15,519	63.14	15,488	62.82	14,985	60.59	14,957	41.84	14,796	36.93	15,090	37.03	14,735	32.85	14,802
Industry	6,957	36.83	6,941	35.35	8,412	33.45	8,558	32.39	8,814	30.66	8,875	27.64	8,330	24.84	8,245
Information and broadcasting	56,012	228.37	53,193	207.08	52,444	185.68	53,910	144.02	52,544	134.98	46,463	122.68	45,717	104.60	40,043
Labour	10,049	170.60	9,997	145.19	12,007	47.67	11,971	29.00	12,021	35.57	12,139	34.92	11,088	30.12	10,589
Law, justice and company affairs	6,418	31.87	6,369	32.48	6,331	26.76	6,164	24.14	5,960	21.79	5,827	18.78	5,661	16.78	5,071
Coal	448	2.55	463	2.33	465	2.23	440	1.94	474	1.82	473	1.63	476	1.61	476
Non-conventional energy sources	327	4.48	327	3.73	493	2.70	536	2.35	358	1.96	488	1.92	488	1.44	387
Power	3,169	16.92	3,169	16.15	3,186	15.05	3,241	14.11	3,209	13.74	3,143	12.14	3,130	10.64	3,150
Parliamentary affairs	151	0.86	151	0.77	174	0.69	152	0.61	162	0.64	162	0.60	175	0.57	175
Personnel, public grievance, pensions	8,527	42.85	8,255	39.42	8,026	34.87	8,018	28.16	8,015	26.12	7,768	23.92	7,651	22.06	7,314
Planning	12,309	72.46	12,290	66.71	12,322	65.95	12,463	55.39	12,492	46.73	12,346	49.37	11,956	38.73	10,268
Railways	17,49,000	7,337.16	17,42,000	6,726.65	17,74,000	5,971.22	17,64,000	5,487.24	17,96,000	4,973.95	18,07,000	4,541.17	18,20,000	4,164.68	18,18,000
Science and technology	27,166	113.90	27,166	110.83	25,257	89.51	24,270	73.12	28,233	70.62	28,001	68.45	28,275	60.95	27,899
Steel	620	3.53	621	3.28	633	3.11	686	2.99	694	2.54	694	2.50	694	2.45	694
Mines	20,293	124.94	19,997	110.11	20,388	85.93	20,388	92.63	21,303	71.14	21,129	62.78	20,845	54.89	19,815
Surface transport	5,246	30.00	5,263	26.80	5,435	24.80	5,485	21.95	5,457	19.33	5,311	18.04	5,324	16.87	5,319
Textiles	5,200	12.60	5,200	12.36	5,200	11.78	5,200	11.41	5,200	10.48	5,590	10.07	5,596	8.81	5,267
Urban development	41,179	168.74	41,356	160.13	41,179	143.56	41,409	126.69	40,582	115.01	38,657	102.14	37,431	91.79	16,159
Water resources	16,816	75.16	16,890	73.58	17,114	63.78	17,096	57.89	17,319	53.93	12,912	48.69	13,007	42.27	13,530
Welfare	1,153	7.01	1,129	5.80	1,071	4.86	1,079	4.80	1,179	4.68	1,035	3.74	1,031	3.31	1,024
Atomic energy	36,317	210.37	34,971	181.76	34,926	169.39	34,635	146.89	34,162	130.69	33,576	114.15	30,805	100.58	33,015
Electronics	1,919	11.40	1,882	10.35	2,010	9.05	1,807	8.22	1,935	7.02	1,464	5.90	1,452	5.01	1,452
Ocean development	209	1.44	209	1.49	220	1.49	232	1.21	254	1.05	234	0.68	136	0.50	128
Space	18,556	112.07	18,432	104.20	18,254	94.37	18,024	68.90	17,773	69.67	16,771	65.06	14,736	54.90	14,725
Cabinet secretariat	827	4.38	835	4.28	874	4.04	871	3.35	839	3.29	928	3.61	1,126	3.59	1,094
Lok sabha secretariat	1,749	10.15	1,681	9.32	1,643	7.20	1,613	6.12	1,613	5.45	1,613	5.35	1,406	4.93	1,386
Rajya sabha secretariat	981	5.01	873	5.12	845	3.55	833	3.17	774	2.83	772	2.40	766	2.33	761
President secretariat	316	1.57	316	1.47	318	1.24	310	1.13	310	1.05	310	0.97	320	0.83	308
Vice-president secretariat	41	0.22	42	0.21	42	0.20	42	0.20	42	0.17	42	0.16	42	0.13	40
UPSC	1,842	8.88	1,842	8.62	1,761	7.56	1,830	6.56	1,822	6.51	1,806	5.83	1,806	5.29	1,760
UTs without legislatures	61,644	273.48	60,015	255.44	59,058	765.58	1,97,440	589.85	1,99,934	538.17	1,90,243	501.37	1,87,353	426.38	1,64,507
Total	39,88,030	16,102.11	39,49,407	14,758.15	39,74,290	13,462.05	41,39,256	11,897.41	40,81,852	10,743.54	40,62,960	9,599.48	40,09,645	8,659.21	38,83,302

Note: Pay and allowances include travel expenses as per revised estimates given in the Expenditure Budget of the Central Government.



The heat inside can be killing for an engine. To beat the heat just water won't do. Your car needs Servo Kool. The triple action coolant that meets the highest Japanese standard – JIS K2234 requirements. ▶ Servo Kool keeps the engine cool even under severe stress and in extreme temperatures. ▶ Servo Kool acts as an anti-freeze in cold climes. ▶ Servo Kool prevents corrosion from chemical deposits and rust. Improves life and efficiency of the engine, radiator and water pump.

Servo Kool. From IndianOil's R & D Centre. A refreshing way to keep your engine cool!

SERVO KOOL

◀◀◀ **THE TRIPLE-ACTION COOLANT** ▶▶▶

IndianOil's R & D Centre creates international standard products tailored to Indian conditions

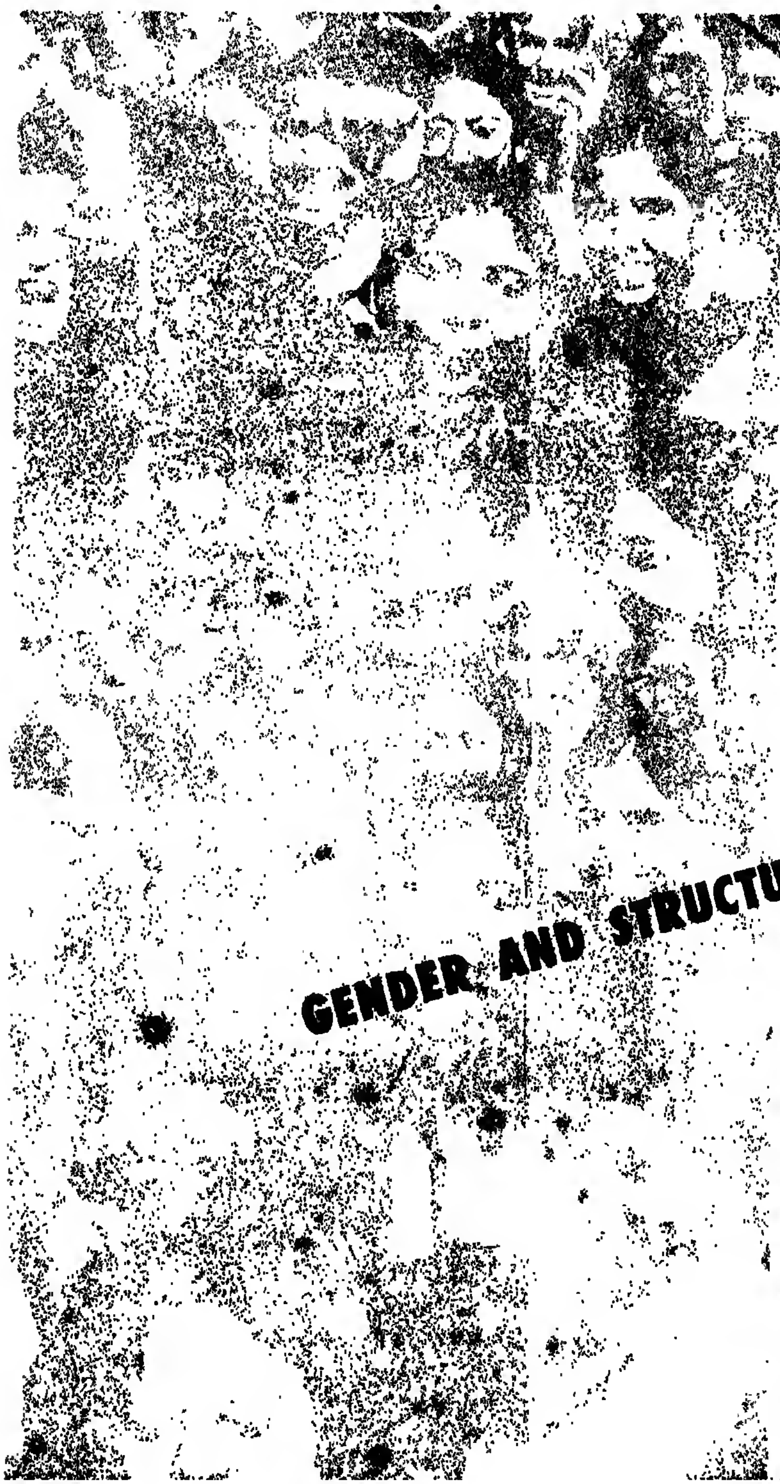
INDIANOIL

IOC 4 1 34

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay 400 038

ECONOMIC AND POLITICAL WEEKLY

A Sameeksha Trust Publication Rs. 17.00 Vol XXIX No 18 April 30,

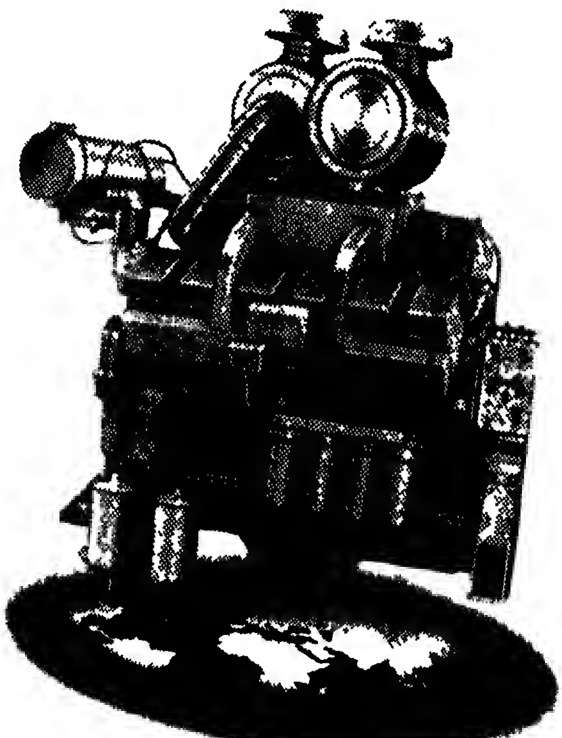


REVIEW OF WOMEN STUDIE

- GENDER CONCERNS IN MACRO-ECONOMIC POLICY
- GENDER, ENVIRONMENT AND STRUCTURAL ADJUSTMENT
- THE HOUSEHOLD, GENDER AND ADJUSTMENT POLICY
- WOMEN AND TECHNOLOGICAL CHANGE IN RURAL INDUSTRY
- TECHNOLOGY AND FEMINISATI OF WORK
- FEMINISATION OF LABOUR FORCE AND ORGANISATIONAL STRATEGIES

GENDER AND STRUCTURAL ADJUSTMENT

- WHAT HAS GONE WRONG WITH ECONOMIC REFORMS?
- UTILISATION OF HEALTH SERVI
- INDUSTRIAL DISPUTES: EMPIRICAL ANALYSIS
- SOCIAL EXPLOSION IN FRANCE
- TRADE UNIONS AND CHALLEN(OF ECONOMIC REFORMS
- MAKING SENSE OF GOVERNME MACRO-ECONOMIC STRATEGY



ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road Bombay 400 038
Phones 2616072/73 Grams Econweekly

EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
Director
S L Shetty

Vol XXIX No 18 April 30, 1994

Gender and Structural Adjustment

LETTERS TO EDITOR

Rajya Sabha

WHILE wading through the back numbers of *EPW*, my eyes got stuck at the note in the issue of January 22 last by a correspondent on the country's electoral law, 'Straining Credulity', and which you have accorded the prerogative of carrying on the editorial pages (pp 144-45). The writer of the note is obviously either unaware or contemptuous of the original purpose underlying the establishment of the Rajya Sabha. While the Lok Sabha (the House of the People) was supposed to concern itself with national issues, the Rajya Sabha (the Council of States) was intended to concentrate on specific issues pertaining to the constituent States of the Union of India. Those hating the very concept of a federal structure for the country, and whose objective is to render the polity into an increasingly centralised, increasingly authoritarian entity, have tried to subvert with great diligence the legal provision that members representing a particular State in the Rajya Sabha should be ordinarily resident in that State. I am sorry that the *EPW* has seemingly decided to join this crowd.

ASHOK MITRA

Calcutta

Ills of University Education

AMRIK SINGH (March 19) while outlining the ills afflicting today's Delhi university education, has taken up only such issues as colleges not being granted autonomous status, underutilisation of existing infrastructure facilities like building and laboratories, the obsolescence of undergraduate course curriculum, the implementation of the 10+2+3 system. And it escapes all logic why he conveniently puts the blame on the Delhi university teachers for all these problems. For Amrik Singh, no other problems and issues need attention

It is too simplistic to say that "universities exist for the students and everyone else is there because the students are there". The nature of education imparted is determined by the goals with which the universities are established. The universities exist to serve the economic goals of the nation state. In the Indian context university education has outlived its post-independence objective of a liberal basic education in science and social science for the masses when the existing economic structure cannot even give a minimum social security. The crisis in university education reflects the crisis in society—the crisis of bourgeoisie democracy crying for a change. At this juncture to live with this crisis, the Indian university education can only dismantle the existing nature of education it imparts and this is what Amrik Singh is proposing in the guise of his 'concerned' opinion. And in doing this, the strongest opposition surely will come from the organised teaching community despite its current BJP affiliations! However, people like Amrik Singh exist in all spheres of our society, they are the entrepreneur managers, who come forward with a detailed blueprint and justification sensing the changing wind and thereby keeping themselves eternally available for 'his/her majesty's service'. The concern shown by Amrik Singh at the state of university education in Delhi is made at a time and in circumstances when it is considered radical to be a conservative and prescribe solutions in the language of the concerned liberal that are already being put into action under the current liberalisation regime.

In Khalsa College, of which Amrik Singh was till recently chairman, teachers have a court case against the minority status of the college. Amrik Singh is not a stranger to the harassment and politics of interference from the Gurdwara governing body members (all of them being 'jathedars' and semi-literate at best) in many day-to-day affairs over the years, that this minority/autonomous status afforded them. Yet for him the autonomy of the institution is a sacred objective against which the teachers surely are creating hurdles. Similarly, other Delhi university colleges are run by partisan governing bodies and any discussion on autonomous status should in all sincerity focus on the nature of autonomy sought rather than on whipping the teachers.

This is not to say that the Delhi university teachers have conducted themselves in the most exemplary manner and that merit not be a criteria for academic evaluation. Indiscipline, misbehaviour and dereliction of duty cannot be overlooked. Yet merely harping on this will not do and before solutions are sought, the reality needs to be understood. University teachers, like the public sector workers, are working in the overall cultural and social environment where working for individual interests is considered to be the best for the competitive capitalist environment. In the absence of an alternative ideology and culture, work in the public utility services including teaching in public institutions assumes an odour of charity. In the absence of a strong working class movement and a social philosophy, corruption thrives even amongst the working class. This is a reflection of the overall degenerating capitalist environment. It is contingent upon the teaching community to understand that their future lies with the working class struggle seeking through a revolutionary change in the existing social structure and not in begging for more. Being teachers, they are responsible for keeping the intellectual climate free from reactionary and idle phrasemongering—if they fail it is not only their misfortune but of the nation too.

DEPINDER SINGH

Delhi

Subscription Rates
Inland
(including Nepal and Bhutan)

(*in rupees*)

	Six months	One year	Two years	Three years
Institutions	–	475	900	1325
Individuals	200	375	700	1025
Concessional Rates				
Teachers/Researchers	–	250	–	–
Students	–	195	–	–

Concessional rates are available only in India To avail of concessional rates, certificate from relevant institution is essential

Remittance by money order/bank draft/postal order requested Please add Rs 14 to outstation cheques towards bank collection charges

Foreign (in US $)

	Air Mail Institutions	Air Mail Individuals	Surface Mail Institutions	Surface Mail Individuals
Pakistan, Bangladesh & Sri Lanka	60	30	40	20
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	125	80	70	40
All other countries	80	50	50	30

All remittances to **Economic and Political Weekly**

ECONOMIC AND POLITICAL WEEKLY

Whistling in the Dark

IT would not be wide of the mark to say that the authorities are sitting on a volcano of macro-economic instability and possible hyperinflation. But judging by their actions, they do not seem to be aware of this. Worse, the framework of their economic policies leaves them with very limited options in dealing with the situation.

The macro-economic situation, both current and prospective, is fraught with imbalances and uncertainties: low real income growth, fiscal instability, rapidly expanding monetary liquidity, reduced domestic saving and investment, poor addition to employment and a combination of supply shortages, manipulative supply management, rampant speculation and upward revision of administered prices which is stoking inflation. On the surface there are no doubt positive elements like the large reserves of foreign exchange and foodgrains which should help augment commodity supplies; but in the first place, they themselves have been acquired with policy instruments that have strong inflationary bias and, secondly, their effectiveness in restoring macro-economic balance will depend upon the short- and medium-term strategies for deploying these assets effectively to break the back of speculation in commodities and to expand the economy's production base. On both counts the government's actions do not inspire much confidence.

It is significant that both the large foreign exchange accruals and the build-up of foodstocks with the public procurement agencies took place in the second half of 1993-94 and were accompanied by a triggering of inflationary expectations. In the first quarter of 1993-94 the annual inflation rate had hovered around 7 per cent and there had been a seasonal spurt to above 9 per cent in the second quarter and a slight seasonal decline to approximately 8 per cent in the third quarter. In the last quarter, however, reports of bulging of foreign exchange reserves and of food stocks with public agencies coincided with the revival of inflation. As a result the fiscal year 1993-94 ended with a rise of 10.2 per cent in the wholesale price index (base: 1981-82=100) against 7 per cent in the previous year and the government's original target of 6 per cent. In fact, when the final figures of the WPI become available, the year will be seen to have experienced an inflation rate of over 11 per cent. Further, even this measure of inflation should be considered an underestimate as the general index of wholesale prices does not fully capture either the galloping rise in prices of commodities of common consumption or the rising cost of investment, both of which have significant macro-economic implications.

Prices of a large number of commodities of common consumption have risen sky-high. In 1993-94, the WPI for foodgrains shot up by 16.1 per cent with cereals rising by 13.7 per cent and pulses by 30 per cent. Sugar, khandsari and gur prices rose by 20.9 per cent, cotton textiles by 17.5 per cent, drugs and medicines by 10.8 per cent and electricity by 30.7 per cent. The price increases for specific commodities available for the period February 1993 to February 1994 are mindboggling: rice 12.1 per cent, wheat 22.3 per cent, bajra 37.7 per cent, maize 28.9 per cent, barley 41.9 per cent, gram 63.1 per cent, arhar 11.6 per cent, moong 25.4 per cent, urad 21.8 per cent, potatoes 11.9 per cent, onions 20.7 per cent, green peas 17 per cent, eggs 16 per cent, non-levy sugar 34 7 per cent, khandsari 26.2 per cent and gur 30.4 per cent. The underestimation of the price increases occurs because at the level of the individual items, unweighted averages of price quotations are taken into account. The understating of the inflation in cost of investment arises similarly because the WPI does not reflect the increase in the cost of land and of raising capital from the market. As is well known, land values have risen tremendously in the past two years or so after non-resident Indians (NRIs) and even foreign nationals were permitted to buy real estate in India, though on a non-repatriable basis.

Besides, it must not be lost sight of that the inflation of 7 to 10 per cent last year coincided with low growth of the economy brought on essentially by fiscal compression. While the fiscal contraction could not contain the pressures on commodities of common consumption because of the unrestrained current consumption expenditures of the central and state governments and also because of the speculative manoeuvres of the trade and rich farmers, prices of capital goods have been held down due to the industrial recession attributable to the sharp cut-back in the government's capital expenditures. Studies have suggested the strong possibility of a trade-off between inflation and growth. In any case, the link between the government's capital expenditures, production and investment by the private sector and industrial growth in general is strong and well established. Therefore, if the wholesale price index for the 'machinery and machine tools' group rose by only 3.2 per cent in 1993-94 the reason was the slump in investment and growth. The reductions in customs and excise duties could only have been of marginal significance; in a number of other intermediate and final manufactured products where similar reduction in indirect taxes has occurred, there has been little impact on final prices The price index for manufactured products as a group registered a rise of 8 8 per cent in 1993-94 compared to 7.9 per cent in 1992-93

Inflationary pressures have raised their head since the second half of 1993-94 because, on the one hand, government policies on both demand and supply management have been inflation-inducing and, on the other, there has occurred a relative shortage of agricultural supplies. There were sizeable increases in administered prices: procurement prices of rice and wheat, issue prices of wheat, rice, levy sugar and liquefied petroleum gas (LPG), controlled prices of petrol, high speed diesel and light diesel, electricity tariffs and railway freights On the demand side, the

government's revenue expenditure continued to rise even as revenue collections fell short of targets, resulting in, particularly during the second half of the year, mounting fiscal imbalances Further, the rapid foreign exchange accruals, the equivalent of nearly Rs 24,000 crore in the second half of 1993-94, injected massive amounts of liquidity into the system. Finally, there has emerged a situation of relative shortage of foodgrains and other agricultural commodities. Though the country has experienced six continuous years of good rainfall, the actual year-to-year increases in foodgrains production after the initial jump has been meagre, just about 6 per cent over six years from 169.9 million tonnes in 1988-89 to 180.5 million tonnes in 1993-94.

Even more worrying are the severe limits on the government's ability to contain inflation in the short run. On the supply side, besides the sluggishness in output growth, there have been serious imbalances in the production pattern with the output of coarse grains and pulses fluctuating sharply but remaining stagnant over the period as a whole. Also, regional imbalances have been accentuated with some of the populous states such as Uttar Pradesh and Bihar experiencing little growth or even decline in output. Besides, as a result of the persistent erosion of real investment in agriculture by public and private sectors alike, there has been little addition to the production potential. The government's supply management has also left much to be desired. While current foodgrain production is enough to meet the prescribed nutritional norm of 500 grams per capita per day, the gross inequalities in consumption between groups and regions makes it imperative for public distribution to play an effective role. But the government has been procuring grain, essentially wheat and rice, at prices far above those recommended by the Commission on Agricultural Costs and Prices (CACP) and making open market sales at a loss. The committee of officials appointed in late January to monitor the availability and prices of essential commodities came to the conclusion that the sudden spurt in their prices had been caused mainly by large-scale hoarding by traders. The indulgent view taken by state governments, particularly those of UP, MP and Delhi, of the violations of the Essential Commodities Act led to a worsening of the situation on the supply front. The announcements of imports under open general licence (OGL) of raw cotton, oilseeds, sugar and pulses has curiously led to intensification of hoarding, speculation and market manipulation by traders

On the demand side, apart from the massive increases in the government's consumption expenditure and little hope of mobilising larger resources due to the lowering of taxes, the liquidity growth is continuing unabated due to the inflows of foreign exchange from three sources: stock market investments by foreign institutional investors (FIIs), global depository receipts and other foreign borrowings by companies and India funds floated abroad. The inflationary implications of these funds are all the greater because they are hardly used for productive purposes. We now have it on the authority of a Planning Commission official that of the funds raised by companies abroad, only 15 per cent is being spent on investment projects and the balance has gone to finance non-productive treasury management and acquisition of financial assets as well as land, besides retiring old debts.

The acute dilemmas that the government's policies have created are evident enough. First, because of the persistent recession, interest rates cannot be raised and there is limited manoeuvrability in monetary policy. Second, despite the growing foreign exchange reserves, the exchange rate cannot be allowed to rise because export profitability will suffer. However, due to a higher rate of inflation than in India's trade-partner countries, the rupee has already appreciated by about 10 per cent in real and trade-weighted terms. Finally, as inflation gets worse the government will be forced to take further measures of the structural adjustment variety to keep the FIIs and other foreign investors in good humour, but which will contribute to a deepening of the economy's structural crisis.

LEGISLATIVE PRIVILEGES

Over-Protected

THE arrest and subsequent incarceration of Nikhil Wagle, editor of the Bombay eveninger, *Mahanagar*, reopens the contentious and complex issue of legislative privileges and press freedom.

Wagle, who has been a doughty crusader against communalist journalism, was arrested for writing what has been termed a scurrilous piece casting aspersions on the character of legislators in the Maharashtra assembly and for having commented injudiciously on a condolence motion tabled in the house on the violent death of a member. Further, he refused to appear before a privileges committee constituted of legislators to decide whether his actions were in keeping with the norms laid down for reporting on the proceedings of the legislature. Late last week the Maharashtra chief minister moved the motion recommending Wagle's arrest and imprisonment for four days.

The breach of privilege motion had been moved by a Janata Dal MLA objecting to Wagle's article entitled 'Dhongebaji Kashasathi?' ('why the hypocrisy?') commenting on a condolence motion on the death of a Shiv Sena MLA who was killed in a shoot out as he was returning from a friend's funeral in 1992 and pointing to the extent of criminalisation in politics. The article had stated that several legislators had in fact taken help from criminal elements during elections and had drawn attention to the growing links between the underworld and elected representatives. Interestingly, none of the members whose names had been mentioned have taken Wagle to court on defamation charges.

Wagle's contention has been that since these links are known to exist any journalist has a right to write about them. He refused to appear before the privileges committee on the ground that it would be ridiculous to be tried by the very elements whose credentials to be people's representatives he had questioned.

The major issue however is that the concept of privilege has remained ill-defined and uncodified. The concept originally meant to ensure the British parliament freedom from interference by the Crown and blindly adopted in India has come in for critical comment from various authorities. The first and the second Press Commission as well as the Press Council of India have held that the concept of uncodified privilege is undemocratic. If rights and privileges of elected representatives are to be protected, they must first be defined. Currently, it is left to those who enjoy these rights, the legislators, to define them depending on the circumstances. Wagle's refusal to appear before the privileges committee rests on a rejection of this state of affairs.

While Wagle's writing may at the most be faulted for having been strongly worded, and his refusal to appear in person before the privileges committee (he had sent his responses in writing) an act of defiance, for the chief minister to have recommended his arrest can hardly be justified. The chief minister, or for that matter any of the legislators, could have used the occasion to further institutionalise democratic practice by seeking to define the privileges which Wagle is accused of having infringed.

The fact that none of the political parties in the assembly here or elsewhere has taken up the cause of codification of legislators' privileges indicates the enormous advantages elected representatives gain from flexible interpretation of their rights and privileges. This loosely defined concept of privilege has been repeatedly used to curb criticism or to punish those who have been critical. In other words, affording protection for the undefined rights of some encourages curtailment of the rights of the majority.

BANKS

Structural Decline

SIGNIFICANT structural changes are taking place in the banking industry, but one is not sure if these are getting reflected in policy formulation by the authorities. Broadly, the concentration of banking business in a few centres persists; the rural branch network, while it is sizeable, has mobilised

very limited rural saving and has not extended rural credit on any impressive scale. Inter-state disparities in banking development also continue; this is particularly true of the share of deposits deployed as bank credit within the respective states—the so-called credit-deposit ratios. The proportion of priority sector advances in total advances has been declining. For the various structural maladies faced by the banking industry, which has reason to be proud of its past achievements, the government and the Reserve Bank are bereft of solutions; they seem to have few ideas on how best to build on the foundation laid over a quarter of a century. The only ideas they project are those of exposing public sector banks to unbridled competition from new private banks and rolling out the red carpet for foreign banks. These can offer competition to public sector banks only in the so-called sophisticated, urban and largely wholesale market thus cornering the bulk of 'high street' banking business, leaving the more arduous tasks of retail and mass banking to the latter. The whole strategy portends yet another major upheaval in the Indian financial system with the shake-up centring on the public sector banks.

As per the RBI's *Quarterly Handout on Banking Statistics* for December 1993, rural branches of commercial banks constituted 57.3 per cent of a total of 61,740 bank branches but they mobilised only 15.1 per cent (or Rs 45,622 crore) of the aggregate deposits of Rs 3,03,087 crore; in total bank credit their proportion was 13.8 per cent. As far back as December 1985, the shares of rural branches in aggregate deposits and bank credit had already reached 13.7 per cent and 13.8 per cent, respectively, suggesting that (a) there has been hardly any increase in their share now for almost a decade, and (b) there has arisen a disparity between their share in bank deposits and that in bank credit, leading to a sharp reduction in the credit-deposit ratio of rural branches from 63.9 per cent in December 1985 to 53.3 per cent in December 1993. It is true that bank branches situated in semi-urban and urban areas lend in rural areas—a phenomenon which is captured in the concept of credit migration from the place of sanction to the place of utilisation, on which data are gathered in RBI's comprehensive *Basic Statistical Returns* (BSR). As per the BSR for March 1992, the latest available in the annual series, the credit-deposit ratio for rural areas was 77 per cent according to utilisation of credit as against 57.9 per cent as per sanction. Even in this respect, the rural areas have experienced a noticeable reduction in the credit-deposit ratio. The ratio was as high as 97.1 per cent in March 1990 as per utilisation, which is as it should be implying that rural deposits were by and large utilised in rural areas. But by March 1992 the ratio had declined to 77 per cent, which was only partly explainable by the loan waiver scheme.

A more glaring failure in banking development, particularly during the past five years, is the persistence and even deterioration of inter-state disparities. The regions which have suffered the most are the needy ones—the north-eastern, eastern and central regions. Going by the latest data for March 1992, while the southern region has enjoyed a credit-deposit ratio as per sanction of 76.5 per cent and the western and northern regions of 58.2 and 51.1 per cent, respectively, the central region had 47.6 per cent, eastern region 49.5 per cent and north-eastern region the lowest ratio of 46.7 per cent. Admittedly, the credit-deposit ratio is not a foolproof indicator of banking development. The decline in credit-deposit ratio in the recent past has been mainly attributable to the steady upward revisions in the cash reserve ratio (CRR) and the statutory liquidity ratio (SLR). Besides, as mentioned earlier, migration of bank credit tends to improve the credit-deposit ratio of some regions. Bankers also claim that absence of infrastructural development in the underdeveloped states and regions has been preventing them from expanding their credit base there.

Even so, all things considered, there is little justification for the banking industry to persistently lend less than the amount of deposits mobilised in a state or region. This is particularly so with regard to the poorer states and regions. Even after taking into account migration of credit, the credit-deposit ratio for the central region as per utilisation was just 50.2 per cent (as against 47.6 per cent as per sanction) at the end of March 1992. Within the region, Uttar Pradesh had a credit (utilisation) to deposit ratio of 45.3 per cent and Madhya Pradesh 63.2 per cent. For the eastern region as a whole, the corresponding ratio was 49.1 per cent and within the region Bihar had only 38.5 per cent and West Bengal 51 per cent. These compare with the southern region's credit to deposit ratio (utilisation) of 77.7 per cent or those of 81.1 per cent for Andhra Pradesh, 80.5 per cent for Karnataka and 89.1 per cent for Tamil Nadu. It is significant that for Kerala the ratio is as low as 52.2 per cent (51.7 per cent as per sanctions).

It is not only that these ratios are low but what is disquieting is that some of them have declined over the recent years. In the case of the north-eastern region, the credit (utilisation) to deposit ratio was 70 per cent in March 1990 which came down to 66.3 per cent in March 1992. The corresponding ratios for the eastern regions were 52.6 per cent and 49.1 per cent. For every major state in the eastern region, namely, Bihar (39 per cent to 38.5 per cent), Orissa (92.5 per cent to 71.1 per cent) and West Bengal (53.9 per cent to 51 per cent) the ratio has registered a fall. In the central region, while MP has shown a decline in the ratio from 68.1 per cent to 63.2 per cent, UP has experienced an increase from 32.8 per cent to 45.3 per cent, though the latter ratio is still low. In the case of Kerala again there is a sharp decline in the credit-deposit ratio from 95.4 per cent in March 1990 to 52.2 per cent in March 1992.

A similar structural deterioration is occurring in regard to the share of priority sector advances in total bank credit. There was a steady decline in this ratio from 43.8 per cent in June 1988 to 37.1 per cent in March 1992. In fact the ratio dipped below the norm of 40 per cent after the structural adjustment programme and the acceptance by the government of the Narasimham Committee recommendations. The banks' consolidated balance sheets for 1992-93 show an even sharper decline in this respect. In respect of the public sector banks, the priority sector ratio has fallen from 37.6 per cent in March 1992 to 34.1 per cent in March 1993. In respect of private sector banks the ratio has remained low at about 29-30 per cent and foreign banks around 9 per cent (against the target of 15 per cent for the latter). What is disquieting is that even some of the well known southern banks, which have enjoyed a tradition of relatively large, even above 50 per cent, priority sector advances, have begun to move away from such lending. Syndicate Bank, which had once nearly 55 per cent priority sector advances, had brought down the ratio to 36.3 per cent in March 1992 and to as low as 30.3 per cent in March 1993. The same is true of Canara Bank, Karnataka Bank, Vijaya Bank, Indian Bank and Indian Overseas Bank. Significantly, this has been occurring at a time when the unorganised sectors of the economy have been showing signs of dynamism and expanding their shares in output, exports and employment.

MEDICAL EDUCATION

Vice of Tradition

THE arrest of a professor of surgery in state government-run GT Hospital in Bombay on charges of corruption in the course of evaluating students in the graduate and post-graduate examinations is a shocking revelation not only of 'moral turpitude' in the corridors of education, but a reminder of the prevalence of an outmoded, archaic and stultifying system which ensures the silence of juniors and students. In no other course of professional training perhaps have the hierarchies been so rigidly enforced and so strictly adhered to as in medicine.

The GT Hospital professor B M Sabnis was examiner for the Bombay University and an internal examiner for the hospital. In what appears to have been an efficiently-run racket, Sabnis not only ensured required grades to those who would not otherwise have made the grade, but also collected from competent students, and punished those who did not pay by ensuring that they failed the examination. In the one-and-a-half years

that he has been examiner for the MBBS and MS examinations, Sabnis is alleged to have collected these 'fees' from at least 50 students and to have failed at least an equal number. His rates were: Rs 20,000 for theory examinations and Rs 40,000 or thereabouts for practical and theory combined at the undergraduate level. If the student wished to secure a first class, he charged Rs 10,000 extra. For the postgraduate exam he charged around Rs 1 lakh. The professor also charged undertrials for delivering 'special treatment' and for prolonging their stay in hospital. It is hardly surprising that students in the government medical college hostels distributed sweets when he was arrested.

The more important issue here is not the money Sabnis was charging but the fact that the extortion, for that was what it was, went on for so long. Students in Bombay's medical colleges are, it may be pointed out, in a sense the *creme de la creme* of the vast numbers who struggle through the plus-two, given that the cut off point for entry into medical colleges stops at some unbelievably high percentages of marks—clearly a group which is highly motivated to strive for success at any cost. Confronted with a Sabnis (who is alleged to have collected money from good students, too) one would ordinarily have expected this lot to protest. The fact however is that located as they are at the bottom rung of the rigidly hierarchical system which incorporates the worst aspects of the teacher-student relationship, they are rendered too vulnerable.

A system of education in which precept and practice are equally important is necessary for the imparting of medical education because the practice of medicine is more than the application of science and scientific methods. Over the years, it has incorporated and codified a set of rules of interpersonal behaviour, the most important of which is between patient and doctor which is an essential aspect of the practice of medicine. But inevitably, it also codifies behaviour between teachers and students, seniors and juniors, nurses and doctors, and so on, which especially in third world countries, has remained unchanged for generations. While this may make for a smooth transfer of good practice, it also ensures that bad practice is not questioned and is even condoned and continued. These are the factors which perhaps have kept the medical community, especially those in public hospitals, from vocally and collectively condemning corrupt practices.

The fact that there have not been more Sabnises is in this sense a great cause for celebration. But given the increasing commercialisation of medicine and commodification of medicare, there is a serious need to put into place review and monitoring systems which do not depend on the whims and fancies of a single individual. It also means that bodies which have to do with medical practice and education, especially the Indian Medical Council, need to give serious thought to reviewing not just the standards of practice but the culture, the tradition and the socio-economic milieu in which these operate. More immediately, one must ask why the Maharashtra Medical Council has made no statement about the issue, even though the investigating authority has said that it would recommend the professor's dismissal as well as his name being struck off the medical register.

BOSNIA

Prolonging the Conflict

AFTER Gorazde, Bosnia is no nearer to a solution. The reason is the US, NATO, UN and Russia, the parties that can enforce a decision in Bosnia, have not yet agreed upon a solution. In fact, they do not even seem to be fully convinced whether a short-term solution is imperative. Meanwhile, Bosnian Serbs, the aggressor party in the conflict, continue to take full advantage of the situation.

The raid on Gorazde was, in a way, a direct outcome of this situation. It is obvious now that after having ensured a vacation of Bosnian Serb forces from Sarajevo through a threat of punitive air strikes in February, the US, NATO and the UN, particularly the former two, had lapsed into a false sense of security. Though it was clear even then that the Bosnian Serbs were using the negotiations to prolong the war in order to register territorial gains, the US, NATO and the UN made no special effort subsequently to cut short the process and enforce a decision on the warring parties. Admittedly, such an enforcement had become difficult after the Russian government, under pressure from Zhirinovsky and certain sections of the Russian population sympathetic to the Serb cause, started taking interest in the conflict in a manner that discouraged joint military action against the Bosnian Serbs—a factor that continues to be operative even now. However, the Russian pressure is not the only reason why decisive UN-NATO action has not been taken so far in Bosnia.

Apart from the fact that the US is no longer strategically as interested in the European sector as it used to be in the cold war days (a situation that may now change after Russia has strategically bestirred itself once again), NATO itself has been, and remains to this day, deeply divided over the question of military solution in Bosnia. As of now, only the US seems to be fully convinced of the necessity and wisdom of such a solution, although even the US has only lately come round to this position after the Clinton administration found itself losing popularity over its policy in Bosnia. The other NATO members, mainly England, Germany, Canada and Greece, seem unwilling to commit their forces to an action that promises no visible economic, political or even strategic dividends and in which they may become party to a conflict that has roots going back into history. This unwillingness stems from another, more immediate factor, too. Despite its current eagerness to take action in Bosnia, the US is refusing to use its ground forces; it wants to leave that part of the commitment to its European partners, who see this as leading to an eventuality in which they would be left with the main responsibility of enforcing a solution through military means. Hence their insistence on still trying to find a negotiated settlement to the problem.

In this connection, even the UN cannot totally escape criticism. While in the case of Sarajevo the UN showed greater eagerness for NATO to take military action, in the Gorazde incident it dragged its feet. At a time when the NATO troops were waiting for clearance from the UN to put punitive air strikes into effect, the UN special representative for former Yugoslavia, Yasushi Akashi, refused to grant permission. Part of the reason for this procrastination must be the differences between the top UN officials. True to his activist image, the general-secretary Boutros Ghali has always shown willingness to adopt a tougher approach to finding a solution to the Bosnian imbroglio. In the case of Gorazde, however, the immediate decision was taken by his representative who forbade the NATO troops to make air strikes as the Bosnian Serbs, he said, had already started withdrawing from the area. Since the withdrawal had actually begun, the decision appears to be partly justified. It is not certain, nevertheless, whether Ghali was at all consulted.

Not that Russia has demonstrated a more cohesive policy on the matter. Indeed, the Russian government is as riven by differences as the UN or the governments of the NATO countries. While Yeltsin and the foreign ministry are in favour of a softer approach, the defence ministry and the generals want to use the conflict as a cover to assert traditional Russian claims in the region. The Bosnian Serbs are aware of this ambivalence, pulling Russian policy in contrary directions. This division within the Russian government has certainly reduced the credibility of Russia as a military power on the European terrain in the eyes of NATO. No wonder, the latter has of late been showing a tendency to ignore Russian opinion in Bosnia. Nevertheless, the very presence of Russia in the diplomatic discourse around Bosnia—a presence that Russia has made felt in no uncertain terms—is sufficient to deter NATO from taking any 'rash' action. Since given the current balance of power within the Russian government, this presence tends to favour the Bosnian Serbs, it is likely to have the effect of prolonging the Bosnian conflict.

Tri-Star Soya

TRI-STAR SOYA PRODUCTS, one of the largest soyabean processors in the country and a recognised export house, is implementing a forward integration programme as also an expansion-cum-modernisation scheme for its existing facilities at an estimated cost of Rs 12.8 crore. The company will be manufacturing 5,760 tpa of texturised vegetable protein and 7,500 tpa of vanaspati. These are being part-financed by a rights issue of 13,87,400 equity shares of Rs 10 each at a premium of Rs 40 per share to its shareholders in the ratio of one equity share for every three shares held. The issue opened on April 18 and is lead managed by 20th Century Finance Corporation. While the expansion of the soyabean processing capacity from 1,50,000 tpa to 2,25,000 tpa was completed in November 1993, trial runs of the texturised vegetable protein plant and vanaspati plant are expected to be completed by the end of April and September this year, respectively. The company is now expanding the soyabean processing capacity to 3,00,000 tpa which is expected to be commissioned by this November. With the completion of these projects, it is expected that the company will post a turnover of Rs 150.5 crore in 1994-95. Profit after tax has been estimated at Rs 5.8 crore and EPS at Rs 11.2.

Arora Fibres

Arora Fibres is setting up a project to manufacture polyester staple fibre (PSF), polyester and nylon chips through recycling/regeneration of polyester and nylon waste at an estimated cost of Rs 22 crore. The plant will be situated at Silvassa in the Union Territory of Dadra and Nagar Haveli and the company has entered into a tie-up with Mijung Ind Company of Korea for the manufacturing process, supply of machinery for PSF making line and 50 per cent buy-back of the products. The polyester/nylon chips reclaiming line is being supplied by Sikoplast Mashinenbau Koch GmbH of Germany. Commercial production is expected to commence in October this year. To partly meet the cost of the project, the company will be entering the capital market shortly with a public issue of 96,00,000 equity shares of Rs 10 each at par aggregating Rs 9.6 crore. Apart from the public issue, the project will be financed by rupee term loans from IDBI, suppliers' credit and unsecured loan from promoters. The shares of the company are proposed to be listed on the Bombay, New Delhi, Ahmedabad, Calcutta and Madras stock exchanges.

L S Synthetics

L S Synthetics, a manufacturer of polyester blended shirting and suiting under the established brand name 'Oxford' and belonging to the Kachins group, will be shortly entering the capital market with a public issue of 13,00,000 equity shares of Rs 10 each at a premium of Rs 25 per share aggregating Rs 4,55,00,000. The issue is being made to part finance the cost of expansion of its existing shirting/suiting, weaving unit and forward integration plan of establishing a process house. The company is a supplier of fabrics to leading fashion houses manufacturing brands like Louis Philippe, Van Heusen, Park Avenue, Charagh Din, Double Bull, Cliff and Zodiac. The company's weaving unit is situated at Ankleshwar and the process house would be situated close to the existing unit. The promoters will have a stake of 72 per cent in the post-issue equity capital of the company. The projected EPS, after implementation of the project, is Rs 8.4, Rs 9.20 and Rs 9.2 for 1995-96, 1996-97 and 1997-98, respectively. The shares are proposed to be listed on the Bombay, Ahmedabad and Madras stock exchanges.

Stone India

Stone India (SIL), jointly promoted by G P Goenka and Stone Overseas Holdings of the UK in 1991, is engaged in the manufacture of electrical and mechanical engineering equipment for the railways and defence sectors. The company has now drawn up an expansion cum diversification programme involving an investment of Rs 30 crore. Firstly, the company is setting up an export-oriented venture for 14" VGA computer colour monitors with an installed capacity of 1.20 lakh monitors per annum at an estimated cost of Rs 6.4 crore in collaboration with Winny Electron Enterprises of Taiwan. Expected to go on stream by this July, the latter has agreed to buy-back 75 per cent of the company's production. Secondly, Stone India is setting up a brake block unit with a capacity of 2.5 lakh units per annum in technical collaboration with Futuris Industrial Products of Australia. The project cost has been estimated at Rs 15 crore and is expected to commence production from June 1995. Thirdly, the company has embarked on a rubber project at an estimated cost of Rs 1 crore to manufacture moulded rubber components. This unit will commence production by May this year. Last but not the least, the company is modernising its existing factory situated at Taratalla in Calcutta in phases and is expected to go on stream by early 1995-96. To part finance these projects, Stone India is offering a rights issue of 4.34 lakh 16 per cent FCDs of Rs 140 each at par with detachable and separately tradable warrants in the ratio of 1:8 and 24.4 lakh 16 per cent secured redeemable PCDs of Rs 50 each with separate tradable warrants. Part A of Rs 35 each will be converted into one equity share of Rs 10 each at a premium of Rs 25 per share and the non-convertible Part B of Rs 15 will be redeemed at the end of the sixth, seventh and eighth years. The rest of the amount will be raised through rupee term loans of Rs 4.1 crore, lease finance of Rs 2 crore and internal accruals of Rs 1.9 crore. The issue is opening on May 3 and is lead managed by SBI Caps and ANZ Grindlays.

TCI

Transport Corporation of India (TCI), which has an extensive transport network throughout the country, is expanding its activities. The company, whose activities are divided into five divisions—transport, TCI-shipping, Wheels rent-a-car division, Gati desk-to-desk cargo division and Transport International Bureau exchange division—is adding 100 trucks, 221 cars, 50 LCVs and one ship to its existing fleet. It is also computerising its entire operations. The expansion programme is being part-financed by a rights issue of PCDs and FCDs. TCI is offering 6.35 lakh 15 per cent FCDs of Rs 120 each in the ratio of 4:50 and 10.60 lakh 15 per cent redeemable PCDs of Rs 120 each out of which 7.95 lakh PCDs are being offered to the investing public, 1 lakh 15 per cent PCDs to UTI and 53,000 15 per cent PCDs to SCICI. While part A of Rs 40 will be converted into one equity share of Rs 10 at a premium of Rs 30 each on allotment, part B of Rs 80 will remain as the non convertible portion and will be redeemed in the sixth, seventh, eighth and ninth years in four equal instalments of Rs 20 each. The issue opens on May 2, 1994 and is being lead managed by SCICI and SBI Caps. The company's equity, which stands at Rs 7.63 crore at present, will go up to Rs 10.6 crore after the conversion of debentures. TCI has been promoted by S N Agarwala and family which have interests in 16 other companies. The company has also taken on lease the operations of Bhoruka Aluminium, a sick unit, for a period of three years. SBI has projected net profit of Rs 6 crore on sales of Rs 267.5 crore for 1994-95. EPS has been projected at Rs 7.9.

CURRENT STATISTICS

***EPW* Research Foundation**

The seasonal trends in money and banking suggest that the entire part of the increase in non food credit of scheduled commercial banks during 1993 94 took place during the second half of the year Even so the incremental credit deposit ratio during the half year period was only 42 1 pe cent that is one half of that in the corresponding period of 1992 93 despite substantial release of funds due to reductions in CRR and SLR On the other hand commercial banks investment portfolio was on the rise with the incremental investment deposit ratio soaring to 51 4 per cent as against 37 6 per cent in the previous year Fiscal year 1994 95 has also begun with a further liquidity build up Despite encouraging corporate results and excise duty reliefs the share prices are sliding as the FIIs are withholding their commitments

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82=100)	Weights	April 9 1994	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994 95	Fiscal Year So Far: 1993 94	1993 94	1992 93	1991 92	1990 91
All Commodities	100 0	258 8	1 5	10 5	6 7	0 7	0 5	10 2	7 0	13 6	12 1
Primary Articles	32 3	261 5	1 6	11 5	3 2	0 9	1 0	11 6	3 0	15 3	17 1
Food Articles	17 4	283 8	0 7	3 8	5 7	0 8	1 8	4 8	7 5	20 9	18 9
Non Food Articles	10 1	282 2	3 5	26 2	1 8	1 2	0 3	24 2	1 4	8 1	19 3
Fuel Power Light and Lubricants	10 7	278 0	0 6	13 0	15 3	nil	0 1	13 1	15 2	13 2	14 4
Manufactured Products	57 0	253 7	1 6	9 4	7 2	0 8	0 3	8 8	7 9	12 6	8 9
Food Products	10 1	253 4	1 6	11 6	5 6	1 0	1 2	11 8	6 8	10 2	13 2
Food Index (computed)	27 5	272 6	1 0	6 4	5 6	0 9	1 6	7 1	5 8	17 2	16 8

Cost of Living Indices	Latest Month	Variation (Per Cent), Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993 94	Fiscal Year So Far: 1992 93	1992 93	1991 92	1990 91	1989 90
Industrial Workers (1982–100)	263[1]	-0 4	9 1	5 7	8 2	5 2	6 1	13 9	13 6	6 6
Urban Non Man Emp (1984 85=100)	220[11]	0 9	7 3	9 6	7 3	6 8	6 8	13 6	13 4	8 0
Agri Lab (July 60 to June 61=100)	1166[1]	nil	9 4	5 0	10 7	1 9	0 7	21 9	16 6	1 0

Money and Banking (Rs crore)	Apr 1 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1994 95	Fiscal Year So Far: 1993 94	1993 94	1992 93	1991 92
Money Supply (M3)	443760	14919 (3 5)	11714 (2 7)	15693 (4 3)	65827 (17 9)	49344 (15 5)	51653 (19 4)
Currency with the Public	82132	328 (-0 4)	35 (neg)	271 (0 4)	15159 (22 2)	7175 (11 7)	8050 (15 2)
Deposits with Banks	359100	15980 (4 7)	11749 (3 4)	15411 (5 3)	50112 (16 9)	41741 (16 3)	43392 (20 5)
Net Bank Credit to Govt	205925	1276 (0 6)	2564 (1 3)	-990 (-0 6)	27623 (15 7)	17975 (11 4)	18070 (12 9)
Bank Credit to Comml Sector	241158	6961 (3 0)	5266 (2 2)	10406 (4 8)	15577 (7 1)	32141 (17 1)	16225 (9 4)
Net foreign exchange assets of the banking sector	53727	4100 (7 7)		756 (3 0)	25912 (103 8)	3747 (17 7)	21205 (100 4)
Reserve Money	138641	2373 (1 7)	19 (nil)	1925 (1 7)	26577 (24 0)	11274 (11 3)	11726 (12 4)
Net RBI Credit to Centre	97729	1795 (1 8)	1 (nil)	1316 (1 3)	1334 (1 4)	2175 (2 3)	5904 (6 7)
Scheduled Commercial Banks							
Deposits	325392	14877 (4 8)	11578 (3 7)	11288 (4 2)	45242 (16 8)	37814 (16 4)	38216 (19 8)
Advances	168236	5394 (3 3)	4614 (2 8)	6781 (4 5)	11640 (7 7)	26390 (21 0)	9291 (8 0)
Non food advances	158802	7206 (4 8)	6087 (4 0)	6514 (4 5)	7476 (5 1)	24317 (20 1)	120922 (8 4)
Investments	135546	4407 (3 4)	3153 (2 4)	2751 (2 7)	26737 (25 3)	15460 (17 1)	15031 (20 2)

Index Numbers of Industrial Production (1980 81=100)	Weights	Dec 1993	Average for Fiscal Year So Far: 1993 94	Average for Fiscal Year So Far: 1992 93	Variation (Per Cent) Fiscal Year Averages: 1992 93	1991 92	1990 91	1989 90	1988 89	1987 88	1986 87
General Index	100 0	240 9	214 7 (2 4)	209 7 (4 0)	1 6	-0 2	8 4	8 6	8 7	7 3	9 1
Mining and Quarrying	11 5	251 2	213 0 (-0 2)	213 5 (2 5)	1 7	0 4	4 5	6 3	7 9	3 8	6 2
Manufacturing	77 1	230 5	204 7 (1 8)	201 0 (4 1)	0 9	1 8	9 1	0 6	8 7	7 9	9 3
Electricity	11 4	300 9	284 0 (7 3)	264 6 (4 7)	4 9	8 5	7 8	10 8	9 5	7 7	10 3

Capital Market	Apr 29 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year: 1992 93	1991 92	1990 91	1989 90	1988 89
BSE Sensitive Index (1978 79=100)	3746	3780	2144	2037	3455	2281	4285	1168	781	714
	(0 9)		(50 0)*			(-46 8)	(266 9)	(49 6)	(9 4)	(79 4)
National Index (1983 84–100)	1810	1829	966	934	1659	1021	1968	589	421	372
	(1 0)		(-50 9)*			(-48 1)	(234 1)	(39 9)	(13 2)	(76 3)

* Over March 31 1992

External Sector	Feb 1994	Cumulative for Fiscal Year So Far: 1993 94	Cumulative for Fiscal Year So Far: 1992 93	1992 93	1991 92	1990 91	1989-90
Exports Rs crore	6356	62181 (31 6)	47234 (21 3)	53351 (21 1)	44042 (35 3)	32553 (17 6)	27681 (36 8)
US $ mn	2035	19825 (20 6)	16441 (2 8)	18421 (3 1)	17866 (-1 5)	18143 (9 1)	16626 (19 0)
Imports Rs crore	6131	63780 (11 3)	57302 (33 5)	62923 (31 5)	47851 (10 8)	43193 (22 0)	35416 (25 4)
US $ mn	1955	20335 (2 0)	19945 (13 1)	21726 (11 9)	19411 (-19 4)	24073 (13 2)	21272 (9 1)
Balance of Trade Rs crore	225	1599	-10068	-9 572	-3,809	-10 640	-7,735
US $ mn	80	510	-3504	-3 305	-1 545	-5,930	-4,646

Foreign Exchange Reserves	Apr 15 1994	Variation Over: Month	Year	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993 94	1993 94	1992 93	1991 92	1990 91	1989 90	1988 89
Rs crore	48488	3310(*)	27436	1212	2067	27430	5385	10223	-1383	-795	-647
US $ mn	15391	999	8630	296	739	8724	731	3383	-1137	-854	-1386

Money and Banking

Money Stock (Rs crore)	Six Monthly Variation Mar 94 Sept 93	Mar 93 Sept 92	Mar 92 Sept 91	Mar 91 Sept 90	Mar 90 Sept 89	Fiscal Year Variation 1993 94	1992 93	1991 92
Money Supply (M3)	41918 (10 7)	24744 (7 2)	28377 (9 8)	17703 (7 1)	18564 (8 7)	65827 (17 9)	49344 (15 5)	51653 (19 4)
Currency with Public	10504 (14 4)	6510 (10 5)	8197 (15 5)	5468 (11 5)	6580 (16 6)	15159 (22 2)	7175 (11 7)	8050 (15 2)
Deposits with Banks	35450 (11 4)	23024 (8 4)	19924 (8 5)	12219 (6 1)	11927 (6 9)	50112 (16 9)	41741 (16 3)	43392 (20 5)
Net Bank Credit to Govt	5017 (2 5)	7100 (4 2)	4417 (2 9)	9312 (7 1)	7705 (7 0)	27623 (15 7)	17975 (11 4)	18070 (12 9)
Bank Credit to Comml Sector	17410 (8 0)	21321 (10 7)	13466 (7 7)	15741 (10 0)	14770 (10 8)	15577 (7 1)	32141 (17 1)	16225 (9 4)
Net Foreign Exchange Assets of Banking Sector	21808 (75 1)	3653 (17 2)	12431 (141 7)	4028 (88 8)	1278 (23 8)	25912 (103 8)	3747 (17 7)	11291 (106 7)
Reserve Money (Rs crore)								
Reserve Money	15626 (12 8)	5637 (5 4)	8197 (9 0)	7537 (9 4)	9472 (13 9)	26577 (24 0)	11274 (11 3)	11726 (13 4)
Net RBI Credit to Govt	–9742 (–9 0)	597 (0 6)	–1696 (–1 8)	8136 (10 1)	5331 (7 8)	603 (0 6)	4433 (4 7)	5258 (5 8)
Of which to Centre	–10783 (–9 9)	1256 (–1 3)	1107 (1 2)	7664 (9 6)	4933 (7 2)	1334 (1 4)	2175 (2 3)	5904 (6 7)
RBI Credit to Comml Sector	–38 (–0 6)	1771 (29 4)	1663 (29 7)	101 (1 6)	1763 (38 4)	1534 (19 7)	538 (7 4)	918 (14 5)
RBI Credit to Banks Incl NABARD	2438 (55 2)	4556 (85 5)	3411 (–40 1)	3653 (57 5)	445 (6 3)	3028 (30 6)	4783 (93 7)	4905 (–49 0)
Net Foreign Exchange Assets of RBI	21870 (81 9)	3715 (19 6)	10753 (133 0)	4098 (104 0)	898 (17 4)	25912 (103 8)	3809 (20 2)	10855 (136 0)
Net Non Monetary Liabilities of RBI	–1011 (–3 8)	3490 (14 1)	–872 (–3 1)	84331 (45 3)	394 (2 3)	2932 (10 4)	831 (3 0)	393 (1 5)

Monetary Ratios (per cent)	Mar 94 Sept 93 (a)	(b)	Mar 93 Sept 92 (a)	(b)	Mar 92 Sept 91 (a)	(b)	Mar 91 Sept 90 (a)	(b)	Mar 90 Sept 89 (a)	(b)	Fiscal Year Variation 1993 94 (a)	(b)	1992 93 (a)	(b)	1991 92 (a)	(b)
Domestic Credit to Govt/ Credit to Commercial Sector	86 5	28 8	80 1	33 3	84 2	32 8	81 0	59 2	77 2	52 2	86 5	177 3	80 1	55 9	84 2	111 4
Currency/Deposits	24 0	29 6	23 0	28 3	23 9	41 1	25 1	44 7	25 2	55 2	24 0	30 3	23 0	17 2	23 9	18 6
Currency/M3	19 3	25 1	18 6	26 3	19 2	28 9	20 0	30 9	20 0	35 4	19 3	23 0	18 6	14 5	19 2	15 6
Deposits/M3	80 3	84 6	81 0	93 0	80 5	70 2	79 8	69 0	79 7	64 2	80 3	76 1	81 0	84 6	80 5	84 0
Money Multiplier	3 14	2 68	3 31	4 39	3 19	3 46	3 02	2 35	2 98	1 96	3 14	2 47	3 31	4 37	3 19	4 40

(a) Outstanding (b) Incremental

Operations of Scheduled Commercial Banks (Rs crore)	Mar 94 Sept 93	Mar 93 Sept 92	Mar 92 Sept 91	Mar 91 Sept 90	Mar 90 Sept 89	Fiscal Year Variation 1993 94	1992 93	1991 92
Aggregate Deposits	27729 (9 7)	19557 (7 9)	16189 (7 5)	9206 (5 0)	9455 (6 0)	45242 (16 8)	37814 (16 4)	36216 (19 8)
Demand deposits	10925 (24 2)	4070 (9 6)	5408 (13 6)	663 (2 0)	635 (2 3)	9651 (20 8)	1373 (3 0)	11896 (35 8)
Time deposits	16805 (7 0)	15487 (7 5)	10781 (6 2)	8542 (5 7)	8820 (6 8)	35592 (16 0)	36441 (19 6)	26321 (16 5)
Total Advances	11682 (7 7)	16361 (12 1)	6489 (5 4)	1036 (9 8)	8935 (9 7)	11640 (7 7)	26390 (21 0)	9291 (8 0)
Food credit	2208 (25 4)	3032 (81 7)	720 (18 2)	1079 (31 5)	1177 (142 0)	4164 (6 2)	2073 (44 4)	164 (3 6)
Non food credit	9474 (6 6)	13329 (10 1)	5769 (5 0)	9257 (9 0)	7758 (8 5)	7476 (5 1)	24317 (20 1)	9127 (8 2)
Total Investments	14264 (12 1)	7361 (7 5)	8114 (9 9)	2922 (4 1)	3864 (6 4)	26737 (25 3)	15460 (17 1)	15131 (20 2)
Credit/Deposit Ratio								
End Period	52 1	56 6	54 4	60 4	60 8	52 1	56 6	54 4
Incremental	42 1	83 7	40 1	112 3	94 5	25 7	69 8	24 3
Investment/Deposit Ratio								
End Period	42 2	39 3	39 1	39 0	38 6	42 2	39 3	39 1
Incremental	51 4	37 6	50 1	31 7	40 9	59 1	40 9	39 6

Industrial Production

Selected Chemicals and Petrochemicals Industries	Jan 94	Variation Over Month	Year	Cumulative for Fiscal Year So Far 1993 94	1992 93	1992 93	1991 92	1990 91
Caustic Soda (000 tns)	91 2	110 (13 7)	0 4 (0 4)	876 8 (1 5)	890 5	1063 (2 6)	1036 (4 4)	992 (7 2)*
Soda Ash (000 tns)	137 8	23 2 (20 2)	14 8 (12 0)	1238 9 (11 0)	1115 9	1384 (1 8)	1409 (1 7)	1385 (0 6)
Nylon Filament Yarn (tns)	3703	257 (7 5)	1244 (50 5)	31307 (13 2)	27655	32467 (6 4)	30477 (664 2)	3988 (87 7)
Polyester Filament Yarn (tns)	25758	–165 (–0 6)	6099 (31 0)	239163 (15 8)	206445	245013 (19 4)	205162 (10 8)	185247 (18 4)
Acrylic Staple Fibre (tns)	5978	666 (12 5)	766 (14 7)	57418 (21 6)	47219	56467 (21 4)	46505 (8 6)	42823 (71 1)
Viscose Filament Yarn (tns)	4826	–151 (–3 0)	959 (24 8)	43998 (8 3)	40626	47950 (9 0)	52687 (3 4)	50943 (3 5)
Dimethyl Terephthalate/Purified Terephthalic Acid (tns)	31043	–1103 (–3 4)	13662 (78 6)	296805 (8 5)	324377	350000 (20 3)	291000 (0 3)	290000 (16 5)
Acrylonitrile (tns)	2753	73 (2 7)	253 (10 1)	20807 (4 1)	21697	25000 (3 8)	26000 (nil)	26000 (4 0)
Caprolactum (tns)	9431	–560 (–5 6)	3024 (47 2)	71974 (49 2)	48240	55000 (19 6)	46000 (70 4)	27000 (28 6)

Notes (i) Superscript numeral denotes month to which figure relates e g superscript [7] stands for July (ii) Figures in brackets are percentage variations over the comparable previous period (iii) – means not available

CESC

Record Power Generation

AN R P Goenka group company, Calcutta Electric Supply Corporation (CESC) has been growing from strength to strength With the company's old as well as new generating stations operating efficiently and achieving peak generations, the company could provide Calcutta a load-shedding free summer in 1992-93. The company achieved a 10.8 per cent increase in power generation during the year from 3,104 mu to 3,437 mu without any addition to plant capacity. While the Titagarh generating station generated 1,585 mu of power, the highest in a year so far with a plant load factor of 75 per cent and an average peak generation of 92 per cent, the southern generating station produced 833 mu of energy and achieved a plant load factor of 70 per cent. The company sold 4,035 mu of energy as against 3,902 mu in 1991-92.

Thus, the company reported higher sales and a much improved profitability during the year. Net sales went up by 14 per cent and profit after tax by a whopping 65.5 per cent. Operating profit went up by 36.3 per cent.

To further enhance its power generating capacity, CESC is setting up two power generating stations. One at Budge Budge, South Parganas district in south Bengal, and the other at Balagarh, 60 km north of Calcutta. The 500 MW thermal power generating station at Budge Budge is expected to cost Rs 2,000 crore and will be the first ever private sector investment in West Bengal, for which the company has tapped various sources of finance. Apart from the Rs 21 crore non-convertible issue that it came out with in November 1993 and loans from Indian financial institutions, the company has arranged for $ 32 million loan from the Asian Development Bank, Manila; export credit loan of pound sterling 64.5 million from Kleinwort Benson backed by the Export Credit Guarantee Department of the British government for importing two 250 MW turbine generator sets from Parsons Turbine Generators of the British Rolls Royce group; and finally, $ 60 million loan from International Finance Corporation, Washington. The first phase of the project, involving installation of one unit of 250 MW, would be completed by March 1996 and the second by March 1997. The 1,500 MW coal fired thermal power station at Balagarh will be completed in three phases, each being of 500 MW.

CESC has also diversified into the manufacture of cotton yarn through its wholly-owned subsidiary, CESCON. The company is making an equity investment of Rs 9 crore in the new venture named Spentex Industries. Entailing an expenditure of Rs 54.8 crore, the project is a 100 per cent export-oriented unit at Baramati near Pune in Maharashtra.

During the first half of 1993-94, CESC's performance was particularly noteworthy with the company reporting sales of Rs 416.6 crore and a net profit of Rs 12.5 crore.

HERO HONDA MOTORS

Higher Market Share

Established in 1984 as a joint venture between Honda Motor Company of Japan and India's Hero group with each having a 26 per cent share, Hero Honda Motors (HMML) has made a remarkable turnaround from a sick company that was referred to the BIFR a couple of years ago. So much so that despite a 12 per cent fall in the overall motorcycle market, the company increased its market share from 48 per cent in 1991-92 to 54 per cent in 1992-93 among the 100 cc motorcycles. As such, net sales increased by 11 per cent but the 92 per cent rise in other income failed to prop up its total income which rose by only 12.7 per cent. While operating profit increased by 10 per cent, net profit failed to increase proportionately. Exports, however, jumped from 555 motorcycles valued at Rs 1.2 crore to 4,512 motorcycles worth Rs 11.2 crore during the year. The company proposes to explore new markets like Latin America, China and Iran and has targeted export of 8,000 motorcycles in 1993-94.

With the 1993-94 sales target pegged at 1,50,000 motorcycles, the company has initiated several measures which, besides the introduction of new models, include the expansion of activities of Hero Honda Finlease, to provide easy and cheaper consumer finance. The company recently launched its new 100 cc bike with a fuel economy of 85 km per litre.

With a view to achieving a production capacity of 3,00,000 motorcycles in the next five years, the company has taken the first step of setting up a new motorcycle manufacturing unit at Gurgaon at a cost of Rs 160 crore. The plant will have the capacity to produce 1,50,000 motorcycles per annum and commercial production is expected to start by end-1995. While 50 per cent of the project cost will be financed through internal accruals, the remaining will be raised through a public issue towards the end of 1994. Even the capacity of its existing plant at Bhiwadi in Rajasthan is to be increased to 1,80,000 from 1,50,000 by the end of the current calendar year.

Further, the company is setting up a joint venture in China for 65 cc step-through motorcycles. Reportedly, a memorandum of understanding has already been signed with the Chinese state enterprise to produce 1,00,000 motorcycles a year at Chengdu. Three more assembly operations in Vietnam, Colombia and East Africa are being planned. The existing ones are in Iran, Egypt, Brazil, Bangladesh and Mauritius which are fed with completely knocked down (CKD) kits from India and have a capacity of assembling 1,000 motorcycles monthly.

During the first six months of 1993-94, Hero Honda has reported a substantially higher turnover of Rs 161.7 crore and net profit of Rs 6.5 crore.

TAMIL NADU PETRO

Diversification Project

A joint sector company of Southern Petrochemical Industries Corporation (SPIC) of the Muthiah group and Tamil Nadu Industries Development Corporation, Tamil Nadu Petro has been doing well ever since its inception in 1988. The company is a leading manufacturer of linear alkyl benzene (LAB). And, in spite of a glut in the domestic market, communal disturbances and increase in cost of inputs like kerosene and benzene, sales increased by 21.7 per cent with production going up from 69,321 MT to 83,640 MT at a capacity utilisation of 110 per cent. Profits after tax also went up, though by just 5 per cent even as operating and gross profit went up by 16 per cent and 17 per cent, respectively. The company also made a one-time gain of Rs 10.1 crore on cancellation of forward cover contracts with banks in respect of foreign currency loans availed for the LAB project. Exports were good with the company exporting 17,462 MT of LAB as against 4,990 MT in 1991-92. Valued at Rs 33.1 crore, the company exported its products to Unilever, Henkel, Procter and Gamble, Helm, Mitsui, Petropharma and Petresa and 1,115 tonnes were supplied on deemed export basis. It is also taking steps towards achieving the ISO 9002 accreditation.

(Rs lakh)

Financial Indicators	CESC		Hero Honda		TN Petroproducts		Straw Products		Parasrampuria Synthetics	
	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	68226	59790	30060	27088	29626	24341	20902	22232	11698	9723
2 Value of production	68226	59790	30468	27238	30182	24601	20943	22528	13464	10932
3 *Total income*	71280	61462	31016	27523	31850	24896	21761	23055	13995	10998
4 Raw materials/stores and spares consumed	5485	4797	22112	20114	13238	9722	9024	8751	7968	6600
5 Other manufacturing expenses	43300	38618	2112	1123	3017	2455	3905	3643	746	477
6 Remuneration to employees	8300	7436	1121	977	476	487	2218	2031	354	258
7 Other expenses	1227	1096	2675	2596	7298	5507	2464	2825	1198	883
8 *Operating profit*	12968	9515	2996	2713	7821	6725	4150	5805	3729	2780
9 Interest	7348	6257	787	645	2530	2217	1616	1421	1693	945
10 *Gross profit*	5620	3258	2342	2296	5293	4508	2776	4450	2034	1834
11 Depreciation	3175	1781	779	678	3234	2547	1503	1347	1223	747
12 *Profit before tax*	2445	1477	1563	1618	2059	1961	1273	3103	811	1087
13 Tax provision	0	0	0	0	0	0	205	1325	0	0
14 *Profit after tax*	2445	1477	1563	1618	2059	1961	1068	1778	811	1087
15 Dividends	613	377	399	351	882	731	322	362	340	277
16 Retained profit	1832	1100	1164	1267	1177	1230	746	1416	471	810
Liabilities/assets										
17 Paid up capital	3299	2404	1598	1598	5366	4875	1495	1069	1260	1260
18 Reserves and surplus	14025	10875	3465	2302	4771	3595	25068	21531	3278	2812
19 Long term loans	62221	48692	6800	6265	13093	10238	27616	9284	20329	11553
20 Short term loans	17450	13328	1062	545	6615	3610	2033	1606	1388	447
21 Of which bank borrowings	3545	3801	1062	545	0	0	0	0	200	0
22 Gross fixed assets	106076	83460	10228	9186	30799	24223	43859	37932	22628	15401
23 Accumulated depreciation	18947	15901	3525	2750	12305	9100	15041	13077	2812	1589
24 Inventories	3763	2839	3614	3695	7618	6606	5302	5020	4880	3433
25 Total assets/liabilities	114046	91604	16240	14218	35590	28755	62859	39977	29294	20261
Miscellaneous Items										
26 Excise duty	0	0	90	50	3686	3634	5089	4380	7883	7251
27 Gross value added	22124	17603	4387	4819	8192	7090	6548	7662	4242	3192
28 Total foreign exchange income	28	0	838	96	3310	825	432	279	601	0
29 Total foreign exchange outgo	7843	219	3487	3097	7424	3318	1180	1296	3424	4024
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	59 8	65 3	185 1	190 5	83 2	84 6	33 3	55 6	30 9	48 0
31 Sales to total net assets (%)	70 3	79 4	232 6	252 9	99 3	109 1	37 2	66 4	44 6	60 5
32 Gross value added to gross fixed assets (%)	20 9	21 1	42 9	52 5	26 6	29 3	14 9	20 2	18 7	20 7
33 Return on investment (gross profit to total assets) (%)	4 9	3 6	14 4	16 1	14 9	15 7	4 4	11 1	6 9	9 1
34 Gross profit to sales (gross margin) (%)	8 2	5 4	7 8	8 5	17 9	18 5	13 3	20 0	17 4	18 9
35 Operating profit to sales (%)	19 0	15 9	10 0	10 0	26 4	27 6	19 9	26 1	31 9	28 6
36 Profit before tax to sales (%)	3 6	2 5	5 2	6 0	6 9	8 1	6 1	14 0	6 9	11 2
37 Tax provision to profit before tax (%)	0 0	0 0	0 0	0 0	0 0	0 0	16 1	42 7	0 0	0 0
38 Profit after tax to net worth (return on equity) (%)	14 1	11 1	30 9	41 5	20 3	23 2	4 0	7 9	17 9	26 7
39 Dividend (%)	25 0	20 0	25 0	22 0	17 5	15 0	30 0	35 0	27 0	27 0
40 Earning per share (Rs)	8 21	7 09	9 78	10 13	3 84	4 02	7 37	17 47	6 44	8 63
41 Book value per share (Rs)	57 10	62 21	31 68	24 41	18 89	17 37	184 08	222 34	36 02	32 32
42 P/E ratio (based on latest and corresponding last year's price)	32 9	9 0	36 3	11 4	7 8	12 4	24 1	6 3	11 2	6 3
43 Debt-equity ratio (adjusted for revaluation) (%)	359 2	366 7	134 3	160 6	129 2	120 9	104 0	41 1	448 0	283 7
44 Short term bank borrowings to inventories (%)	94 2	133 9	29 4	14 7	0 0	0 0	0 0	0 0	4 1	0 0
45 Sundry creditors to sundry debtors (%)	48 2	59 7	102 5	273 5	84 5	139 0	29 9	46 0	53 6	154 0
46 Total remuneration to employees to gross value added (%)	37 5	42 2	25 6	20 3	5 8	6 9	33 9	26 5	8 3	8 1
47 Total remuneration to employees to value of production (%)	12 2	12 4	3 7	3 6	1 6	2 0	10 6	9 0	2 6	2 4
48 Gross fixed assets formation (%)	27 1	8 6	11 3	13 4	27 1	8 8	15 6	3 8	46 9	129 5
49 Growth in inventories (%)	32 5	33 2	-2 2	36 7	15 3	51 9	5 6	22 8	42 1	4 9

Tamil Nadu Petro is now diversifying into epichlorohydrin (ECH), an organic compound, in collaboration with Consur of Italy, a world-renowned process engineering company. Estimated to cost Rs 103.5 crore, the 10,000 tpa ECH plant is being set up at Manali, opposite the existing plant and is expected to go on stream by April 1995. ECH, which will be manufactured for the first time in India, is mainly used in the manufacture of epoxy resins and plant pesticides (endosulphan and quinalphos) besides being used in tooling and moulding products, adhesives, flooring and paving, construction and civil engineering applications. The company plans to sell 50 per cent of its production to Europe.

The company is also making rapid strides in research and development activities. While new analytical methods to find out the minor elements in LAB have been identified, the company has developed a textile wetting agent and transformer oil. A memorandum of understanding has been signed with Total Lubricants International, France, in October 1992 to explore the possibility of establishing a joint venture for the manufacture of lubricants used in the automotive industry.

Meanwhile, for the first six months of 1993-94, TN Petro has posted a net profit of Rs 7 crore on sales of Rs 122.6 crore.

STRAW PRODUCTS

Capacity Expansion

Belonging to the JK group with Hari Shankar Singhania at the helm, Straw Products has interests primarily in paper and cement. The company was recently in the news when it took over Udaipur Cement Works from R K Bajaj-controlled Bajaj Hindustan. Udaipur Cement has since been named J K Udaipur.

With both the paper and cement industries slumping under the recessionary onslaught in 1992-93, Straw Products' performance suffered a setback with both turnover and profitability declining. Production of both paper and cement declined by 1.4 per cent and 9 per cent, respectively and poor offtake from the government sector as also tight liquidity conditions affected margins. Exports of paper, however, increased with the products finding acceptance in the Malaysian, Sri Lankan, Singapore and west Asian markets. To offset the recessionary pressures and meet changing customer preferences, J K Paper Mills is realigning its entire production range The company is expanding the capacity of its paper mill from 60,000 tpa to 80,000 tpa. A new paper machine is being introduced for the purpose along with other balancing and modernisation items that will result in cost reduction, energy saving and quality upgradation. This is expected to entail an investment of Rs 160 crore. The company has also taken up conversion of existing coal-fired boilers into fluidised bed conversion (FBC) system which will improve steam generation despite the poor quality of coal now available.

Cement production during the year suffered from paucity of clinker due to erratic production from the kiln. It is with a view to consolidating its presence in the cement market that the company has taken over Udaipur Cement Works. With this, the total cement production of the J K group will go up from the existing 5.8 lakh tonnes per annum to about 24 lakh tonnes per annum by the latter half of this year, assuming that the new one million tonne per annum plant of the company also goes on stream by then. Besides, the company is expanding the installed capacity of its Lakshmi Cement plant from 5.8 lakh tonnes to 14.6 lakh tonnes per annum. The project is expected to go on stream by the last quarter of this year. A lignite feeding system has also been provided to achieve increased usage of lignite in place of coal for substantial cost advantage.

J K Magnetics, another division of Straw Products, achieved a record production of 1998 MRM during the year, achieving a capacity utilisation of 106 per cent against only 50 per cent in 1991-92.

Research and development efforts have enabled the company to introduce different varieties of paper like bond, copier, maplitho and coated papers which enjoy market leadership. R and D activities at J K Magnetics have resulted in 100 per cent indigenisation of major raw materials and increase in the speed of various machines. New formulations have also been developed which have resulted in improvement of quality.

The half-yearly results for 1993-94 reveal that the company has posted a net profit of Rs 5.3 crore on a turnover of Rs 126.7 crore.

PARASRAMPURIA SYNTHETICS

Rise in Sales

Parasrampuria Synthetics, the flagship company of the Parasrampuria group, is a leading manufacturer of polyester filament yarn and polyester grade chips. During 1992-93, while production of polyester yarn increased from 922 million tonnes to 2,164 million tonnes, that of polyester chips went up to 422 million tonnes from 24 million tonnes. As a result, despite recession in the PFY industry, net sales went up by 20 per cent. Operating profit too increased by 34 per cent and a considerable hike in the interest burden notwithstanding, gross profit showed a rise of 10 per cent. However, profit after tax declined by 25.4 per cent which the company has attributed to the high depreciation cost on account of its expansion programme as also the transporters' strike and civil disturbances. The company exported over Rs 6 crore worth of synthetic yarn. Interestingly, while total remuneration to employees increased by 37 per cent, as a percentage of gross value added and value of production, it has more or less remained the same as in the previous year.

Following the commissioning of the first line of its 7,500 tpa polycondensation plant in March 1992, the company commissioned the second line with a capacity of 7,500 tpa in January 1993. It has also installed one more spinning unit with a capacity of 1,300 tpa which went on stream in September 1992. Meanwhile, the location for the company's proposed terry towel project has been changed from Pithampur near Indore to Delhi. This project is expected to commence commercial production by the middle of this year along with the export-oriented synthetic blended yarn project coming up at Pithampur. To partly meet the cost of these projects, Parasrampuria had come out with a rights issue of fully convertible debentures in January 1993. Now the company is planning to expand its POY capacity at Bhiwadi from 16,000 to 20,000 tpa and that of polyester chips from 15,000 to 18,000 tpa.

Research and development efforts have enabled the company to develop new varieties of yarns to substitute yarn imported by textile producers such as non-sized, roto and bright yarn; development of new varieties of yarn for export of high count yarn, dope-dyed black yarn, optically bright polyester yarn, development of import substitutes of various master batches used in the manufacture of polyester and polypropylene, development of an import substitute for continuous polymer filter, development of spin finish for POY up to 1,000 mt/min.

With the polyester filament yarn (PFY) industry having been accorded sops in the budget for 1994-95, the industry is expected to perform much better in the forthcoming years. Also, with polyester yarn becoming cheaper than cotton yarn, there is expected to be a marked shift in consumer preferences.

The company has reported improved sales of Rs 119 crore for the first half of 1993-94 as against Rs 103.6 crore in the corresponding period of the previous year. Cash and net profits have also shot up from Rs 6.1 crore to Rs 14.4 crore and to Rs 11.4 crore from Rs 4.8 crore, respectively.

What Has Gone Wrong with the Economic Reforms?

***EPW* Research Foundation**

The manifest failure of the economic reforms is not surprising at all considering the serious flaws in their conception, strategy and implementation

THERE is now enough evidence to the effect that the avowed objectives of the stabilisation and structural adjustment programmes under implementation in India since July 1991 have not been achieved nor is there hope of their being achieved in the medium term In the first place, the failure to attain the most immediate stabilisation goals—goals of monetary and price stability as also those of correcting the central government's fiscal imbalances—stares one in the face The relative stagnation in industrial output for the third year in succession, the structural deterioration in the composition of output and also that of exports, the general absence of growth momentum including declines in the domestic saving and investment rates, distinct signs of deterioration in the already serious unemployment and under-employment situation in the country, the erosion of real incomes, the reduced governmental support for the already fragile health and educational standards of the vast vulnerable sections of society, are all by now known to be a direct outcome of the new economic policy The only apparent sign of success is to be seen in the external sector where the stock of foreign exchange reserves (other than gold) had touched $ 15 3 billion by the first week of April, but the increase to a sizeable extent is based on the further accumulation of external liabilities (other than foreign direct investment) that are more expensive than commercial borrowings and also based on underlying external-sector-driven growth with policy prescriptions of aggressive import liberalisation, export orientation and globalisation, which are unlikely to contribute to a strengthening of the country's domestic economic structure [1]

Background of 1980s

It cannot be denied that the Indian economy had plunged into a serious economic crisis towards the end of the 1980s due to what may be termed as 'borrowed growth' and that it required drastic measures to correct the series of structural imbalances accumulated over that decade However, the new economic policy has been based in the first place, on an incorrect assessment of the maladies afflicting the Indian economy during that period The macro-economic imbalances in the form of large fiscal deficits and growing public debt, sizeable current account deficits and unsustainable levels of external debt and their expansionary influences on money supply and high rates of inflation, which the present government has identified as the root causes of the economic crises, were really symptoms of a deeper structural crisis faced by the domestic economy [Planning Commission 1990(a) Vaidyanathan 1988]

It was not essentially the size of borrowing but the purpose for which the resources were spent that mattered There was a sharp growth of non development expenditure in the total expenditures of both the central and state governments The public sector funds earmarked for rural sector in general and agriculture in particular had dwindled in real terms thus diluting the impetus for private investment in these sectors The domestic savings and investment rates had virtually stagnated for over a decade Despite a noticeable improvement in the economy's overall growth rate and that in industrial production specifically the rate of increase in employment had decelerated significantly in almost every sector of the economy [Planning Commission 1990(b)] The only segment that had shown some dynamism in employment absorption during the 1980s was rural manufacturing in non-household, non-factory establishments [Vaidyanathan 1990 Visaria and Minhas 1991 and Papola 1991] Associated with the trickle-down theory the new economic policy has sought to correct the symptoms leaving these basic and fundamental issues to be resolved as a by product

Major Flaws

Thus, the new economic policy is seriously flawed in conception, and it is also flawed in our view in its contents strategy and approach and in many other respects We could broadly classify these shortcomings under five major categories

(i) the new economic policy lacks a broader vision and development strategy
(ii) the sequencing of reforms has been seriously flawed
(iii) the pace of reforms has been rather too rash and cavalier in character,
(iv) the reforms have been initiated without taking cognisance of the absence of the required pre conditions in the Indian society and
(v) appropriate and broad based safety nets have not been put in place

By their very nature some of these factors are interrelated such as the sequencing of reforms and pace of reforms or the presence of pre conditions and provision for safety nets But all of these factors put together add up to a powerful commentary on the inappropriateness of the reform measures undertaken so far

(i) *Absence of a Broader Developmental Vision*

The focus of practically every aspect of the new economic policy is to create a competitive environment in industry and service sectors in which entrepreneurial decision making would be conditioned only by the market forces With the abolition of industrial licensing and with the free access to foreign technology entrepreneurs are said to be free to invest, expand and modernise in response to market conditions But the industrialisation experience of many countries in south east Asia suggests that individual decisions of entrepreneurs based on market considerations generally do not add up to a strategy of industrial development and industrial restructuring unless governments intervene actively to direct markets to achieve a transformation of their comparative advantages into a dynamic form, that is by refusing to accept the static models which suggest that LDCs should respond to world prices and produce and sell those commodities which generate immediate incomes Viewed in this light the government s new industrial policy lacks a well-articulated strategy

In contrast the south east Asian countries which embarked on the process of industrialisation during the 1960s 1970s and 1980s did so on the basis of some structured blue prints and by a process of significant market intervention directly or through systems of incentives and disincentives Secondly and more importantly, all of them resorted to domestic liberalisation far ahead of external liberalisation A dynamic role for the state supported by a system of dynamic import substitution was an integral part of that strategy For exam-

ple, South Korea's industrial development strategy was by no means a socialist strategy guided as it was by a totalitarian regime. A report on 'Korea's Transition to Maturity' argues that the quality of economic management had been one of Korea's major achievements and that in this respect the co-ordination of economic policies through the instrumentality of the Economic Planning Board headed by "successively effective deputy prime ministers" should be largely credited [Leipziger 1988(a)]. The report further argues that even when South Korea embarked on a liberalisation programme in 1979-80, after passing through two phases of industrialisation—first, between 1961 and 1973 when there was a modest pro-export bias accompanied by a high degree of protection to domestic industries and second, during 1973-79 which saw an intensified heavy and chemical industry drive (including ship-building) again based on heightened and broadened protection for domestic industries and which brought government directly into industrial decision-making—the reforms included "a basic shift towards industrial intervention policies predicated on the presence of market distortions or market failure" [Leipziger 1988(b); see also Esho 1992]. Incidentally, it was revealing how the South Korean government steadfastly pursued the strategy of 'heavy and chemical' industrialisation targeting six industries (steel, metal, machine-building, ship-building and electronics and chemicals) for intense government support and development, despite the stiff opposition from the IMF and the World Bank. Apparently, the IBRD country report on South Korea expressed, in early 1974, grave reservations on the development strategy and exports set for heavy industries [Woo 1991; Kawakami 1992]; instead the World Bank had urged the Koreans to focus on light manufacturing industries and textiles on the ground of comparative advantage. That the World Bank was proved wrong in South Korea in this respect should be an interesting lesson for India. Judged against this and the experiences of the east Asian countries, it was not the interventionist strategy that was at fault in India; it was rather the absence of flexibility with the bureaucracy in administering the system that ruined the growth process. Comparing the Indian experience with that of Korea, a Japanese scholar makes a perceptive observation thus: "So came into full bloom in the 1970s the Korean type of development planning and economic management with its heavy state intervention. It might be recognised that its tendency towards heavy government control matched if not exceeded that of Indian 'socialist' economy which is ideologically influenced by the Soviet Union. However, it is worth to note also that economic management by the Korean government maintained a remarkable flexibility in comparison with the situation in India, and displayed quick and entrepreneurial responses to the constant changes of an increasingly uncertain world market" [Kawakami 1992].

A more telling example is that of Japan in respect of the strategy of industrialisation. Consistently since the early 1950s the Japanese economic development has been guided by what has come to be known as a 'long-range economic plan' which serves as "guideposts for economic operation within the basic institutional framework of free enterprise and a free market" [Tsuru 1993:95]. As has been sufficiently documented in literature, particularly in the context of the direct administrative guidance by the ministry of international trade (MITI), the most important of the areas in which administrative guidance has been effective in post-war Japan is its co-ordinating role in investment programmes of major industries. Again, as Tsuru has argued, these paternalistic arrangements helped to encourage a high rate of investment across the board in the manufacturing sector as a whole. Apart from a comprehensive blueprint on the strategy of industrial development, this policy of intervention involved many forms of incentives and disincentives. Above all, it involved an extremely careful approach to transfer of technology from advanced countries through direct imports of equipment, their unbundling and a process of assimilation and diffusion [Yanagihara 1994].[2]

The above and many other experiences suggest that market forces do tend to reinforce only short-term gains and hence they cannot produce a long-term strategy. Also, the national economy's long-term interest is better served if local entrepreneurship is given greater impetus and preferential treatment as against the multinational companies. The evolution of commercial policies requires a significant promotional input with a commercial vision. The present situation calls for, if one may put it that way, the services of a T T Krishnamachari! Among other things, it was he who conceived of a strong promotional policy for industrialisation through the setting up of a series of development finance institutions to supply long-term loan capital for industry.

The Indian experience during the past three-and-a-half years suggests that economic reforms have essentially been bureaucracy-led and essentially inspired by a narrow perspective of the IMF/World Bank stabilisation and structural adjustment programmes, with market-orientation and globalisation as the be-all and end-all goals. There is no other blueprint for any long-term industrialisation strategy or strategy of economic and social development. A clear evidence of this is to be seen in the absence of any role for India's Planning Commission in the metamorphic changes that are being inflicted on the economic system through the new economic policy. Though the current Eighth Five-Year Plan (1992-93 to 1996-97) under implementation has been prepared much after the current reform measures began in July 1991, almost not a single aspect of the goals set out in the Plan document is sought to be implemented through the new economic programmes. Apart from the total neglect of the macro-economic goals, the programmes under the new economic policies go to contradict the Plan goals set, say, for resource mobilisation through direct and indirect taxes or those set for employment generation as the Eighth Plan had begun with a situation of considerably reduced rate of employment growth and large backlog of unemployment. Significantly, even the pattern of Plan outlays proposed in the Plan document are not being implemented. The lapse in implementation is particularly true of the shortfall in Plan outlays for agriculture and rural sectors as well as those for the social sectors. In the central government's Plan outlay for the five-year period of the Eighth Plan, the Planning Commission had visualised 5.1 per cent of the total central outlay for agriculture, 11 per cent for rural development and 13.9 per cent for social sectors, whereas during the first three years of the Plan, the union finance ministry has allocated corresponding proportions of only 3.9 per cent, 7.7 per cent and 10.5 per cent for the respective sectors. These reduced proportions are themselves out of the reduced aggregate outlays in real terms. On the whole, the final outcome of economic and social development during the Eighth Plan period will have no resemblance to what has been projected in the Plan blueprint. In any case, the current developments are not based on any well-articulated strategy of industrialisation.

The absence of a broader developmental vision appears to be more acutely felt in regard to technology policy in the milieu of liberalisation. A survey of the relevant literature would suggest that India's technology policy has always lacked dynamism, that repetitive importation of technology has been a feature of the country's technological development. This was the position during the 1960s and 1970s when importation of technology was somewhat restrictive. This was also the position during the 1980s when there was a significant liberalisation in regard to foreign collaboration approvals. A detailed study of R and D activities to expand technological base of industries during the latter part of the 1980s argues that liberalisation took place on the premise that three elements, namely, firm size, degree of competition and presence of foreign capital, would have a positive impact on such activities but the authors found that (a) foreign

equity was negatively associated with R and D activities, (b) the influence of a firm's size on R and D was also found to be negative, and (c) the degree of competition and propensity to export were found to have no relationship to R and D intensity [Alam et al 1993] Against this background, another study by Narasimhan (1994) based on the experiences of the so-called east Asian miracle and also the recent misgivings expressed in the US regarding the role of multinational corporations in advancing America's own national goals (after the European and Japanese MNCs have acquired a commanding position in the American market[7]) argues that "market forces left to themselves will not help a country to acquire technological competence and strength to meet its strategic needs Nor can a country hope to achieve this by opening its doors to multinational enterprises (MNEs) without any constraints" What is desired is a multifaceted technology policy with a careful blending of promoting indigenous technology and transfer of advanced foreign technologies the latter essentially constituting a means of achieving the former For this a well thought out institutional structure within the government domain is necessary to acquire what Narasimhan (1994) calls technology literacy that is a thorough understanding of the potentials and implications of existing and emerging technologies and dissemination of that knowledge amongst the entrepreneurs in the country In this context the abolition of the Directorate General of Technical Development (DGTD) within the ministry of industrial development effective from April 1 does not speak well of the government's attitude towards technology development in the country In addition as Narasimhan has lamented the public sector which has shown an improvement in the average propensity to adapt with better research consciousness and R and D activities and which has emerged as a major supplier of technologies to other firms in India [Mani 1993]' has not only fallen from the grace, but is being positively discriminated against whatever national technological capabilities had been built over the years—especially in design consultancy and management—are now being allowed to wither away due to neglect and absence of support

(ii) *Wrong Sequencing of Reforms*

As a result of the mismatch between the macro-economic goals and the sequencing of reforms, serious distortions, contradictions and inconsistencies have surfaced in economic management For instance one of the most crucial objectives of stabilisation policies has been to achieve drastic reductions in gross fiscal deficit, revenue deficit and even budget deficit Important prerequisites for achieving this recognisedly are (a) a decisive curbing of non-development expenditures, and (b) widening of the tax base While efforts made in both of these directions have been niggardly, surrendering of revenues through all round reductions in tax rates has made the task of achieving fiscal correction almost impossible in the near future In expenditure compression, whatever has been achieved so far relates to the contraction of Plan or capital expenditures which has hurt the current and prospective growth potential of the Indian economy

Drastic tax reductions have been effected with the pious hope that lower tax rates would lead to better tax compliance and higher resources but such hope has no basis in the Indian or any other country experience As a result the expectations are that the gross fiscal deficit which was originally at 8 4 per cent of GDP on the eve of the reform programme in 1990 91 and which was targeted to be brought down to 4 per cent of GDP by now has come back close to 7 per cent in 1994 95 if we take account of the loss in revenues and increases in non development expenditures not provided for in the central budget It may be recalled that the Eighth Plan had visualised an increase in the ratio of direct and indirect taxes to GDP from 17 13 per cent in 1991 92 to 19 83 per cent in 1996 97 (the latter at 1991-92 prices) But the central government has set the trend of reducing tax to GDP ratios and hence despite some efforts on the part of state governments the overall tax to GDP ratios will not rise as conceived in the Eighth Plan document The central government's gross tax revenue as percentage of GDP has steadily declined from 10 9 per cent in 1990 91/1991 92 to 9 6 per cent in 1994-95 (the latter is likely to be still lower in reality in its final outcome)

The surrendering of large revenues before setting out the prerequisites for it has prevented the government from achieving more overriding fiscal reforms like the elimination of revenue deficits and containment of conventional budget deficits Against this background, even the proceeds from the sale of equities of public sector undertakings (PSUs) by the government are being used to finance consumption or revenue expenditures whereas it should not have been undertaken until there was an assurance that they would be used to build further capital assets

Secondly a more damaging aspect of the improper sequencing relates to compression of the government's capital expenditure and contraction of public investment activities generally before preparing the ground for the private and foreign sectors to fill the gap at the margin The gap is not only in the form of the size of investment but more significantly it is in the nature of investment The public sector investment has essentially been in basic and capital goods sectors which had provided a significant impetus to the growth of electrical and non-electrical machinery and other metal-based industries The blind pursuit of fiscal compression and retrenchment of public sector investment, without a well articulated strategy for industrialisation, has already begun to hurt the foundation already laid in this respect, apart from an industrial recession of an unprecedented magnitude It will take quite a few years before private and foreign sector investments begin to fill the gap What is more even the gap so filled is unlikely to be in areas of heavy industries with advanced technologies on a significant scale, thus corroding the base of India's industrial advancement assiduously built during the first 40 years of planning India may for instance, see substantial investment in power projects in the future but much the larger part of the power machinery may have to be imported This is true of almost all infrastructural areas such as petroleum refinery telecommunications and port development

This brings us to the third question of flawed sequencing namely, liberal imports of capital goods before adopting a strategy for technological advancement of the domestic capital goods sector The latter was necessary even for adopting an export-oriented strategy of development While fuller details regarding the investment strategy of the private sector are not available stray details do suggest that a preponderant part of the sector's investment will be in consumer goods and office equipment oriented industries (of course other than petrochemicals and telecommunications) As for the foreign direct investment, the details put out by the government present an unduly discouraging scenario in this respect In the first place, total foreign investment approvals accorded up to the end of December 1993 aggregated an amount of Rs 13,161 crore (about US $ 4 2 billion) but almost all of them are of small sizes[4] In the electrical equipment area, for instance as many as 651 financial and technical foreign collaboration agreements have been approved but the foreign direct investment (FDI) involved in them would be of the order of Rs 1,103 7 crore ($ 356 million) giving an average FDI of less than Rs 2 crore each In fact, under the food processing industries both the average and total investment proposals are higher in size a total FDI of Rs 1 347 9 crore for 196 proposals and an average of Rs 6 88 crore each The substance of this evidence points to the fact that public investment in heavy and higher technology based industries is being curtailed without the assurance of commensurate investment from private and foreign sectors Suggesting that the country has a comparative advantage in

engineering industry products and emphasising the need for technological upgradation, the Eighth Plan had proposed that "greater stress would need to be laid on import of drawings and designs than on import of equipment But the government policy on imports of capital goods including second hand ones has completely negated this Eighth Plan perspective

Fourthly a substantial part of the growing revenue deficit of the central budget is attributable to additional interest burden borne by it, which is in turn linked to the drastic increases effected in the yield rates on treasury bills and government securities as part of the financial sector reforms Simultaneously, the scheduled commercial banks have been subjected to enhanced capital adequacy norms as per the standards set by the Bank for International Settlements (BIS), more rigorous income recognition norms, assets classification provisioning of bad debts on a prudential basis and to accounting standards for investments All of these have imposed an onerous burden on the banking industry with almost near disastrous consequences on the banks operations The banks' lending rates have remained high and the commercial banks have been extremely reluctant to expand bank credit which has further gone to reinforce the recessionary conditions in Indian industry For the fear of violating capital adequacy norms and for generally protecting their bottomline the banks are all the more reluctant to lend to agriculture and rural industries, thus jeopardising the entire credit delivery system in rural areas These elements of financial sector reforms prematurely undertaken despite experiences of the south-east Asian countries to the contrary have undoubtedly produced the most deleterious effects on industrial and agricultural investment and production activities in the country

Fifthly one of the most harmful measures undertaken has been the permission granted to foreign institutional investors (FIIs) to undertake portfolio investment up to as much as 24 per cent of a company's equity base Apart from the fears it has generated in the minds of the Indian industrialists regarding possible takeover bids the measure combined with the companies borrowing from abroad has created serious macro-economic imbalances in the economic system The overall servicing burden for these kinds of foreign liabilities is also much higher than that on normal debt obligations

(iii) *Pace of Reforms Too Hasty*

Considering the fact that the public sector had been the prime mover in industrial investment any attempt to replace such investment by private and foreign sectors required thoughtful pacing so that appropriate institutional changes could be introduced to absorb the shocks Some of the glaring examples are in the field of government revenues surrendered through customs and excise duty reductions As a result of the sharp reductions in customs duties on capital goods within a period of three years to 25 per cent generally and even lower at nil rates for fertiliser projects and 20 per cent for power projects, the investment and production plans of domestic capital goods industries have been placed in jeopardy Redesigning of such plans requires a few years of concerted efforts The drastic changes effected have produced serious consequences for the health of these industries as capacity utilisation in many of them would suffer, their production cost would go up and it would make them further non-competitive, as major units in fertiliser, power and textile machineries have begun to feel the pinch

The pace of reforms has been inspired by what may be termed as an invidious goal which is to globalise the Indian economy rather quickly Every aspect of the new economic reforms has been conditioned by this rather premature and dangerous objective The effective rate of protection has been brought down rather drastically with rapid reductions in customs duties and removal of quantitative restrictions on almost all imports which in turn has compelled the government to radically bring down the excise duty rates on domestic industries, thus making the government surrender huge revenues A technologically sophisticated manufacturing activity for domestic production and exports requires not unrestrained imports of all and sundry products but a carefully designed import substitution policy so that indigenous technology grows in strength and provides the base for it

The pace of reforms has been similarly drastic in the financial sector area which has contributed to reducing the financial system to a moribund state insofar as the system's primary responsibility of providing productive credit is concerned An acute reluctance on the part of the scheduled commercial banks to lend generally and to lend rural credit in particular is sure to have drastic consequences for production and investment activities in agriculture and rural industries, as also industries in general in the near future At the same time, the premature grant of permission to FIIs to invest in the Indian capital market has created many adverse consequences unduly high price-earning ratios for the major scrips in the stock markets, expensive acquisition of unpro

ductive foreign assets, and generation of excess liquidity that threatens further the goal of price stability in the domestic economy

The serious consequences of the goal of globalisation has been the rapid deterioration in the quality of industrial structure—a phenomenon which may be described as deindustrialisation A sharp reduction in industrial growth, reduction in the growth of capital goods industries, a relative shift of exports away from manufactures, and arresting of the growth of industrial employment, have been some of the glaring effects of rapid reforms without providing for some breathing time and appropriate checks and balances for the Indian industry

(iv) *Prerequisites of Reforms Ignored*

The entire east Asian experience of stabilisation and structural adjustment policies has one unique lesson which is that the shocks of new policies are better absorbed and that their consequences for the levels of living for the masses can be minimised if the society enjoys certain minimal social standards of health and educational attainments In this respect the literature is full of evidences as to how countries like South Korea, Malaysia, Indonesia and Thailand had possessed higher levels of human development indices—literacy rates and women literacy in particular and infant mortality and maternal mortality rates—as also more egalitarian socio economic structures due to land reforms and such other measures before they embarked on significant adjustment programmes On the other hand the Indian situation is quite the contrary as brought out by the UNDP's latest *Human Development Report 1993* [see also *EPW* Research Foundation 1994]

(v) *Absence of Safety Nets*

The fact that Indian society, particularly its poorer segments, was ill-equipped to face and absorb the shocks of new policies required the institution of a fairly comprehensive structure of safety nets In this respect, it indeed appears a tragedy that the government of India should bring to bear such a narrow perspective on the broader theme of 'adjustment with human face' Their conception of this useful strategy has not gone beyond the provision of some extra financial resources through what has come to be known as the National Renewal Fund (NRF) which has been designed essentially as a resource to implement the voluntary retirement schemes for employees of public sector undertakings (PSUs) and also for financing training and counselling Though there were promises of commitment to minimise the burden of adjustment on the poor and of providing credible programmes of direct government intervention with quality social services such as education, health, safe drinking water and roads, as also of larger resources for agricultural and rural sectors, the initial rhetoric has not been matched by allocation of sufficient resources and programmes in these sectors

By its very nature, the adjustment with human face requires concerted efforts to protect the vulnerable segments, sectors and sections of society This is all the more necessary because the additional employment opportunities which are the only source of succour for the poor are found in the period of adjustment, only in agriculture village and rural industries and other unorganised segments which require special attention through various public programmes and promotion of growth opportunities in them As a UNICEF report has clearly brought out there are six distinct elements in the broad theme of adjustment with a human face [Cornia, Jolly and Stewart 1987] [5] The report emphasises the requirement of expansionary macro policies to sustain the levels of output, investment and satisfaction of human needs, meso policies designed to maintain the basic standards of the poor by improving distribution of incomes and resources promoting opportunities, resources and productivity in the small-scale segments of agriculture, industry and services, and compensatory programmes to protect the basic living standards, health and nutrition of the vulnerable groups These broader issues have remained neglected in India's current phase of adjustment with serious consequences for both the size and quality of growth in the medium term

Notes

1 The basic data buttressing these arguments as also substantive analytical issues involved in them have been presented (a) in a set of Special Statistics on the finances of the government of India in the issue of April 16 23 1994 and (b) in *EPW* Research Foundation (1994)

2 This note does not purport to deal with the Korean and Japanese experiences in their totality As is widely known there are a number of institutional cultural and other factors germane to the study of these experiences including the role of powerful industrial conglomerates in Korea (Chaebol) and Japan (Zaibatsu) Interestingly Korea did not have any exit policy as the government did not allow bankruptcies [Leipziger 1988(b)]

3 Mani s results are not quoted in Narasimhan (1994) Though there are conflicting results in literature on government s technology policy (see Gumaste (1993) and Suvrathan (1993)) the need for an interventionist strategy on technology import assimilation imitation and diffusion is not disputed

4 Though details regarding total project costs are not available small size nature of individual FDIs is self-evident from the description of the foreign collaboration proposals put out by the government through the *SIA News Letter* (various issues Government of India Secretariat for Industrial Approvals Department of Industrial Development)

5 The six elements have been reproduced in Seetha Prabhu (1994)

References

Alam Ghayur et al (1993) *R & D by Indian Industry A Study of the Determinants of Its Size and Scope* Centre for Technology Studies Extracts reproduced in *Business and Political Observer* August 30

Cornia Giovanni Andrea Richard Jolly and Frances Stewart (1987) *Adjustment with Human Face* (Vol I *Protecting the Vulnerable and Promoting Growth*) Clarendon Press Oxford

EPW Research Foundation(1994) *Three Years of Economic Reforms in India A Critical Assessment* April

Esho Hideki (1992) The Korean Model and the Political Economy of Structural Adjustment *Journal of International Economic Studies* March No 6

Gumaste V M (1988) *Technological Self Reliance in the Automobile and Ancillary Industries in India* Madras Institute of Financial Management and Research

Kawakami Tadao (1992) Markets and Government The Korean Case *Journal of International Economic Studies* March No 6

Leipziger Danny M (1988(a)) Editor s Introduction to Korea s Transition to Maturity *World Development* January

(1988(b)) Industrial Restructuring in Korea' *World Development* January

Mani Sunil (1993) Foreign Technology in Public Enterprises *Journal of Indian School of Political Economy* July September Vol V No 3

Narasimhan R (1994) Technology Development The Role of the State *Current Science* Vol 66 No 4 February 25

Papola T S (1991(a)) Industry and Employment Recent Indian Experience ISID Foundation Day Lecture May

—(1991(b)) Rural Non Farm Employment An Assessment of Recent Trends (mimeo)

Planning Commission (1990(a)) *Approach to the Eighth Five Year Plan 1990 95 Towards Social Transformation* May

(1990(b)) *Employment Past Trends and Prospects for the 1990s* May

Prabhu K Seeta (1994) The Budget and Structural Adjustment with a Human Face *Economic and Political Weekly* April 16 23

Suvrathan P I (1993) Technology Issues in India s Machine Tools Sector *Journal of Indian School of Political Economy* July September Vol V No 3

Tsuru Shigeto (1993) *Japanese Capitalism Creative Defeat and Beyond* Cambridge University Press

Vaidyanathan A (1988) The Eighth Five Year Plan Some Strategic Issues India International Centre August

—(1990) Cottage and Small Industries in India Policy and Performance Sir Purshotamdas Thakurdas Memorial Lecture Bombay

Woo Jung en (1991) *Race to the Swift State and Finance in Korean Industrialisation* New York Columbia University Press

Yanagihara Toru (1994) Japan as a Newly Industrialising Economy' *Journal of International Economic Studies* March No 8

Meerut Firing: A Turning Point?

Amaresh Misra

The response of the dalits to the recent police firing on them in Meerut, which seems to be acquiring a mass dimension, may have heralded a turning point for the political situation in UP

IN UP, a new spectre is suddenly haunting the already turbulent political situation of the state. In the closing days of March, national and state newspapers were full of the incident of police firing on protesting dalits in the western UP city of Meerut which left two dead and scores injured. The dalits were protesting against the attempts of the city administration to remove the statue of Ambedkar which they had installed in a suburban area.

But what followed was truly unprecedented. For successive days curfew had to be imposed in the district as clashes continued with the police. The latter resorted to firing again on a number of occasions, yet the situation could not be controlled fully. Reports emanating from Meerut speak of the incident acquiring a mass dimension with dalit militancy directly confronting and ready to take on the state power. This clearly marks a break from the hitherto familiar version of dalit atrocities and resistance in the state. Up till now these were limited to rural clashes between the landed gentry and the dalits mainly on the issue of land and social respectability. Here the state was either a neutral entity or in the present case (a friendly SP BSP government) was seen as favourable to the dalits. Indeed, the response of the Mulayam government on many occasions was to transfer or suspend the erring officials and issue stern warnings against any failure to protect the weaker sections. The BSP also was very vocal on this question and even at times went to the extent of threatening the UP government if it failed to protect the dalit interests.

But in Meerut the issue of urban land claimed presumably by powerful interests brought the dalits face to face with the organised elements of the state power. And the same chief minister who had condemned previous atrocities against the dalits went as far as to defend the acts of the administration. He refused all demands for a judicial enquiry into the matter and turned down the proposal for a Meerut visit of an all-party delegation of legislatures. Even when the demand for a judicial enquiry has been belatedly acceded the punishment of officials is being deferred on the plea that it would offend the election commission as there is a by election due in the state. On the other hand the BSP is strangely quiet—it has yet to issue a strong condemnation of the incident and it seems that the SP BSP government, for all its rhetoric, has finally given in to the demands of the existing state machinery. The state leadership of the BSP has expressed apprehension that dalit militancy is exceeding the bounds set by it and it may not be possible to continue to back it while remaining in power. At another level, it is becoming more and more apparent that Mulayam Singh is now projecting himself as the best protector of the status quo. The Meerut incident in this context may prove to a turning point both with regard to the ongoing process of dalit assertion and its relation with the present government.

The police firing on dalits has occurred at a time when things seemed to be going perfectly well for Mulayam Singh. Months ago, when UP gave a resounding rebuff to the BJP, it was Kanshi Ram's BSP that received the maximum mileage from the event. Despite assuming the chair of the chief minister, Mulayam Singh Yadav had to remain content with a background role while the centre stage was occupied by a party whose organised dalit assertion was being widely regarded as a part of the larger backward-dalit-Muslim equation that worsted the BJP. But with the Janata Dal's splitting (about one-third of its legislators broke away with the intention of joining Mulayam while its state chief resigned), the situation was practically reversed. While Mulayam Singh's party got the maximum benefit, the BSP was left with a lot of problems. Its reputation was already suffering due to the continued attacks on dalits in the rural areas—in fact, many of its comments, like the one attacking Gandhi for labelling the dalit masses as harijans (made by the BSP leader, Mayavati), can be seen as guided by the purpose of deflecting attention from a failure on this front. This is also the context of Kanshi Ram's recent statements about starting a 'bahujan religion' to heal the wounds of the dalits and to prevent them from 'joining Buddhism'.

But such measures did not bring any substantial gains for the BSP. On the contrary it was caught in a bind where a loss of grass roots appeal did not get compensated at the top-level politicking. Here it was pushed into a corner by Mulayam after the splits and mergers in the state. The situation changed so dramatically that recently a BSP minister in his speech in the assembly, began with a reference to Gandhi as the father of the nation. This was in apparent response to the heat and dust raised by Mayavati's statement the defence of which had earlier become a prestige issue with the BSP. In all this there was an obvious pressure from Mulayam's side for restraint and scaling down of belligerence *vis-a vis* the upper castes and their sentiments which the BSP can ignore only at its peril. At present, even if the BSP decides to withdraw support to the Mulayam government, there is no guarantee that all its MLAs will stand by it. Amongst the social forces, the backwards and Muslims are already exhibiting a tilt towards Mulayam Singh, and at best the party may be able to retain its dalit base.

But Mulayam Singh has also benefited greatly from the drift and disarray in other parties including the BJP. The split in the CPI has already been given a formal, irreversible shape—in an interview published after the incident, Mitrasen Yadav, the erstwhile CPI state secretary and the breakaway leader, explained the redundancy of the CPI in the present context when a force like Samajwadi Party is already 'fulfilling' tasks like combating communalism, etc, which form the main agenda of the CPI. Here Yadav stuck a note which is fast becoming a common realisation, namely, the impossibility of two or more parties existing simultaneously with more or less the same programme and policies. There is a lesson here for parties like the CPM who too have few features left to distinguish them from centrist parties. However, the question as to which force will represent the social forces that captured power in UP in national politics is still unresolved and here the possibility of Kanshi Ram combining with V P Singh cannot be ruled out.

No less interesting has been the gradual transformation of the BJP—from a belligerent outfit unwilling to concede defeat in December and January to a party forced to take stands contrary to its own pronouncements. In the controversy over Mayavati's comments, the BJP leader Kalyan Singh was often reduced to a ridiculous position in the state assembly when he stood up to address Gandhi as the father of the nation. During the heydays of the mandir euphoria, the BJP had belittled Gandhi's status by categorically refusing to regard him as 'rashtrapita'. And now the expedient reversal in semantics naturally evoked more amusement than a serious note. Otherwise also the BJP is finding itself hard pressed to remain in the limelight and even the renewed rhetoric about the mandir issue lacks concrete proposals for the date of temple construction, etc. Yet for the BJP a new possibility has arisen with prospects of an alliance with Chandrashekhar who has

given several calls to include the BJP in the wider opposition struggle against the Dunkel Draft In this it seems that Dunkel is probably an excuse for something else—the BJP in any case is supportive of the new economic policy, hence its anti-Dunkelism can hardly be taken seriously What it does need at present is a further consolidation of upper caste and particularly 'thakur' power groups Even if nothing much can be read in the installation of a Hindi-belt personality like Rajendra Singh as the RSS chief, a position that was hitherto known as the exclusive preserve of the Maharashtrian brahmins, it is certain that the political calculations in north India must have played an important part in the decision After all Chandrashekhar too is fast losing relevance in the polarised situation of the state, and an alliance may come in handy for both

The chief minister's position is also being buttressed by the covert support of the Congress, for which a figure with few ambitions at the national level and a political plank not very remote from that of the party is perhaps best suited to hold the reins in UP for the time being Indeed, despite all initial appeals for backward caste-dalit solidarity, Mulayam Singh's pronouncements, as witnessed in the stand over the Mayavati episode, are veering more and more towards placating the upper castes In his speeches the chief minister is making it a point to term himself as a true 'sanatani' Hindu who has taken up the role of protecting the Muslims At another level, the chief minister has scaled down his attacks against the Dunkel Draft and is reiterating the position of the Congress on many questions

These twin processes, the consolidation of Mulayam Singh on the one hand and his 'status quoisation' of sorts on the other, are going hand in hand and it is quite early to predict what effect all this will have on his mass and political appeal Yet, episodes like the Meerut firing have opened the space for an oppositional slot Seizing this opportunity, the IPF-CPI(ML) has announced, for the first time since the assembly elections, a programme of mass protests and has declared its all-out opposition as different from an earlier position of conditional opposition It has also sent a team of the IPF affiliated Dalit Mahasabha to Meerut to conduct a full scale investigation in the matter

Netarhat Project

Biggest Ever Tribal Displacement

The year 1993, declared by the UN as the International Year of Indigenous People, turned out to be a year of fear and despair for the tribals of Gumla and Palamau districts of Bihar Towards the second half of the year they came to know of a government project that would make hundreds of thousands of them homeless and landless

THE declaration of 1993 as the International Year of the Indigenous People by the UN was meant to draw the world's attention to the problems of indigenous people and strengthen international co-operation for solution of their problems especially in such areas as human rights, environment, development, education, health and so on For the tribals of Gumla and Palamau districts of Bihar, however, the year 1993 turned out to be not one of hope but of despair, fear and nightmare as towards the second half of the year they came to know of a project that would make hundreds of thousands of their tribesmen homeless and landless

The project is aimed at acquiring tribal land for field firing and artillery practices for the 23rd Artillery Brigade The army had been practising field firing in the Netarhat plateau since 1956 In 1981-82 a move was made by the army to acquire the area under reference but due to strong opposition from the people and the local politicians, acquisition was kept at abeyance Having failed in the objective, the army and the government, both central and state, took recourse to the Manoeuvres Field Firing and Artillery Practices Act, 1938 (Act V of 1938) and under section 9(1) of the said Act issued a notification (SO 84 dated March 28, 1992) which reads as follows

> In exercise of the powers conferred by Sub Section(1) of Section 1 of the Manoeuvres Field Firing and Artillery Practices Act 1938 (Act V of 1938) the governor of Bihar is pleased to define the entire area specified in Schedule I and II below as the areas within which for a period of ten years commencing from 12th May 1992 and ending with May 2002, the carrying out periodically of field firing and artillery practice may be authorised
>
> The land plan may be inspected in the office of the Deputy Commissioner, Gumla/Palamau

The two schedules referred to above include 156 villages (127 villages in Gumla district and 19 in Palamau Similar notification was also issued earlier in November 1991 (Nos SO 761 and 762, dated 25 11 91) which included 89 villages of which 66 villages were in Gumla and 23 in Palamau districts In all then 245 villages are affected by the project as per the above two notifications

These are the only notifications of which tribals have been so far aware of but it is feared that some more notifications are either in the offing or have already been issued earlier but they have not been able to get hold of those notifications The fear is based on the fact that the army sources are giving conflicting figures regarding the area going to be affected by the said project Whereas one source puts the figure at 188 sq km, the other estimates it at 1 471 sq km And since the latter comes from the PRO (army), ministry of defence it is believed to be more reliable Even if no additional villages are going to be brought under the project the number of villages population and the area going to be affected are likely to be the largest in the history of Chotanagpur in independent India According to army sources the project will displace only about 27 853 people but the Chawni Visthapan Sangharsh Samiti Palamau estimates people to be affected at 2 24 940 of which 1 75,952 (nearly 78 per cent) are tribals belonging to such communities as the Oraon, Munda, Birjia Kisan Kherwar Asur Korwa, Birhor, etc In view of another figure which estimates the people to be affected from 156 villages (under the second notification) at 1,73 000, the claims made by Chawni Visthapan Sangharsh Samiti seem fairly reliable

There are no other communities in India that have been as adversely affected by governmental and non governmental projects as the tribal communities and even among the tribal communities there are no other communities that have been as adversely hit by such projects as the tribals of Jharkhand region in general and Chotanagpur in particular For the tribals of Chotanagpur, problems such as these began with colonial rule and administration However it is during the post independent period of national construction that the problem assumed a serious proportion During the period Chotanagpur and its adjoining areas saw rapid expansion of mining industrial hydel and other projects and whereas these symbolised national pride and progress for the rest of the country's population, for the tribals of the region these symbolised nothing but degradation destitution and death as benefits arising from these projects hardly touched them It is estimated that of the 185 lakh people displaced by various projects between 1951 and 1990 only 52 5 lakh have been resettled For the remaining 132 5 lakh resettlement still remains a distant dream Interestingly of the 185 lakh displaced as large as 75 per cent are stated to be the tribals

Of the hundreds of projects that have been initiated in the region none can match Netarhat Field and Firing Project with re

spect to the range of displacement. That is, the number of villages, families and people affected by each of the major projects in the past stood nowhere in comparison to that going to be affected by the Netarhat project. To illustrate, Tata Iron and Steel had displaced only four villages when it was started in 1907. As against this, the Rourkela steel plant started in 1956 displaced 2,465 families from 32 villages; the Heavy Engineering Corporation, Hatia, displaced 12,990 families from 25 villages; and the Bokaro Steel Plant displaced 12,487 families from 46 villages. In comparison, Netarhat Field and Firing Project is expected to displace 245 villages with a population of over 2 lakh people.

Notwithstanding the constitutional provision for preserving and protecting the tribal interest and lofty claims made by successive governments to this effect, the overriding and persistent feature of government policy and programmes with regard to tribals in general and the Jharkhand region in particular has been one of oppression and destabilisation. The Netarhat project is one more addition to this long chain of destabilising projects. All the same it throws open many disquieting questions.

In view of the scale of displacement and the dismal record of rehabilitation, the tribals of Chotanagpur have every reason to be angry and agitated over the Netarhat project. Indeed, it has sent a wave of resentment all through the Chotanagpur region. The indignation and resentment this time is much more intense than in the past as the government has given enough signal to convey that it values non-tribals' interest more dearly than those of the tribals; otherwise there was no reason as to why the proposed site of the project should have been shifted from Gaya in central Bihar to Palamau and Gumla districts in Chotanagpur. It is the ground on which the shift has been made that the tribals find the most disturbing. Of the two reasons mentioned one pertains to the scale of displacement. It is feared that the scale of displacement will be large if the project is continued at Gaya. Thus, whereas the national leaders and policy-makers have sympathy for the people of Gaya because of the scale of displacement, they hold no such sympathy for the tribals of Chotanagpur who have been subject to enormous displacement ever since the planned development began in 1950s. The other ground (destruction of historical monument) on which shift has been made smacks of ethnocentrism. It assumes that tribals have no history, no culture and therefore no cultural heritage. The fact that tribals have been living there for centuries with history, culture and heritage of their own seems to find no place in their scheme of history. What they show is an utter disregard for the sacred groves, place of worship, cemeteries, burial grounds where the tribals' ancestors have been buried and with which tribals have deep religious and cultural affinity. It is a paradox that history and monuments of one set of people are being destroyed with a view to preserve and protect the history and monuments of another set of people.

One of the most serious problems that tribals in India suffer from is the alienation of land from tribals to non-tribals and ways and means through which such transfer has taken place in the past have been well documented in the studies on tribes. Legislative and administrative measures drawn by the respective state governments for protection of tribal land is to be understood within this background. The protection of tribal land has also been reiterated from time to time in the chief ministers' conferences. Whereas these legislative and administrative measures have restrained alienation of land from tribals to non-tribals to some extent, the alienation of tribal land through state-sponsored projects has increased manifold. But what is even more disturbing is that government itself has often resorted to coercive and even secretive means. The Netarhat project is a pointer in this direction. In view of the fact that tribals are largely illiterate and suffer from ignorance of law and administrative procedures, measures adopted by the government in case of Netarhat project becomes not only objectionable but also a matter of great concern.

Notwithstanding constitutional, legal and administrative safeguards, why is it that tribal land has been made target for the purpose of the above project? Why is it that the normal course and procedures for land acquisition were flouted in the case of the project under reference? Why is it that notification of such importance as the one referred to above was kept secret? Tribals came to know of the project by mere coincidence. Why is it that the district and block officials maintain ignorance of such a notification even today? All these speak volumes for the clandestine way in which government has been trying to acquire the tribal land.

In fact, the silence being maintained by the government regarding the project has led to utter confusion among the tribals of Palamau and Gumla. Villagers have so far received no official communication. They have no idea as to when they are likely to be served notice of eviction and when and where they are going to be rehabilitated. It has been time and again emphasised by the government that tribals must be given land and adequately rehabilitated before they are evicted from the land. The question is whether there is land available to rehabilitate lakhs of people to be affected by the project. As it is, there already lakhs of displaced persons who are still awaiting rehabilitation in Jharkhand region.

Meeting Challenge of Economic 'Reforms'

Signals from Two Trade Union Conferences

Tilak D Gupta

Although both CITU and AITUC seem intent on finding new forms of struggle to channelise the growing discontent and anger of the working class, no new models appear to have evolved from the movements waged by these central trade unions

PATNA, Bihar's state capital, was the venue of two all-India conferences of major left trade union centres The Centre for Indian Trade Unions (CITU), controlled by the CPI(M), held its eighth national conference at Patna from March 3 The 35th session of the All-India Trade Union Congress (AITUC) attached to the CPI closely followed, beginning from March 11

That the country's labour movement is passing through difficult times hardly needs elaboration The movements of the working class and the working people, mostly under left leadership, has so far been clearly unable to reverse the economic policies of the Narasimha Rao regime No wonder the finance minister, Manmohan Singh, boasts that India has been exceptionally successful in implementing its agenda of economic reform without generating much social tension

Many eyes were therefore focused on the proceedings of the two major left trade union conferences to note the latest responses of an important section of the Indian working class movement to the ongoing economic policies A substantial chunk of workers looked forward to a new lead to be given by the CITU and AITUC leaderships in their arduous battles ahead The investors, foreign and native, were also keeping a close watch on the deliberations of the trade union meets to gauge the current mood of the Indian working class

Theoretically speaking, the perceptions of the CITU and AITUC, emerging from their respective conferences about the tasks in hand appear more or less similar There was increasing stress on developing a broader trade union unity to meet the challenges thrown up by the IMF-World Bank dictated economic reforms In the same vein, both the conferences felt that the working class alone, on its own, is not in a position to beat back the government's economic policies that affect the toiling people of the country as a whole Consequently, the CITU as well as the AITUC urged further efforts to build the broadest possible unity of the working people on an all-India scale, in the course of waging joint struggles

That the conventional forms of labour movement were proving inadequate in the face of the sustained onslaught of the Indian state and ruling classes was also seemingly recognised by both these central trade unions As a report on the CITU conference published in the March 20 issue of *People's Democracy*, the CPI(M) central organ, puts it, "the whole discussions during the conference centred on the search for new forms of struggle" In the AITUC rally at Patna, Indrajit Gupta and A B Bardhan, the two top CPI leaders, dwelt at length on the issue of giving a militant turn to the working class movement in order to resist the anti-people policies of the government The AITUC conference, according to Bardhan, felt that it is "necessary to develop new forms of struggle which give expression to the worker's militancy and their potential for action" (*New Age*, March 27)

But on the question of giving concrete shape to these ideas it appeared that there are certain differences between the approach of CITU and AITUC To take the vexed issue of trade union unity, for example, the CITU envisages the building of a confederation of all central trade unions as the task of the time Answering pointed questions from the press, top CITU leaders like E Balanandan and M K Pandhe affirmed that the BJP and Congress controlled trade union centres are also expected to be a part of such a body According to the CITU leadership, the proposed confederation should function on the basis of consensus and each constituent shall retain its separate existence

The AITUC, on the other hand, has come out strongly in favour of complete merger of central trade unions into a single centre The AITUC conference felt that CITU's suggestion for forming a confederation "falls short of the demands of the present situation" (*N w Age*) But CITU leaders rule out the proposal for merger of central trade unions as an impracticable step at this juncture

As a matter of fact, a sober appraisal of the country's trade union movement indicates that neither a loose confederation nor merger among trade union centres is really on the cards The CITU sources acknowledge that no other central trade union has agreed to its confederation proposal Moreover, a loose confederation of trade unions having divergent ideological political allegiances and functioning on the basis of consensus may if at all formed, turn out to be a rather unwieldy instrument for mobilising the Indian working class

The more ambitious project of a single trade union centre cutting across ideological barriers as visualised by the AITUC seems even more improbable given the political plurality of Indian society Though the AITUC and the Hind Majdoor Sabha (HMS) have agreed in principle to merge into a single entity the actual merger may turn out to be a tough proposition in practice Political differences apart the vested interests of the corrupt trade union bureaucracy in the labour movement also pose a serious obstacle to any genuine unity effort

This is not to argue that the question of broad trade union unity has been prematurely brought on the agenda On the contrary, the need for such unity has been felt for long by perceptive observers of the Indian labour movement And the issue today assumes all the greater importance as the fragmented Indian working class finds itself unequal to the task of rolling back the renewed offensive of capital But the whole point is about taking a realistic approach to the question of trade union unity by summing up the past experiences

As it is the extent of unity even among the left trade unions has not exceeded the formation of a loose sponsoring committee of trade unions Moreover all shades of left unions do not have representation on this platform Beyond that the unity of the Indian trade union movement has been expressed only through occasional joint movements on few specific issues Plainly a lot of home work is called for to facilitate the growth of the broadest possible unity of the working class movement For one the attempts at unity from the top have to be matched by a corresponding painstaking effort to forge unity at the shop floor level in course of joint struggles

Secondly unity will not come the easy way without a determined fight against the collaborationist and corrupt trade union bureaucracy long entrenched in the Indian labour movement At this point, one deliberately avoids mentioning the need to fight economism and legalism as it demands a more fundamental political remoulding of the trade union movement itself The fact that the all India coal strike of January 31 originally planned as a joint venture eventually became only a CITU call only underscores the importance of sustained struggle against the collaborationist section of the Indian trade union leadership

As for building the broadest possible unity of the various sections of the people against the current economic policies, the task again is to evolve concrete slogans and develop models at local levels that may be emulated by the trade union movement. Going by the proceedings of the CITU and AITUC conferences it becomes apparent that this aspect scarcely received any attention. It is one thing to mobilise the various sections of the people under left influence for a day's demonstration at the state or national capital but quite another to forge a worker peasant youth alliance on a stable basis.

Further it calls for a deeper self introspection on the part of the trade union movement to understand why the struggles of the organised sector of the workers and employees evoke so little sympathy among the other sections of the people. That such lack of sympathy is partly due to the motivated propaganda of the ruling classes to isolate the organised sector of workers and employees is, of course, common knowledge. But it has to be acknowledged that the orientation of the trade union movement strongly biased towards the relatively privileged sections of the workforce has to an extent helped the government in its divisive game of pitting one section of the working people against another.

For instance, in many industries, even the left trade unions have stood in favour of recruiting the dependents of the existing labour force as opposed to the demands of contractual labourers or local people. In agro based industries, the usual custom has been to merely pass a formal resolution in support of jute or cane growers and go no further. As for the service sectors, precious little has been done to pay heed to the people's grievances regarding the poor quality of service for which the employees are also responsible. One can go on citing examples, but suffice it to say that without attending to such diverse problems unity of the working people will continue to be restricted to the occasional mobilisation of the party faithfuls for symbolic types of protest movements.

Although both CITU and AITUC seem intent on finding new forms of struggle to channelise the growing discontent and anger of the working class, no new models appear to have evolved from the movements waged by these central trade unions. It goes without saying that the trade union leaderships cannot, by themselves, discover new forms of struggle. What they can really do is to sum up the past movements to highlight and popularise the positive emerging models. The 'gherao' as a militant form of struggle, one may remember, emerged not out of trade union conferences but through the actual practice of left leaning workers engaged in fierce struggle. That no new models are any more arising out of the mainstream trade union movement despite the acute crisis faced by the Indian working class may be considered as a sure sign of the poor health of the existing central trade unions.

As for the new experiences emerging elsewhere the AITUC, rather than CITU, appears to be willing to learn from them. The AITUC leadership at least made positive references to the Kanodia Jute Mill phenomenon in West Bengal where the rank and file workers rebelling against the established trade unions have formed their own organisation and occupied the factory in an effort to continue production on their own.

Though the Kanodia struggle has drawn the attention of many for its success in evolving new forms of struggle and enlisting the support of broad sections of local people, the CITU leadership appeared extremely allergic to any reference to it. One can concede that AITUC, given its recent record, was perhaps paying only lip service to the Kanodia struggle, partly for embarrassing the CITU. It is also true that some circles, traditionally hostile to the workers interests, have used the Kanodia episode as a handle to put the CITU as well as the left front government, headed by the CPI(M), in a tight corner. But all these cannot justify the lack of a self-critical attitude on the part of a trade union centre that claims to represent the most militant sections of the Indian workers.

As it is, one therefore finds the left trade union centres only expressing their resolve to change the priorities in the battle plans in their just-concluded conferences. But given that such resolution adopted earlier continue to remain by and large unimplemented, serious doubts persist about their efficacy. Moreover, as the left trade unions propose to concentrate the struggle against the ongoing economic policies rather than their effects, it may discover that it calls for more fundamental reorientation of left politics, going beyond the confines of the trade union sphere.

Dissent and Democratic Practice

Attack on NBA Office

Bina Srinivasan

The unprovoked ransacking of the Baroda offices of the Narmada Bachao Andolan by the pro-dam lobby comprising both BJP and Congress(I) leaders is yet another shocking sign of the intolerance of dissent among the political leadership.

MARCH 21 1994 will go down in history as a black day for democratic traditions in Gujarat. It was on this day that the Baroda office of the Narmada Bachao Andolan was ransacked and its properties set on fire. A group of 15 men, accompanied by police and press photographers descended on the NBA office at around 1 a m and indulged in an act of vandalism. Among this group of people were ex-mayor Rajendra Rathod, BJP MLA Nalin Bhatt and Congress(I) member Yogesh Akolkar.

The immediate provocation for this action it was claimed, was the review team that had been announced by the environment minister Kamalnath on March 15. This was in response to the gherao by NBA activists of the minister in Delhi on the same day. The team was to look into the effects of the closure of sluice gates upon the submergence villages. Claiming to brook no interference in matters of SSP and the interests of Gujarat, workers of the BJP and Congress(I) had since then been camping at the Baroda airport hoping to give the review team a reception that would convey adequately to them that they were not welcome in Gujarat. In their enthusiasm the crowd at the airport had not bothered to identify the team members they were going to send packing. As a result they picked on persons who had absolutely nothing to do with either SSP or the NBA. The local press reported that "a friend of Medha Patkar had been sighted at the airport" who was then gheraoed and shouted at. This person "definitely was Medha Patkar's friend as she was dressed in a cotton sari and had hair clips and other ornaments much like the kind adivasi women wear". The local press played it up without mentioning the discomfort that this may have caused the woman, who could only leave with police escort. Rini Dhumal, a well known woman artist had not bargained

for this, when she went to the Harni airport to pick up another artist who was expected to arrive that day for a workshop organised in the Fine Arts Faculty. The mob that surrounded her had identified her as "one of those who usually accompanies Medha Patkar in Baroda" and refused to pay any heed to her pleas that she was only an artist. So much for determination to ensure that no review team member would set foot on Gujarat soil.

Frustrated in their attempts to thwart the review team—for nobody turned up—the BJP-Congress workers seized upon the information that two persons had arrived by the Sayaji Express and had proceeded to the NBA office from the railway station. At 1 a m, 15 people left the airport and went to the NBA office, accompanied by a police jeep. They demanded to see the 'review team members' who in this instance were Bagaram Tulpule, a long-standing trade unionist from Maharashtra and Shama from Pune. NBA activists, taken by surprise, denied that any such members were in the office and also said that they had no information about them. Their explanations fell on deaf ears. Yogesh Akolkar and the others surrounded Medha Patkar who happened to be in the office that day and shouted at her to leave Gujarat. She was an outsider, they said, having no right to create hurdles in the construction of SSP. They told her that they were being magnanimous in not causing her bodily harm since she was a woman. (The next day, local newspapers reported this as being indicative of the culture of Gujarat which accords respect to women!) Soon afterwards, they began pulling out files from the racks in the office and threw them on the road, a fan was lifted and flung down from the second floor, video cassettes, a slide projector and pamphlets followed. A group of people waiting on the road sprinkled kerosene on the jumbled heap and set fire to it. Hundreds of people lined up on balconies as they, along with the police, became mute spectators to the unnatural light cast by the bonfire on the main road in Dandia Bazar. The mob left with threats of more to come.

At 9.30 a m later that morning, a crowd of 50 persons gathered on the road again. Four to five persons climbed up the steep, rickety stairs leading to the NBA office and demanded that Medha Patkar and other activists leave the premises, or, they threatened, the crowd down below would get out of hand. They accused the NBA of taking foreign funds, of being outsiders and traitors to the cause of Gujarat. A heavy police contingent had arrived by then. The police joined in the persuasions. Leave for a short while and come back later they said. The police also pleaded helplessness in dealing with the meagre crowd below and said that they were apprehensive that a law and order situation would be created if the activists insisted on remaining in the office. The NBA activists had to therefore leave under heavy police bandobast.

The police had been joined by a contingent of the BSF. Indeed, it is difficult to believe that this large police force was not in a position to control the crowd. Since then, the NBA office has a virtual police chowky at its doorsteps. Access to the office was denied to the activists who have had to take police permission to get in.

The entire incident has left an ugly mark on politics in Gujarat. The skirmish for leadership that has ensued after the death of Chimanbhai Patel, former C M, has led to a situation where every political party is out to prove its credentials through the SSP issue. But the use of force and goondaism becomes inevitable when rational negotiations and discussions evoke a sense of fear, a sense of inadequacy. After all, those who favour the SSP have equal access to democratic expression, quite apart from having the backing of state itself. Instead of taking recourse to negotiations through informative exchanges, sections of the pro-dam lobby seems to be bent on treating it as an 'emotional' issue, which then can ignore, or distort democratic processes. Another plank of the pro-dam argument also disregards completely the basics of a democratic ethos. It is indicative of a rightward swing which chooses to exhibit an extreme intolerance when it comes to dissenting views.

Take for instance, their accusation that Medha Patkar is an outsider and has no business interfering in matters that concern Gujarat. Invoking the spirit of territorialism is an old ploy and has been used time and again to justify the domination of the haves over the have-nots. Yet, when the dispossessed raise the issue of territorial rights, domination is sought to be justified in the name of national interests. Besides, what are the parameters that determine who has the rights to represent people? If the people themselves have the right to choose their leaders and fora, then the adivasis it would seem are less equal than the industrialists and rich farmers of Gujarat. Much is being justified in the name of the people, what then of the well known fact that for years the people of Saurashtra have considered themselves distinct from the people of Gujarat? The merits and demerits of separatism is a different issue, but there certainly has to be some social and political accounting for the grievances of the people who have been historically oppressed and marginalised. The notion that there exists an overarching Gujarati identity which exerts a homogenising influence misses out on the complexities of a caste-ridden, class-based society. Besides, to argue that all non-Gujaratis are outsiders comes dangerously close to the contention that all minorities are 'foreigners'. What then of all the Gujaratis who have chosen to live outside the boundaries of the state? Or of those Gujaratis who have settled abroad and are even at this point victims of racial prejudice?

NBA activists are being called traitors to the cause of Gujarat, being so defined because of their opposition to the SSP. Here, it is being assumed that SSP represents that interest of the entire state But this glosses over the fact that there are as many truly Gujarati men and women who hold the opinion that SSP is not the solution to the water problems of Gujarat In addition, there are scores of people who oppose the SSP because, in their opinion, they stand to lose. What scope does the political process in Gujarat give to the aspirations of these people, who are as Gujarati as anyone else? A democratic set-up has to accommodate varying shades of political currents without destroying any one section To embark upon a path of physical intimidation simply because there is disagreement is to initiate a dangerous process, for which each and every person will have to pay a heavy price, no matter what their political inclinations

A brief note must be made here of the role played by the Gujarati press in this incident While there can be no doubt about its sectarian viewpoint, even granting that the press has a right to hold an opinion, it is difficult to condone the valorisation of an act of vandalism The sanctity of reportage lies in the fact that it at least records events as they occur and not present distorted, incomplete versions Newspapers can and have drawn their own conclusions on events, but it is incumbent upon the fourth estate to uphold democratic processes rather than applaud its destruction. That apart, the Gujarati press also seems to congratulate the persons involved on the machismo they have displayed by their action. Indeed, the entire incident is being portrayed as a indication of the 'mardangi' of Gujarati ethos Dissent has been crushed, dissenters warned, masculinity has triumphed The connections between this perceived triumph of masculinity and reportage of atrocities/crimes against women by these newspapers would, one is sure, reveal the workings of the very same political inclinations

Ammonia Storage Tank to be Decommissioned

K Aravindakshan

All political parties and trade unions including the Left in Kerala, have taken exception to the Kerala High Court directive to FACT, to decommission its ammonia storage facility because it is an environmental hazard

THE recent epoch-making judgment of Kerala High Court which barred appeal to the apex court on the public interest litigation case filed by a few environmental activists and Sarvodaya workers, directing the management of the Fertilisers and Chemicals Travancore (FACT) Udyogamandal, near Alwaye Ernakulam district to decommission its ammonia storage tank located in Wellington Island Cochin within three months has, presumably evoked mixed reaction While the environmentalists and social workers as well as the general public, besides a number of non governmental organisations (NGOs) like Desiya Shastra Vedi have whole heartedly welcomed the high court directive almost all the political parties and trade unions in the state including those of the Left, have predictably, come out with a barrage of criticism against the well-intentioned judgment

The Kerala legislative assembly during its budget session witnessed a curious scene obviously due to lack of proper floor co-ordination, where two members of the Opposition, one belonging to the CPI and the other to the CPI(M) the two leading constituents of the LDF pleaded with the speaker vociferously competing for permission to move the motion seeking adjournment of the proceedings to discuss the serious ramifications of the matter This seemingly unreasonable anxiety to steal the show was over a matter which had been hanging fire for quite some time And strangely enough the FACT authorities had done nothing to allay the legitimate fears of the public at large over this period which obviously forced the desperate and irate agitators to seek the intervention of the high court Why did none of the major political parties and trade unions owing allegiance to them fail to make any attempt to persuade the management of the company to seek viable alternatives for storing imported ammonia or to enhance its in house production at the appropriate time?

The trade union organisations under the joint auspices of the AITUC CITU, INTUC and a host of others had meanwhile organised a massive protest rally against the high court directive and offered dharna in the court premises in a vain bid to pressurise the high court to reconsider its ruling It is now learnt that the FACT management is contemplating filing a special leave petition before the Supreme Court the outcome of which is unpredictable The government of India, on its part is reported to be considering measures to shift the location of the huge ammonia storage tank which is easier said than done in view of the heavy financial commitment involved in it

It is true that if the high court order to decommission the 10,000-tonne storage tank in three months is going to be implemented, it can have serious implications for FACT, the largest importer of ammonia in the country Though the company meets half its daily requirements from in-house production, the authorities are worried that it would result in a shortfall in ammonia production by 8 lakh tonnes in fertilisers and 50,000 tonnes in caprolactum in one full year of operation The estimated production loss to FACT will be of the order of Rs 700 crore against the total turnover of the company during 1992-93 amounting to Rs 750 crore The poor turnover has been attributed to the sluggishness of the market and frequent changes in government policies Based on the track record of the first five months of the current financial year, the anticipated production loss will amount to several hundreds of crores of rupees

While FACT depends on 850 tonnes of imported ammonia everyday, its in-house production is only 750 tonnes The requirements of the urea plant are today met from in house production and so, the closure of the storage tank will definitely tell upon the production of a combination of fertilisers and ammonium phosphate

The anxiety of trade union organisations of various hues is understandable because the jobs of 5,000 employees are at stake as the immediate fall-out of the implementation of the court directive The FACT management is not only under pressure to approach the apex court with a special leave petition, but also to explore possibilities to bridge the gap in ammonia production The company proposes to approach the fertiliser units in the neighbouring states, like Mangalore Chemicals and Fertilisers (MCF) in Karnataka and the Southern Petrochemicals (SPIC) in Tuticorin in Tamil Nadu with a request to lease out the excess capacity in their tanks at least as a stop-gap arrangement Railway tankers will have to be acquired to transport ammonia from these locations However, it is not yet certain whether these two units do have excess capacity, and if it is available, whether these companies are willing to allow its use Another option being thought of is to assess the feasibility of tapping ships from the outer harbour at Kochi, pumping the ammonia into large barges and directly transporting supplies to the factory sites

Whatever be the alternative, the task is really stupendous mainly because the costs to be incurred will be prohibitive which the FACT management can ill-afford in the context of the poor financial performance of the company The production loss totalling Rs 700 crore would imply additional import of fertilisers and caprolactum involving the outgo of valuable foreign exchange, though our prime minister has declared the government's intention to import fertilisers, come what may

In the meanwhile, true to our national tradition of growing wiser after the event the Kerala industries minister P K Kunhalikutty stated in the state assembly that with almost 75 per cent of the ammonia intake of FACT being stored in Wellington Island, the company management was seeking three years' time to decommission the existing storage tank and to commission the company's own captive plant at an alternative site He also shared the concern expressed by the members of the assembly about the ultimate impact of the high court verdict on the jobs and livelihood of 5,000 employees directly and another 25,000 employees indirectly, spread over the whole of south India The entire farm sector in the southern states would be starved of ammonia-based fertilisers

It is also necessary to examine, in this connection, the real national ramifications of the high court ruling since they tend to transcend the boundaries of Kerala and can be quoted as a precedent against 22 or so similarly located ammonia storage tanks along the ports of Bombay, Mangalore, Madras, Goa, Tuticorin, Vizag Paradip and Kandla, to mention a few The storage tanks in these and other places serve as sources of ammonia supply to fertiliser plants like MCF, SPIC, Paradip Phosphates, Zuari Agro, and Rashtriya Chemicals, among others Maybe, most of these tanks have been set up much later than FACT's Wellington Island unit But the fact remains that eventually the fate of the other tanks will be no different The tanks at Madras, Tuticorin in Tamil Nadu and Kandla in Gujarat are older than that of FACT which was commissioned only in 1976 It is time that all these fertiliser companies woke up from their slumber and took steps to install their own captive ammonia production units, free from environmental hazards, as quickly as possible, so that their entire ammonia requirements can be met by in-house production Environmental activists in other states cannot be expected to sit quiet and allow things to drift If they too decide to approach the courts in their respective states, fertiliser production of all these plants will come to a standstill with serious repercussions, on the farming community

Social Explosion in France?

Raghu Krishnan

The protests of several hundreds of thousands of students, unemployed and semi-employed youth, teachers, trade unionists and social movement activists in March reveal the growing anger with government measures that intensify unemployment and social insecurity, especially among the youth.

THERE is much talk of 'social explosion' these days in France. In the last three weeks, several hundreds of thousands of post-secondary and high school students, unemployed and semi-employed youth, teachers, trade unionists and social movement activists have taken to the streets in protest. Coinciding with all the international fanfare around the G-7 'employment summit' in Detroit, the protests reveal growing anger with government measures that intensify problems of unemployment and social insecurity, especially among youth. They also reveal that the right-wing government and the country's elites have no qualms about turning to the police to shore up their increasingly discredited order.

'*On prefere descendre dans la rue qu'y finir*' ('We'd rather take to the streets than end up in them'). With this slogan, the first wave of student demonstrations last fall had set the tone for the current round of student and youth protest in the country.

The current right-wing government is haunted by images of May 1968 when student protests led to a month-long general strike of 10 million workers and created a situation that sent de Gaulle scampering over to Germany to see if he had the support of French troops stationed there. More recently, it was student protests that eventually led to the fall of the 1986-1988 right-wing government of the current mayor of Paris, Jacques Chirac.

The government of prime minister Edouard Balladur is all the more edgy because this is the latest and most widespread in a series of challenges that began last fall. It all got started with the strike at the public sector airline, Air France, where technical and service personnel went so far as to occupy runways at the Charles de Gaulle and Orly airports in Paris to demonstrate their opposition to job and salary-cutting measures. The government was forced to back down, and the head of Air France to resign. Nation-wide polls taken at the time showed majority support for the strikers' militant tactics. At the same time, the first signs of student unrest emerged in opposition to plans to cut back student housing grants, against underfunding of the education system and hiring cuts in the public service.

The next wave of protest arose in opposition to government plans to devote more public funds to the private (and largely Church-run) school system. On January 16, the largest demonstration since the late 1960s brought some 7,50,000 people from across the country to Paris, in defence of fully-funded, universally accessible and secular public schools. Once again, prime minister Balladur was forced to do an about-face.

In February, it was the turn of the Atlantic fishing communities to rise up against a bad situation made worse by the collapse of prices and government support that have accompanied the 'free trade' unleashed by the process of European unification and the recently concluded GATT negotiations. In the violent confrontations that ensued, the old parliament building in the provincial capital of Rennes was burned down by a stray flare or an exploding police tear gas canister.

And finally, just before the latest round of protests, violent clashes continued over several days in the suburbs of Paris, largely pitting the teenage children of Arab and Black immigrants against local police forces.

Cut-Rate Salaries

The object of the latest unrest is a package of government labour reforms—known as the 'CIP', the French initials for 'contract for professional integration'—that make it cheaper for employers to hire youth in all categories, including university and technical school graduates.

Although promoted by government spokespersons as a plan to fight unemployment, there is every reason to believe that the reforms will do nothing of the sort. Those youth hired at the proposed lower wage would often be merely replacing an older worker neatly disposed of through an early retirement package or simply dismissed. In other cases, many youth that would have been hired anyway at the full wage will now be hired—after six months of unemployment for degree-holders—at a wage anywhere between 20 per cent and 70 per cent lower than before, according to age and the level of post-secondary education.

A job 'created' in this way can last for a maximum of two years, after which time the employer can take the person on at full wage or hire another cut-rate youngster. It is not difficult to figure out that the employer will usually go for the latter option—if the position is filled at all, that is. And to make matters worse, the reform would further reduce the purchasing power of the general public in an already depressed economy.

An article in the daily *Le Monde* put it best: "The CIP does not so much create as it does generalise the [youth minimum wage], with a 20 per cent cut in the professional minimum wage for degree-holders. More generally, employment policy over the last 15 years has had hardly any effect on youth hiring, in spite of all the [tax and social security] exemptions offered to employers. At the same time, the over-50 age group has been massively oriented towards early retirement schemes. The result: access to employment is *de facto* reserved in the main for those between 30 and 50 years old."

The CIP blow has been hardest for the very students that bought all the arguments about the need for people with a technical education. Since the 1980s, middle-class youth in all the western industrialised countries have been told that this is the way to a secure future—and the way to lead their countries out of recession. Now, the government and employers are telling them that the economic and professional value of their degrees is not so great after all. And these technical graduates have seen their unemployment rate rise to 10 per cent, a five-fold increase in the last four years.

No surprise, then, that it is the sons and daughters of 'La France profonde'—white, middle-class families in cities and towns outside Paris—that now find themselves in the front lines of a showdown with the government and its police.

The Spark

But unemployment and insecurity run rampant through all categories of French youth. Nearly one-quarter of France's four million unemployed are under 25. Those with jobs find themselves increasingly in a part-time, unstable situation. The situation for the children of Arab and Black immigrants is even worse, and further aggravated by constant police harassment and the growing xenophobic climate in the country.

In a society that considers sexual activity and experimentation as a natural and healthy part of growing up and of life itself, the inability of authorities to deal with the AIDS

epidemic in anything but a moralistic, authoritarian and stop-gap manner has been cited as another major source of insecurity and frustration. A clear sign of this growing 'sexual discontent' among youth appeared just before the recent outbreak of student protest, after the government's radio and television authority announced it would be taking a popular youth phone-in sex and relationships councilling radio show off the air if it did not censor the language of people calling in.

The show, called 'Lovin' Fun' on the FM station 'Fun Radio', has a nightly audience of several millions, making it the most popular radio show in the country. Following the government announcement, there was an outpouring of support—calls, letters, faxes, spontaneous demonstrations—from thousands upon thousands of the programme's listeners. As a result, 'Lovin' Fun' is still on the air—live and uncensored.

Suffice it to say that a youth revolt was brewing in the country, and the CIP legislation provided the necessary spark. The dynamism and inventiveness of this movement would enliven even the dullest of spirits. Many high schools and colleges are on strike, some universities are occupied, and there are general assemblies to organise the movement and give everyone their say.

The demonstrations—that have taken place even in the smallest of communities—are specked with colourful banners and placards, with irreverent chants and songs filling the air. They have often headed to local high-speed train stations and highways—those symbols of the glorious 'modernisation' that has left them out—to hold up traffic or gently march in front of it to their next destination. Demonstrations in some of the bigger cities—Paris, Lyon, Toulouse, Lille, Nantes—have been joined by large contingents of high school youth and unemployed teenagers from the working class suburbs. These are often the largest and most militant contingents, and are certainly the most diverse in terms of their ethnic and gender composition.

'Les Beurs' and 'Les Blacks'

The participation of these youth from the working class and heavily immigrant 'banlieues' (suburbs) has increased the stakes of the stand-off, and touched the rawest nerve of the French right-wing. It seems there is nothing the country's rulers fear and hate more than the children of Arab and Black immigrants, all the more so if they are joined by their white class- and work-mates.

From the early- to mid-1980s, these children of immigrant workers were at the cutting edge of struggles for democracy and social justice. They have played a decisive role in each wave of mass youth protest that has followed their cross-country 'Marche des Beurs' ('Beurs' is slang for the children of Arab immigrants) and the 'Marche pour l'egalite'. The fact that their movement was betrayed and crudely co-opted by the Socialist Party government at the time—and then frontally attacked by the right-wing—has been a significant contributing factor to the current despair and disorientation in their ranks.

The response of the authorities to this new turn in the movement has been as predictable as it has been unfortunate. In reply to some isolated incidents of looting and stone-throwing, the government—in the shape of the arch-reactionary interior minister Charles Pasqua—attempted to justify its stepped up repression of the whole movement by decrying the presence of those who were allegedly trying to use it to further their own violent and criminal ends.

The racial overtones have been barely hidden. To drive the point home, two teenage students of Algerian origin, Mouloud Madaci and Abdelhakim Youbi—both in France for several years—were arrested after one of the demonstrations in Lyon and, without even a proper trial, expelled on a ship to Algeria.

The response of the protest movement, progressive lawyers and immigrant rights activists in Lyon was swift and inspiring, although thus far inadequate. Banners at the 30,000-strong March 25 demonstration against the CIP read 'Liberez nos camarades' ('Free our comrades') and had the names Abdel and Mouloud decorated with flowers and peace signs. Some 1,500 protestors camped out in front of court buildings and were there when the order came down from a national legal body: Mouloud and Abdel's expulsion was illegal; they were to be returned to French soil at once.

For the moment, however, the Lyon police have challenged the ruling, and the two teenagers are awaiting their return to France in the transit zone of the port of Algiers.

State's Violent Antics

For now, at least, attempts such as this to divide and break the movement have been ineffective

It certainly has not been for lack of trying though. There can be no getting over the lengths to which the police will go to break up demonstrations—water cannons, tear gas, plastic bullets, and charges of truncheon-swinging and helmeted police.

It is clear that the government wants the demonstrations to degenerate into a free for all, all the better to discredit the movement. The daily *Liberation* reports eyewitness accounts of bystanders at the March 25 Paris demonstration who said it was plain-clothes policemen who initially smashed shop windows, in order to justify another indiscriminate round of truncheon-swinging by their uniformed colleagues. On several occasions, uniformed and plain-clothed police alike have injured media photographers and cameramen in order to prevent them from capturing their antics on film.

What kind of society does a government that responds to the most vibrant and critical-minded segments of its youth in such a manner hope to build?

There will be another national day of student and youth demonstrations on March 31, with the possibility that everyone will head into Paris as is the custom when people want their message to be heard.

It is clear that the role of the labour movement is decisive if the government is to be stopped in its tracks. Seeing the CIP as a clear attack on their members and on workers' rights generally, the country's trade union federations staged their first united action since 1962, a nation-wide demonstration of some 2,00,000 people on March 12. Hopes are that this spirit of unity can be translated into some strike action—there is talk of a general strike in early April, to coincide with a national day of student demonstrations.

The role played by university arts and science students will also be a decisive factor. In May 1968 it was these students that played the leading role. Thus far, they have largely remained on the sidelines, with the idea that the CIP will not affect them. There have been some signs of movement, however. Late last week, for example, 600 students occupied university buildings at the Tolbiac campus of the University of Paris.

On April 6, a cross-country trek by the new 'Agir contre le chomage!' ('Act against unemployment!') campaign will begin. It is scheduled to end with a huge march on Paris at the end of May. The campaign involves trade unionists, unemployed activists, housing rights activists and people from the women's and other social and democratic movements. The campaign calls for a radical reduction in the working week with no reduction in pay—alongside increased taxes on corporations and speculation—as the only feasible and socially just way to massively reduce unemployment.

So the stage is set for at least another few weeks of struggle in the country. Whether a 'social explosion' is in the offing remains to be seen. There is a good chance the government will soon revoke the CIP legislation.

Whatever happens, the protest movement has certainly provided a much needed breath of fresh air.

March 27.

Making Sense of Government's Macro-Economic Stabilisation Strategy

Amiya Kumar Bagchi

While it may be doctrinally correct to criticise the government for not doing things that it could not reasonably be expected to do, it is not very sound political economy or economic sociology to harp on those failures It is much more fruitful to find out how and why the government has fashioned the particular strategy it is following

THE present Indian government has been accused of not promoting growth, not making a real dent on poverty, not seeking to bring down the burden of external debt and thereby eliminating the threat of yet again getting near a situation where foreign bankers would not honour Indian letters of credit, and finally not promoting technological self-reliance through an appropriate policy of innovation, adaptation and absorption of technology Suppose that all these accusations are true One reply would be that apart from the charge of not seeking to promote growth, the rest would also apply to the policies of most governments at the centre since the middle of the 1960s Which government's policies made a real dent on poverty? It is claimed that during the late 1980s the proportion of population living below the poverty line tended to decline But surely this was more a by-product of the growth-promoting policy of the Rajiv Gandhi government and the lucky occurrence of several good monsoons than of any properly target-oriented poverty eradication strategies And the near-default situation that India reached was a direct result of the policy of the Rajiv Gandhi government which sought to promote growth by borrowing heavily abroad So why should the new government take upon itself the task of promoting poverty reduction, technological self-reliance or a greater degree of independence when the immediately preceding one had not done so? Has its support base shifted towards a set of classes or groups which would feel aggrieved if growth is not accelerated, poverty is not reduced or dependence on external loans or aid is increased? Or, look at another aspect of its revenue and expenditure policies This government has further accelerated the process of revenue gathering through indirect taxes and administered prices and has made it clear that those who possess money-earning assets will continue to be favoured by the tax policies policies geared towards a creeping privatisation of public sector enterprises and further deregulation of the capital and money markets Again, some of the instruments for shovelling incomes towards the rich may be relatively novel, but is the general policy of favouring the rich and especially the up and coming dealers in money and assets who want to make money hand over fist all that different from the policies pursued by the undivided Janata Party government or the succeeding Congress governments? After all, it is the up and coming rich who provide the money muscle and media coverage lauding the achievements of this liberalising government who want to get India into the mainstream of liberalising policies as a means of allowing the Indian Joneses to imitate the life-styles of Donald Trump Adnan Khashoggi, Alan Bond or Ravi Tikkoo Money is needed in order for the government to be able to manipulate voters legislators and opinion-makers and the government cannot afford to alienate people who have money and who expect to continue making money and ever more money through the policies pursued by the government

So while it may be doctrinally correct to criticise the government for not doing things that it could not reasonably be expected to do, it is not very sound political economy or economic sociology to harp on those failures It is much more fruitful to find out how and why the government has fashioned the particular strategy it is following One answer is that all the elements of the strategy are worked out in Washington, DC But again that is not a fully adequate answer While there is a generic similarity between the structural adjustment policies (SAP in short) recommended for and imposed upon the different client nations of the IMF and the World Bank, there are also differences in the speeds with which the overall package of SAP or different elements of it are sought to be implemented in different countries Why such differences are allowed within the canon would be a fascinating but highly time consuming enquiry A shorter approximation is to be found in figuring out the areas in which departures from the recommended package have been allowed in the case of a particular country viz India whose policies are under discussion at the moment

In the Indian case departures have been allowed from the recommended package in two critical areas One of these is the budget deficit fiscal deficit revenue deficit or whatever other concept of deficit is used for a particular round of evaluation The deficits recorded by the revised budget of 1993 94 are way beyond those which had been targeted earlier and they are threatening to exceed all the earlier historical records The second area where departure has been permitted is full convertibility of the rupee after the bouts of devaluation in 1991 and the subsequent abolition of the dual exchange rate, the government has in effect maintained a fairly steady exchange rate for the rupee during the last two years and the Reserve Bank of India has intervened repeatedly in the market in order to keep the exchange rate within a fairly narrow band

Internal and External Balance

The government has in fact chosen one of the routes recommended by the Fleming-Mundell solution to the assignment problem under a regime of less than perfect capital mobility namely the use of monetary policy to achieve external balance and the use of fiscal policy to achieve internal balance The concept of balance will have to be defined of course in the current context of Indian political economy [1] Internal balance means fulfilling the income aspirations of the top 10 per cent of the income earners of the Indian population It does not matter if the aspirations of the other 90 per cent are frustrated They have no unique focal organisation which can be used to bend the government to their will Moreover large sections of the other 90 per cent are linked by various patron client relations to the politicians who claim to mediate between the top 10 and the bottom 90 per cent The fulfilment of aspirations of the top 10 per cent will also have to be interpreted in aggregate rather than sectional terms or in terms of universal satisfaction of aspirations Some

sections of the 10 per cent may lose out but the process of liberalisation opens up possibilities of mobility from the losing segment to the winning segment. Of course, such mobility is available only to those who belong to certain 'opportunity brackets', shall we say, in terms of income, assets, education, caste or community affiliation or political connection.

'External balance' is also to be interpreted not as an absence of a balance of payments deficit but as an acceptable combination of a maximum amount of balance of payments deficit, a minimum rate of reduction of the current trade deficit, and the building up of a substantial foreign exchange reserve. As in the case of the internal balance, the definition of the external balance is greatly dependent on the policy-makers' assessment of what their backers and their ultimate masters want. In this particular case, the backers are Indian and non-Indian traders and financiers who are likely to move liquid capital into India for speculation, but on a medium-term rather than a short-term basis, big foreign or Indian-owned companies who will want a piece of the action if the action is cheap and reasonably riskless, and, of course, the twin watchdogs of global capital, viz, the IMF and the World Bank.

Among the troubles the government confronted in June 1991 the most dangerous in its view was the slimness of foreign exchange reserves, the drying up of all sources of long-term and even short-term accommodation finance from foreign banks or foreign suppliers; associated with that was an enormous amount of outflow of hot money from India. It was no consolation for the government to know that much of that outflow was triggered by expectation of an imminent dose of devaluation. As a way of confidence-building with the twin Washington watchdogs (which was also a way of reassuring the operators in the hot money market about the orthodox inclination of the policy-makers), the government undertook the two-step devaluation of the rupee and the introduction of a dual exchange rate system. Again, one can raise questions about why and whether the two-step devaluation was necessary. But in the long run what mattered was the fact of the devaluation as a critical step in ensuring various kinds of back-up finance from the IMF and the World Bank. Again whether devaluation as such would lead to a greater value of exports (measured in foreign currency) was a secondary consideration. Devaluation, across-the-board deregulation and bringing down of tariff rates and easing of import quotas were needed to gain the confidence of the IMF, the transnational banks and non-resident Indian investors.

The confidence was gained at least to the extent of allowing the reserves to rise to a level of about $ 12 billion by the time the budget for 1994-95 was presented.[2] The fact that after remaining stagnant for a year and a half, exports rose by about 20 per cent in 1993-94 helped marginally in this process; a decline in international oil prices and stagnation in import-intensive industrial production also helped in bringing down the balance of payments deficit. But no significant addition to reserves took place through export expansion and import compression. Virtually all the addition to foreign exchange reserves accrued through new IMF loans, NRI deposits, and further commercial borrowing.

Growth of Some Incomes

During the process of structural adjustment started in June-July 1991, the record of industrial growth has been dismal. During the last year, even the agricultural sector has remained stagnant. All the so-called growth has taken place through the burgeoning of services, and it is not certain how real or how robust even that growth is. But what matters for the government's performance is not growth in the usual national accounting sense but the growth of incomes of the backers of the government. There is no doubt that traders, financiers, stockbrokers, and even entrepreneurs in sectors which were earlier stifled by government regulation (as, for example, in computer-related services), certain groups of exporters, foreign and Indian entities making a kill in the purchase of public sector shares or the assets of defunct public enterprises, and transnational corporations about to grab large chunks of industry and real estates in India have all benefited from the kind of growth the government has promoted.[3]

If we keep this in mind then we should not be surprised that the government has been able to flout some of the injunctions of the IMF canon and yet been able to retain the confidence of the Washington twins, and of the big Indian, NRI and foreign businessmen. The most important of these flouted injunctions, as mentioned already, is the promise to bring down the fiscal deficit. From the beginning of the current bout of SAP, it was clear that the IMF would accept a large degree of window-dressing as far as the letter of the instrument of understanding is concerned, because it would be a bad day for the IMF-World Bank image of vigilant watchdogs of global capitalism if India were to actually declare a moratorium on her foreign loans. As it happens, the limits for fiscal deficits were violated in the actual or revised budget figures for both 1992-93 and 1993-94, and resoundingly so for the latter year. The finance secretary of the government claimed bravely that these limits were flouted in the interest of growth. In that case what was all that hullabaloo about bringing back fiscal discipline into government finances and doing it mainly by slashing public capital expenditure and crippling the financial resources of the state governments? After all, the latter are responsible for most of the expenditures on the social sector, and public sector investment has been found to be a key element in promoting industrial growth in the past. In fact, much of the fiscal deficit, in spite of all these draconian measures imposed on the favourite whipping boys of the IMF and the central government, is due to excess expenditure for purposes of buying political support and shortfall in revenue realisation from direct taxes and from customs duties—both shortfalls belying the government's (and Chelliah Committee's) optimistic estimates of revenue elasticity of tax cuts. But these deficits certainly fed the 'growth of incomes'—of the key political support bases of the government. These bases include, apart from the sections of the population already mentioned, the rich farmer lobby. So the government may decide virtually to kill large segments of the domestic fertiliser industry by withdrawing their subsidies or budgetary support (and closing the bank finance route of survival for them). But it dare not make a big dent yet on the subsidies available to the farm sector and especially that part of it which has gained repeatedly from the raising of farm support prices above the equilibrium market prices or cost-based prices. The government also has tried to reassure the rich farmers that they will gain enormously as a result of the new GATT treaty and the permission to export any and all agricultural products.

In view of the stagnation in industrial growth, the government has from time to time reduced the interest rate (that is, the prime lending rate) from the very high levels to which they had been jacked up soon after it came to power. However, they are still much higher than rates of interest prevalent in developed market economies. It is a moot question as to whether a reduction in the rate of interest is a very effective instrument for stimulating domestic industrial growth, when all the other signals would induce caution and postponement of decisions on the part of all but the really big players who are confident of dominating their segment of the market. Apart from that, the government will have to keep a sufficiently large (open or covered) interest differential to continue to attract mobile international

funds and keep up a respectable volume of foreign exchange reserves. The government will also have to keep the rate of exchange stable within certain limits (apart from a one-step devaluation at rather long intervals, if the need arises). It has had to intervene in the foreign exchange rate in order to keep the rupee from depreciating (and in some cases also from appreciating) even though such depreciation might have helped international competitiveness in some export segments in this warfare of beggar-my-neighbour policies.

Role of Cheap Labour

How do the backers of the government then expect to make money with stiff interest rates and stagnant industrial production over all? There are several strategies, some of which may be operated in combination, open to them. One is to rely on the cheap labour costs in India. India must be now one of the lowest-wage countries in the world with a reasonably full complement of technical and managerial skills diffused among the population. Instead of trying to develop new industrial skills, the intending money-makers are going to draw on the accumulated balance, hoping that the exercise itself will generate new skills. The segments they will choose are those in which cheap skilled or semi-skilled labour will compensate for high capital costs. The strategy the government has followed of beating down the power of trade unions and creating a larger and larger reserve army of labour for potential entrepreneurs to draw from is very much linked with its perception that money can be made in India only in labour-intensive industries utilising skilled but low-wage labour—for example, textiles, leather goods or crude engineering products. That in a stagnant or slow-growing home market the producers of such goods will have to seek markets abroad is good news for the government's (and its patrons') objective of making the Indian economy fully open to the gales blowing from the ocean of international markets in goods and capital (but, of course, not labour).

If it is argued that there is not going to be much increase in employment in the organised sector in the near future, the reply will be that in the 1980s even with the 21st century fantasy programmes of the Rajiv Gandhi government, there was little growth in employment in the organised sector, except for the subsector under the control of state governments. What is likely under the new scenario is that while organised sector employment will decline, the informal sector will expand, both because there will be many more desperate subsistence seekers in the labour market (all the survivors of accelerated population growth of the 1960s are full adults now) and because there will be entrepreneurs (many of whom will be subcontractors of the export houses and transnational corporations) keen to exploit cheap labour and stake their fortunes on exports under the liberalised GATT regime. This last consideration along with the hopes held out to rich farmers is a major incentive for the government to sign the new GATT treaty. Of course, there were pressures for signing the agreement exerted by all the G-7 countries, and other major players, but if foreign pressure renders it politically feasible to pursue a policy which would have been sensible but not feasible without the pressure, then should such foreign pressures not be welcome? Was it not one of the arguments for getting India involved in an unsustainable foreign debt regime that such a politically unpalatable but economically sensible commitment could be extracted from her?[4]

Critics might argue that the new policy is pushing India back to the position of South Korea or Taiwan in the early 1960s without any of the advantages of the complete underwriting of South Korea's and Taiwan's balance of payments deficits and a privileged opening of the western markets to the exports from the then low-wage production platforms. The government might retort, 'What's wrong with such a scenario?' The opening up of textile markets under the GATT treaty will provide large enough markets for India in the near future, and the foreign exchange reserves combined with the new export earnings will provide the needed resources.

Aspects of Inflation

Critics might point out that the current levels of government deficits, the substitution of a truncated system of MODVAT or a rationalised system of excise duties and the successive increases in administered prices has already led to an acceleration of the rate of inflation. Now there are several aspects of the acceleration of price rises, and the government would be less concerned with some of them than with others. The first aspect is the impoverishment of the poor. In most periods of inflation at a high rate in our country, the poor, especially the agricultural labourers, are hit hardest since the price index of their consumption baskets goes up higher than the index for goods consumed mainly by the richer people. On the other hand, the agricultural or informal sector wages adjust only slowly to the rise in prices This development is unlikely to exercise the government too much. The fall in real wages in some areas may even be welcome to the entrepreneurs who hope to utilise an ever-cheapening labour force. The markets for the goods sought to be produced by them will be found abroad rather than at home—that is the calculation of the government—so the contraction of the home market is good rather than bad news. Of course, beyond a certain point, the managers of elections of the government may see the inflation as a danger signal, and then the government will have to do something about it.

The second aspect of inflation is the erosion of the international competitiveness of the country. Much of the current inflation is fuelled by rises in prices of crucial inputs produced mainly by the public sector, such as railway services, power, fuel and steel If the Indian rate of inflation as measured by the rise in prices of such critical inputs is higher than that of countries which produce goods that can compete with Indian exports, then the latter will also be affected in spite of the initial advantage of lower wages as measured by the relevant real exchange rate.

Thirdly, the erosion of India's international competitiveness may begin to erode the credibility of India trying to maintain a reasonably stable exchange rate, and that can trigger off a fresh capital flight. This danger can be stemmed by making a selective intervention in the market by importing goods whose prices are going up fast. The government, for example, decided recently to allow imports of cotton, sugar and edible oils in order to check their price rise (This, by the way, puts paid to the idea that India has an enormous range of exportable agricultural products and will benefit from the selective opening up of foreign markets required under the new GATT treaty) Such intervention is feasible if it does not have to be undertaken too frequently and if foreign exchange reserves remain at a high level It is these last two aspects of inflation rather than the continued impoverishment of the poor which is likely to be a headache for the government

Inequality Is Part of the Strategy

The above is a brief sketch of the kind of logic that underlies the actual decisions of the government, whatever other kinds of rhetoric it may use from time to time Of course, opponents of the policy will point not only to the enormously regressive or inegalitarian implications of the government's strategy As I argued earlier, engineering a further rise in the degree of inequality is part of the government's implicit strategy. It may also be argued

that the government is deliberately frittering away the resources of skill, technology and productive equipment built up over decades, especially in public sector units. The answer of the government might be that many of these units did not utilise those resources fully, they collaborated as happily with foreign enterprises as private enterprises, and many of them were used as milch cows by corrupt politicians and bureaucrats. The wastage of resources on those counts is no less than the resources that may be lost through the forced trimming of those enterprises. If it is said that the government is throttling the publicly funded R and D laboratories, its reply will be that (a) some of them are doing quite well under the new regime, and (b) under the old regime also their performance was pretty lacklustre, and repeated exhortation by many official committees failed to make them generate technologies which are either marketable or socially usable under Indian conditions. Yes, the government had its faults in not giving them adequate financial resources. Now those resources are even more exiguous. So let them sink or swim.

Finally, the critic may ask, what about all those other measures that can push up the rate of investment in the long run? Every purchase by a foreign transnational corporation of a chunk of India's real or industrial estate or by a money-dealer moving some funds with a view to making a kill in the stock market or in the market for firms hit by depression and financial stringency is hailed by the government and its media claque as the harbinger of a billowing foreign investment stream. But the rate of investment in the public sector is on a declining path and the private sector is busy trading rather than investing. The government's answer to the latter charge might be that the large-scale private firms, with a few exceptions, were always traders rather than serious industrialists. Maybe, the transnationals will do better in frontier technologies and acquiring a stake in a globalising Indian economy.

But there is no sizeable economy whose growth has been powered by foreign investment as such—direct or indirect. Capitalist growth has acquired a thorough overhauling of legal systems, land relations, a high rate of literacy, a tightening labour market and a minimum public provisioning for health and security of life. None of these are yet in evidence. The Hindu undivided family has escaped the scissors of the Chelliah Committee, landlords and their henchmen still rule most of the countryside and many of the small towns in Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan and Andhra Pradesh. Public provisioning for the poor has declined in real terms and is likely to decline further. There is no strategic planning for implanting industries or activities in which India could acquire a dynamic comparative advantage. So no East Asian miracle is likely to be re-enacted on Indian soil. But again, the question arises, will a strategy for vibrant capitalist growth as such deliver votes or money to the current backers of the government during the next six months or one year? How will the government absorb the impact of the unpalatable decisions on the managers of its votes, money and muscle power? Debating the government's budget will remain a purely technocratic or a moralistic exercise unless we raise and answer some of these questions. We perhaps need an ideological construction of sustainable capitalism with some semblance of human decency or socialism with the innovational vigour to survive in a world of disorganised capitalism.

Notes

1 The original models were developed by J M Fleming, 'Domestic Financial Policies under Fixed and under Floating Exchange Rates', *IMF Staff Papers*, Vol 9, November 1992, and R A Mundell, 'Capital Mobility and Stabilisation Policy under Fixed and Flexible Exchange Rates', *Canadian Journal of Economics and Political Science*, Vol 29, November 1963. For a convenient exposition, see P B Kenen, *The International Economy*, second edition, Prentice-Hall of India, 1989.

2 The data on foreign exchange reserves and export growth have been taken from the *Economic Survey 1993-94* of the ministry of finance, government of India. How much of the reserves could be drawn on in a crisis remains to be seen. The 1990-91 crisis faced by India was probably more due to a drying up of liquidity—partly because of a confidence crisis engineered by international (mainly US) credit rating agencies—than due to long-term bankruptcy of the country. For a detailed account of the build-up to the 1990-91 crisis, see Sudipto Mundle and Hiranya Mukhopadhyaya, *Recent Indian Experience in International Financing*, Working Paper No 10, National Institute of Public Finance and Policy, New Delhi, December 1993; and for an assessment of the liquidity and usability of different components of foreign exchange reserves see Sunanda Sen, 'BOP: Tread with Caution', *The Economic Times*, April 14, 1994.

3 As an indication of the kind of changes that are taking place in the earnings of different sections of the upper middle class and the rich in India, one can cite the salaries and perquisites being offered to management graduates or specialists in marketing and finance, as contrasted with scientists, engineers and graduates with degrees in humanities or social sciences (except for a very select few in journalism). It is also instructive to note that in 1992-93, a year of massive industrial recession, the majority of the top 300 companies listed by *The Economic Times* posted record profits. The latest profit figures released by Reliance Industries, a major player in the regulation-deregulation game, have also crossed all earlier records.

4 For a forecasting of the strategy to get India to be pre-committed to SAP, see A K Bagchi, 'Highjacking the Indian Economy', The *Herald Review* (Bangalore), May 5-11, 1985.

April 1994

Gender Concerns in Macro-Economic Policy
Jayati Ghosh

Gender, Environment and Structural Adjustment
Kumud Sharma

Gender Implications of Adjustment Policy Programme in India
Significance of the Household
Joy R Ranadive

Women and Technological Change in Rural Industry
Tile Making in Java
Juliani Wahyana

Technology and Feminisation of Work
Iftikhar Ahmed

Structural Adjustment, Feminisation of Labour Force
and Organisational Strategies
Nandita Shah
Sujata Gothoskar
Nandita Gandhi
Amrita Chhachhi

Gender Concerns in Macro-Economic Policy

Jayati Ghosh

While the impact of short term stabilisation measures are disquieting they can still be reversed The likely long term effects of liberalisation measures which move towards greater market orientation are more disturbing, not only because they affect women s material conditions immediately but because they set in motion longer term tendencies in the economy society and in ideology which are much more difficult to reverse

IT is now increasingly evident that the domain of macro economic policy is one that has critical significance not only for the women s movement but for all those who are striving for a more democratic free and egalitarian society The question that concerns me in this paper is how we as concerned citizens as well as women react to the set of macro economic policies that are officially projected as the move towards 'economic reform and how we view the possibilities for alternative measures which may be more in consonance with our own broader visions for social change and genuine progress

At the outset some points need to be emphasised I strongly believe that we would be committing a grave error and doing ourselves a disservice if we view the issue solely in terms of 'the impact on women or relegate women to the grey zone of weaker sections' eligible for safety nets from the charitable coffers of the state Rather it is necessary to consider the area of macro economic strategy afresh in terms of the entire impact on economy and society but with a perspective that is sensitive to women's needs and conditions Further it is time to move beyond the stage of simply reacting to official policies although this we must also *per force* continue to do given the relative power of the state and its ability to impose policies --to formulating and pressing for those alternative economic strategies which we see as imperative for productive restructuring of the economy and more desirable social distribution

As background, it is necessary to clarify what exactly we mean by various macro economic strategies, especially since there exists a great deal of confusion regarding terms, which is compounded by official presentations Government statements and media assessments tend to use several terms interchangeably, although they have very different meanings stabilisation, structural adjustment liberalisation and (most misleading of all) economic reform Essentially, stabilisation refers to the short-term attempt to stabilise' or steady the economy in the face of sudden shocks or existing macro economic imbalances especially in the balance of payments There are numerous ways to achieve this, depending on what the longer term aim of structural adjustment is The latter refers to medium-term or long term changes in the productive structure in accordance with overall social goals The way the term is currently used usually denotes the desire to make the economy more internationally competitive but this is not the only possible aim of structural adjustment it could as well be directed towards a more efficient and equitable provision of basic needs for the entire population or an attempt to improve labour productivity throughout all sectors in the economy without involving slack in the form of unemployment Indeed these aims are not always mutually compatible and it could be the case that the striving for enhanced external competitiveness actually reduces the economy s ability to provide basic needs and to improve aggregate productivity The concentration on international competitiveness alone is part of an overall approach which puts primacy on the unfettered functioning of markets as the best means of achieving growth and efficiency which is the essence of the liberalisation measures The latter are typically described in India today as elements of the economic reform package irrespective of whether they actually do involve a move towards improvement of the economic system in terms of the standard of living of the mass of people

I wish to argue that the package of measures being presented today as the economic reform package is neither 'the only option' open to the country, nor the set of policies most likely to result in a genuinely democratic economic and social system of the type which we would wish to see There do exist alternative strategies, both for the medium term and immediately which imply a different orientation as well as a different type of political will This has to be emphasised and the current macro economic policy package has to be demystified and shorn of the mistaken sense of inevitability This is important because we need not feel that we must simply work out how best to carve a niche for women given an unavoidable set of measures imposed by some hard economic rationale, since this is simply not the case This realisation in turn will allow us to create pressure for an alternative strategy to be put into action

The main elements of the current economic strategy, which attempts to combine stabilisation and structural adjustment under an overall umbrella of liberalisation and greater reliance on the market mechanism are as follows (1) reduction in the government fiscal deficit, which represents the excess of total expenditure over current income rather than the revenue deficit which is the excess of current expenditure over income (2) control over domestic credit expansion, in terms of restricting some measures of broad money supply, (3) devaluation of the currency followed by an exchange rate regime which allows the rupee to float determined by the market given full convertibility on trade account and now on current account in general (4) liberalisation of external trade with a move from quota controls on imports to tariffs and a gradual reduction of tariff barriers as well as removal of restrictions on exports particularly of agricultural goods (5) easing of conditions for foreign capital inflow especially direct foreign investment and portfolio investment by foreign agents in Indian securities, (6) domestic deregulation and freeing of controls including those on prices of essential commodities and restrictions on their movements (7) cuts in overt and covert subsidies essentially on exports, fertiliser and food both as part of the budgetary cut and in order to bring domestic prices in line with international prices (8) reform' of public sector enterprises usually implying a rise in output prices, reduction of state subsidies and possible closure of loss making enterprises and moves towards disinvestment and gradual privatisation (9) attempts to liberalise domestic financial markets, with a view to strengthening capital markets *vis a-vis* banking intermediaries, and allowing for various types of financial innovation Many of these policies have been only partially worked through as yet, while others, such as (10) 'reform' of the labour market, involving essentially the introduction of an exit policy to make firing and closure easier and doing away with such protective legislation for workers that is seen to make the labour market 'rigid' and 'inflexible', have yet to be officially introduced.

Reduction of the government deficit and monetary control are both measures designed to achieve stabilisation through a deflation of the economy, although we should note that so far the real budget imbalance which affects the net asset position of the government and involves the explosive ten-

dency of the public debt—the revenue deficit of the government—has not been corrected but has actually deteriorated This worsening of the revenue deficit has continued throughout the tenure of this government to the point when it has now reached historically high levels, despite the official claims of attempting to achieve internal public sector balance Devaluation and a 'floating' rupee which have been designed to keep the exchange rate at 'realistic' levels are part of both stabilisation and structural adjustment But it should be noted that despite some positive increase in exports, the achievement of some semblance of stability on the external front has been brought about mainly by further official borrowing and inflows of speculative capital in the form of portfolio investments in the Indian stock market Similarly the improvement in the trade balance reflects not only the increase in exports but also the precipitate decline in imports resulting from domestic industrial recession as well as the lower international price of oil Control over prices too has been largely related to the consecutive good monsoons which have ensured adequate agricultural output and underlying inflationary pressures still persist and are becoming more apparent Thus the stabilisation measures themselves are far from either complete or successful In turn the structural adjustment measures depend for their success on the crucial supply responses anticipated from the private sector which are so far nowhere in evidence as rates of investment stagnate there is a decline in the savings rate and no indication as yet of positive economic restructuring which actually generates more employment

All this indicates that the success of this strategy in its own terms is still by no means certain but even if we suppose (which appears increasingly unlikely) that it could bring about both stabilisation and a certain type of restructuring that integrates India more closely with the global economy there are implications that are disturbing not only for domestic distribution but also for the position of women It is useful to consider the implications for women in terms of the following variables access to basic needs, such as food clothing and shelter, and to the provisioning of common property resources, access to education and skill formation which would allow women to move out of low skill low-productivity jobs, access to the requirements for reproduction and nurture of the young, including not only health care and other social services but also child care, access to productive employment outside the home and recognition of household work, control over allocation of resources, both within households and socially

Each of these is negatively affected not only by the reduction in government expenditure that comes as a part of the stabilisation measures, but also by the general withdrawal of state from various aspects of provisioning of goods and services and the greater reliance on markets which are the desired form of restructuring of this government Thus, a cutback in public productive and infrastructural investment such as we have seen in the last four budgets presented by this government, affects not only growth prospects for the future but also production conditions and work situations in agriculture and the unorganised sector as well as in organised manufacturing and services Cuts in social infrastructural spending have even more direct effects on living and working conditions of women who continue to bear the primary responsibility for household health and nutrition as well as nurture of the young They can also affect women's ability to enter the labour market at all or may mean that forced entry because of poverty means an even greater double burden of domestic and outside work [In this context the feminisation of work that is sometimes noticed consequent upon such liberalising policies need not provide much cause for celebration, since they are often associated not only with exploitative work conditions and increased aggregate burden of women's work within and outside the household but also with declining levels of total family or household income as male members lose gainful employment]

There have been major declines in such important forms of public expenditure in real terms over the past four years The mistake is to see these as 'soft sectors' which governments may try to protect solely out of a magnanimous concern for welfare experience across the globe has led to the awareness that investment in health education and skill formation is absolutely crucial for future growth and a sound economy Similarly, expenditure on employment generation schemes have been vital in affecting employment and poverty conditions in the past decade and can go some way in explaining the much vaunted improvement in material conditions in the countryside over the 80s Declines in real investment in such schemes not only affect employment and incomes but also remove a potentially valuable way of providing more rural infrastructure

These implications of short term stabilisation measures are disquieting but they can still be reversed and sufficient pressure can be mounted to ensure that such expenditures are maintained and even increased However, the likely effects of the liberalisation measures which move towards greater market orientation are even more disturbing, not only because they affect women's material conditions immediately but because they set in motion longer term tendencies in the economy, in society and in ideology which are much more difficult to reverse It is often argued that these liberalisation measures are welcome because they will do away with the stifling bureaucratic control and excesses with which all of us are only too familiar But it is important to remember that the alternative which is effectively being posed to this is not the more open and democratic system we desire but a system in which markets operate to the benefit of large often multinational, capital Such a system is ultimately as centralised as controlled and as undemocratic as any that can be imposed by an officious and meddlesome bureaucracy Because it lacks any form of accountability it is also less likely to provide economic and social services and rights to those without political clout and financial power The fundamentally undemocratic nature of the current liberalisation measures is evident from some of the following facts While rules and regulations are constantly being eased for foreign capital for FERA and MRTP companies for large businesses generally and finance capital in all forms they are still as rigid and restrictive as ever for co operatives and genuinely democratic alternative organisations While the overt official assertions speak of the reduction of state intervention the actual functioning of the state is increasingly more centralised in economic terms The financial measures undertaken from the policies towards bank credit to the greater emphasis being given to capital markets militate against small enterprises The focus of labour market reform and the exit policy is on suppression of working class demands and giving greater freedom to fire labour rather than on managerial incompetence and entrepreneurial chicanery The point is that this type of liberalisation involves primarily greater freedom of action for large capital both financial and industrial both domestic and foreign— rather than a real liberation of the capabilities of working women and men

It also entails fundamental changes in the access of women to basic goods and services and affects their rights as workers and childbearers The main thrust of these liberalisation measures is not only the greater commoditisation of all aspects of everyday life and work but also a reduction of the subsidisation of activities not valued by the market and a preoccupation with enhancing profitability for exporters and foreign investors through the appropriate manipulation of labour The inequalising results of the operation of markets are seen as not only necessary but also beneficial in terms of achieving higher growth and greater international competitiveness The combination of the measures has several very specific effects which act upon the condition of women in particular The dominance of market processes undervalues everything which is not directly calculable in those terms, household work being a prime ex

ample At the same time such work itself becomes both more time consuming and more arduous when common property resources become privatised and carry financial costs because of the way commercialisation operates The reduction of subsidies to basic amenities such as energy sources sanitation and water supply and to basic services such as health not only reduces household income but also puts an especial burden on women who typically bear the responsibility for provisioning these within the household Reduction of food subsidies and of the scope and extent of the public distribution system puts pressure on food security of households a circumstance from which women are typically the greater losers Since the structural adjustment policies essentially involve a shift in income distribution away from wages many women may be forced to enter the labour market through sheer necessity of economic survival of the household even while the state and other social institutions abdicate the associated responsibilities of providing child care and easing the load of housework The recent experience of the east European countries shows how quickly institutions and facilities which allow women into the labour market with some degree of ease and equality can be eroded in the face of the dominance of market processes

In turn the access of women to creative and interesting jobs rather than simply paid drudgery which is necessary to earn a minimum income depends not only on education and skill building but also the sheer availability of such jobs in a diversified and growing economy An economy which is emphasising cheap unorganised labour as the main attraction for export oriented production or multinational investment is hardly likely to generate many such jobs At the same time this need for a free and flexible labour market would mean that much legislation that protects women workers (at least in the organised sector) such as reasonable maternity leave and benefits equal pay for equal work compensation for work related accidents and illnesses etc would be viewed as inimical to this particular growth path

A related fall out of this set of policies and the globalisation' that comes not only from the economy but also from the unprecedented and uncontrolled growth of the media in particular television is the ideological change that has a crucial impact on the situation of women in society The combination of consumerism and various religious fundamentalisms operates in a curious way to restrict female freedom and determine a set of material aspirations which reduce the space available for a genuine liberation of both sexes To my mind this is a serious and growing problem whose immediacy does not make it any less complex or any more susceptible to easy solutions It is nonetheless an issue of which we must be aware in any attempt to generate alternative strategies for the economy

Obviously, a mere critique of the present economic strategy, while undoubtedly necessary, cannot be enough We must also have a fair idea of what we propose instead, not simply as a way of reacting to existing policies and seeing how we can mitigate their effects, but really as part of our own vision of a just society Therefore I suggest that we look at the whole issue of macroeconomic strategy the other way around we should first define our own goals for long-term restructuring of the economy and adapt our medium term adjustment and short-term stabilisation measures accordingly so that they do not conflict with the long term goals I would argue that a genuinely democratic society is one where decision making is decentralised as far as possible where minimum basic needs in terms of goods and services are provided to the entire population through systematic and conscious involvement of an accountable government, where both women and men have access to education which in turn allows for creative and useful productive work as far as possible and where these essential goals are not compromised by external vulnerability in either economic or political terms It is perhaps a measure of our times that such relatively modest aims can be seen as utopian or unrealistic

The purpose of any structural adjustment strategy in my view should be to change the structure of incentives in the economy in such a way as to work towards these goals In the present economic context that implies several things firstly, a change in the incentives for the wealthier sections to encourage them to save and invest more domestically rather than to consume unproductively or to view the export of capital as a constant alternative, a shift in incentives designed not only to conserve scarce resources (including energy resources, land and water) but also to prevent the concentration of their ownership and control, a change in incentives to encourage greater self sufficiency in crucial areas such as food security, a greater emphasis on improving productivity in the economy as a whole and in all sectors rather than in a few chosen sectors, an emphasis on efficient and effective utilisation of our greatest resource—labour—rather than allowing the tremendous waste and inefficiency of unemployment and a degree of protection from the more inequalising and destabilising effects of the operations of global markets The focus of the adjustment strategy should therefore be to work out the means—in terms of fiscal and monetary strategy, guiding investment allocations, price signals, etc—that will change the structure of incentives in this manner In all this, a major emphasis on decentralisation of economic decision-making of the state apparatus is absolutely crucial, not only to make for more democratic accountability, but also for better and more efficient use of resources

Such aims in turn mean that the short-term and medium-term strategies should not be such as to expose us more directly to the uncertain vagaries and whims of international capital but should instead seek to achieve genuine stabilisation through internal efforts It is worth recalling that the trade balance was brought under control in 1991-92 essentially by sweeping import controls rather than exchange rate changes and that true internal balance in terms of a control of the revenue deficit has still not been achieved Internal and external balance today require fairly harsh measures, but it is possible to devise measures that are harsher on the richer groups than on the poor (such as increased direct taxation and cutting down on wasteful government expenditure on the fiscal front, and import controls on intermediates for luxury production) and simultaneously more effective Further it is important to ensure a stable and high rate of export growth not only to bring the external accounts into sustained balance but also to protect the economy from the threat of capital flight or the dependence on capital inflow—but such export growth requires strategic state intervention rather than reliance on the market alone Such policies require an entirely different political motivation as well as a different approach to external dependence Lest it be argued that such policies are politicaly unfeasible I should remind you that government policies can be altered by sufficient pressure and perhaps it is our job to create the awareness that can build up such pressure

All this is a matter of some urgency because of the rapidity of the economic policy changes and their possibly far reaching implications This is a particularly challenging time for the women's movement, for two chief reasons One is the ideological threat of religious fundamentalism and other forms of patriarchal doctrine which have begun to threaten even the few carefully won freedoms for women in our society And the other is the tendency to integrate the Indian economy closely into a global set of inequalising market structures which may set into train processes that are difficult to reverse because they alter the rules of the game in significant ways I have argued that many of these processes will operate to worsen the material conditions of women workers in the immediate sense, and will affect the future ability to improve conditions as well The need to confront these threats must be the central issues on our agenda

[This is a slightly revised version of the Key note Address to the Sixth Annual Conference of the Indian Association of Women's Studies, Mysore, May 1993]

Gender, Environment and Structural Adjustment

Kumud Sharma

The effects of fiscal and monetary policies on women is determined by the social matrix and gendered patterns of resource use and control in rural households. The concept of 'environmental justice' cannot be delinked from issues of equity and social justice.

ENVIRONMENT and 'sustainable development' are firmly on the global agenda. The debates during pre and post UNCED Process (The UN Conference on Environment and Development at Rio, 1992) have shown that not only these are political issues involving various contending nations and interest groups but the results have been disappointing. Despite unanimous acceptance of the Rio Declaration, in the words of Maurice Strong the secretary general of the conference, "we got an agreement without commitment". The UNCED marked the culmination of two decades of debates on environmental issue.

Environmentalism today has many strands of logic and ideological perspectives. However all of them offer a powerful critique of the dominant paradigm of growth, development, free market globalisation of economy, etc. The Brundtland Commission's Report (WCED), 1987 and later the Rio Declaration (1992) popularised the concept of 'sustainable development'. Various definitions of sustainability, however skirt central issues of equity, justice and respect for diversity and plurality. The concept of "*sustainable development does not challenge the instruments in the hands of those who have power*. It only begs those who use these instruments to be more careful in using them so as not to destroy our ecological system" [Nypels 1993]. The World Commission on Environment and Development [WCED 1987] acknowledges that achieving 'sustainability' implies a radical transformation in present-day economies and in the ways natural resources are owned, controlled and mobilised. It also notes that "the pursuit of sustainable development requires a political system that secures effective participation of people in decision-making by decentralising the management of resources upon which local communities depend." In the final analysis the changes towards a just and equitable society have to take place at the community level. The NGO Declaration at Rio clearly states "We strongly refuse to allow the concept of 'sustainable development' to be simply turned into an 'economic notion', restricted to new technologies and subordinated to the latest market products. To allow this would be to perpetuate 'structural poverty' and wealth that arise from the dominant model of civilisation we have denounced. The problems, however, run deeper than the questions raised by protagonists of 'sustainable development'.

The Tribunal of Miami World Women's Congress for a Healthy Planet (November 1991) adopted three guiding principles for its deliberation: (a) Global equity, (b) Resource ethics, (c) Empowerment of women. The dominant world order based on exploitation of resources, accumulation and inequities, negates these very principles. It marginalises diverse life-styles, living forms, and cultural groups (tribals and indigenous people) not compatible with its demands and pressures. The WCED states that "their marginalisation is a symptom of a style of development that tends to neglect both human and environmental considerations".

The homogenising thrust of the process of growth and development with its unidimensional meaning of 'development' has played a central role in destroying diverse yet unique people's responses to diverse eco-systems. Brundtland Commission argued for a 'new era of growth' "to meet the needs and aspirations of the present generation without compromising the ability to meet the needs of the future generation". What does the 'new era of growth' promise to people whose diverse subsistence needs for natural resources are seriously threatened? Whose needs and aspirations get projected through various negotiating mechanisms? Who are excluded and who are included? During the chequered history of humanity's progress from the 'growth era' to 'sustainable development', many of us lost touch with the grass roots realities of millions of women and men struggling to protect their life support systems and livelihoods.

Global perspectives and ideologies inherent in concepts such as 'global commons', 'global strategies' for management of natural resources, 'global economy', etc, ignore unequal power relations and social and cultural diversities. At what level can one integrate the concerns and realities of the lives of those for whom our new lexicon remains alien? Where and at what level do the concepts of equity and social justice become operative and relevant? Caught between Earth's finite resources argument and advocates of 'new era of growth', many ideas which belong to oppositional domains become part of the global perspectives, debates and strategies.

The Human Development Report argues:

> In a global system marked with widening income disparities, economic growth disparities, human capital disparities (life expectancy, nutrition, infant and child mortality, adult literacy, enrolment ratio, etc) disparities in the distribution of global economic resources and opportunities, the disturbing question as to who will protect the interest of the poor and the under privileged sections remains unanswered in the corridors of power. The dominance of rich nations, multinational corporations and international capital over the markets, resources and labour in developing countries through trade, aid and technology transfer has greatly weakened the capacity of nation states and governments to promote human development and offer protection to the poor people. The existing framework of global governance is weak, *ad hoc* and unpredictable. If global opportunities continue to be unevenly distributed, the consequences of the most pressing problem, poverty, will increasingly overflow national frontiers [UNDP 1992].

The iniquitous world order poses a serious challenge to the claims of human development and basic rights which are threatened by the destruction of many third world economies under pressure of international debt and structural adjustment. The decade of the 80s aptly described as 'the decade of global impoverishment' witnessed some real set backs in terms of investment on social development sectors and human priority concerns. The last decade was marked with debt crisis, resource squeeze, structural changes, mass hunger and environmental crisis in many parts of the developing world. The total external debt of developing countries increased from \$ 100 billion in 1970 to \$ 650 billion in 1980 and \$ 1,300 billion in 1990. Between 1970 and 1990, the richest 20 per cent of the world's population increased their incomes from 30 to 60 times more than the poorest 20 per cent. Does the answer lie in free global markets or massive investment in people with a fundamental change in institutions of 'civil society'? [UNDP 1992]

Payer in her book explains that the present third world debt crisis is the direct result of the ideology which insists that poor countries need large and sustained inflows of foreign capital for their development. She also argues that the belief that debt crisis was caused by the OPEC price hike is a myth. In fact the crisis was a direct result of aid policy followed by western powers in the post second world war period. She stresses that the international flows of fund must be subjected to stringent controls of a strictly non political nature if the disaster of the 1980s is to be avoided [C Payer 1991].

In the early 1980s the debt crisis was officially acknowledged. Today global debt management has entered a new phase as Asian countries are subjected to various structural adjustment programmes. In India the economic policy package has led to expressions of alarm as to what the costs will be - political, socio cultural and ecological. The macro economic strategies (global and national) are affecting both people and the environment.

Economics of Materialism

The Brundtland Commission recognised 'economic growth' as an important factor in the destruction of natural resources and environment. However it argued for a 'new era of growth' to counteract the adverse effects of economic development. It stated that "If large parts of the developing world are to avert economic, social and environmental catastrophies, it is essential that global economic growth be revitalised. This means more rapid economic growth in both industrial and developing countries, free market access for the products of developing countries, lower interest rates, greater technology transfer and significantly larger capital flows, both concessional and commercial" [WCED 1987]. The UNCED 1992 process never went beyond this argument and opted for more economic growth. Maurice Strong, the secretary general of the UNCED declared that "the environment is not going to be saved by environmentalists. Environmentalists do not hold the levers of economic power".

Resource use systems are strongly influenced by market forces and government policies as well as structural factors. Environmental degradation in the south is strongly related to the global process of trade and economic relations. The *World Development Report* states that one of the most valuable lesson relates to the interaction between the state and the market in fostering development. "Experience shows that success in promoting economic growth and poverty reduction is most likely when governments compliment market, dramatic failures result when they 'conflict'". The report describes a 'market-friendly approach' where government intervenes only in those areas in which markets prove inadequate [World Bank 1992].

The history of market economy is one of struggle over resources and excesses of an uncontrolled private interest and greed. It is the life styles and consumption patterns of the world's elites which have created environmental problems. Macro- economic and political processes have transformed people's own 'social safety' nets based on sustainable use of local resources and have made them vulnerable to the market forces. Sen has reflected on the partial dismantling of the food security system with the introduction of market oriented reforms after 1979 [Sen 1981]. The trend of displacement of domestic foodgrains production by export crops for international market or the globalisation of Indian agriculture is what Patnaik calls 'recolonisation of Indian agriculture'. The government has now embarked on a policy which will gradually liberalise agro exports.

Patnaik argues that "the contradictions in the Fund Bank formula can be resolved only when it is realised that there is a dual agenda involved. Apart from the explicit agenda of stabilisation and adjustment there is an implicit agenda of cheapening imports from third world for western consumers and opening up their economies to unrestricted operation of international capital. Pressure for devaluation deteriorates developing countries trade balance and hence cuts in public expenditure" (1992).

She points out that "historically the area rich in 'biodiversity' in the tropical and sub tropical regions including India have contributed to a more diversified consumption basket of the population in these regions than was the case with the population in western Europe four centuries ago. During the last two centuries the living standards of the average west Europeans and north Americans have been transformed owing to their increasing dependence on imports from the bio-diverse tropical world. If north south trade were to cease these living standards will collapse. A large number of food and non-food items constituted the imported commodities of tropical and semi-tropical regions. By 1980s in a colonising country like Britain, primary sector imports constituted over 60 per cent of its own primary sector production" [Patnaik 1992].

Regarding food items alone it has been estimated that an average western supermarket carries some 12,000 varieties of raw and processed food items of which at least two thirds have a wholly or partly tropical or semi tropical import component. The producers of some of these exportables to the north are the poorest people in the world getting rock-bottom prices which have shown a sharp decline during 1980s [Friedman 1990].

The consumer demand in advanced countries acts as a powerful stimulus in altering cropping pattern in less developed countries. TNCs engaged in agribusiness, through their capital and technology play a major role in acquiring access to resources and markets in developing countries. Acquiring control over the plant and bio-diversity through research and patenting constitutes a major thrust of Dunkel proposals.

The Dunkel proposals regarding trade and fiscal measures and intellectual property rights (IPRs) include reduction in agricultural subsidy, converting all barriers on agricultural imports into tariffs, guaranteed minimum access for farm imports of between 3-5 per cent of consumption, reduced Public Distribution System (PDS) activity and subsidised food to only poor sections, phasing out of multi fibre agreement (MFA), etc.

Recent violent agitation by the Karnataka Rajya Raitha Sangha against the seed processing US multinational subsidiary Cargill Seeds India has to be viewed in the context of the Indian government veering towards accepting Dunkel Draft. Patent legislation will enable them to control the price and distribution of the varieties that they produce in the same way in which multinational pharmaceutical company monopolise the sale of drugs and determine the price.

Another US company has patented the biopesticidal properties of the 'neem' seed and has sold it to Grace and Company which is setting up a plant in Karnataka in collaboration with Margo. The plant will initially process 20 tonnes of seed per day for export to US. Patenting turns common natural and intellectual resources of Indian people into private property. Hybridisation of 'neem' seeds will lead to the gradual disappearance of the original 'neem' seed that village men and women use. Such piracy of the common intellectual property by TNCs leading to possible plant genetic erosion is being given legal sanction by the GATT agreement on Trade Related Intellectual Property Rights (TRIP).

TNCs engaged in agri-business and food processing industries have tried to acquire control over tropical biodiversity and the rise in exportables has meant a fall in the per head production of basic foodgrains. The government has identified agro exports among the priority areas along with export of minerals (iron ore), marine products and import substitution in edible oil and natural rubber.

Another example that can be cited is of the impoverished small farmers of Gujarat with minimal irrigation and fertilisers, producing psyllium (Isabgol) for MNCs (80 per cent of the 10,000 tonnes of crop is exported

annually) in about 50,000 hectares of land. The average farmer earns a miserable Rs 1,250 per annum per family. The processors on the other hand are earning increasing profits as the demand for the product is going up in international health food market (*The Statesman*, September 11, 1993).

An Indian environmentalist articulates his concern about the likely implications of the current liberalisation programme and decontrol of trade and industry on natural resources. 'Indian industry is powerless to draw from the global economy, and it will turn to increase the pressure on the country's own ecological base. With the thrust on exports the result would be an increasing pressure on biomass-based industries. Pressure on minerals, power and water will also increase' [Agarwal and Narain 1989].

Institutional and policy mechanisms which take care of environmental costs and benefits into account in the decision-making process are weak. The country desperately looking for foreign investment may not have much choice when dirty or highly polluting industries are relocated.

Industrialisation continues to provide a strong argument for development and economic growth. With the emergence of business conglomerates and entry of MNCs the national boundaries have retained their political significance but have become increasingly permeable by MNCs. In this international division of labour countries in the west are becoming the locus of technological expertise and financial control. The government's incentives to lure international capital to tide over balance of payment situation has not been without pain. There is clear evidence from south east Asia and Free Trade Zones and Export Processing Zones in south Asia that such export oriented manufacturing units in developing countries rely heavily on female skilled and semi skilled labour as a source of cheap labour. In a situation where a large informal sector exists in both urban and rural areas, the distributional concerns being articulated by the women's movement, are important as poor women will be hard hit by changes in employment and labour status, changes in prices of food and basic services, reduced household income, rising cost of public services and entrepreneurial activities. The situation of women in the informal sector is going to worsen.

Sen, a philosopher economist who has addressed issues on ethics and economics in his work on inequality, poverty, famine and entitlements for women and the poor, points out that the market simply does not take into account real costs to society through environmental degradation. There are failures also in dealing with social deprivations of the kind we see in many cities. Solutions to these problems cannot be found through reliance on the market alone. What is needed is an expression of public health care, social insurance and more extensive public education. He argues for removing irrational controls, creatively using market mechanism and more rather than less state intervention and action in these areas (*The Times of India*, July 9, 1993). However, the resource conversion is often state mediated. The logic of the market does not take into account women's contribution as producer and reproducer of life and livelihood.

I
Gender, Environment and Development

Issues of gender equity and justice assume added significance in the context of interface between new economic policy prescriptions and gender relations. The distributional concerns are crucial to our understanding of why women are hit harder than men by environmental degradation. These can be partly offset by targeting direct assistance to the basic needs of women (public distribution system for foodgrains, provision of drinking water, fuel and fodder, health care and education).

In a predominantly agrarian economy like India a sustained increase in agricultural production cannot be achieved by unsustainable resource use. Peasant farming systems of which women are an integral part combine elements of traditional farming systems with new technologies. Locally-based resource management system are under increasing pressure in the face of mounting competition for natural resources. Through aid, trade and technology transfer control over resources (forestry, fishery, water, bio-mass, etc) has shifted from local to national and international agencies. At times the tribals and peasant communities get pitted against international institutions with the state acting as an agent for dispossession of local communities. The concept of economics and politics defined within the market framework is being challenged by third world ecology movements. The 'right to life and livelihood' is a wider concept of economy and is linked to issues of resource ethics and equity and justice. However, the issues of ethics and equity somehow got separated from the new 'environmentalism' emerging out of Rio [McCoy and McGully 1992].

The natural resource base is closely linked to the livelihood and well being of the poor rural households. Shiva argues that "economy and ecology are not opposed but converge in the survival economies of the third world poor however, in the context of market-oriented development they have been rendered contradictory" [Shiva 1991]. The logic of intensive agriculture, extractive economies and resource-intensive technologies, has undermined the natural resource base. The subsistence economy is coming under increasing pressure from the market-led forces. Most of the discussions on economic policies do not link economic issues organically with political, cultural and environmental issues. Both market and state build on and manipulate existing gender and social relations. However gender-neutral policies with their underlying patriarchal ideology and structures continue to marginalise women's contribution behind fuzzy definitions, faulty theories and half-hearted attempts at programme planning.

In gender-neutral policies there is always a danger of women's subsistence and self-provisioning roles being neglected. The impact of environmental degradation on women's livelihoods, workload (collection of fuel, fodder, water and minor forest produce), health, nutrition and fertility decisions, has been increasingly commented upon. Review of literature on the interconnections between gender, environment and macro-development processes suggests that the debates in the south are mainly located in the gender poverty argument. The explanatory variables include sexual division of labour, feminisation of poverty and gender ideology. What are the implications of this linkage *vis a vis* policy interventions aimed at commercialisation of natural resources depriving people of their entitlements?

The 'women as victim' argument dwells on the differences between women and men's knowledge, responsibilities and control over resources and how they are differently affected by environmental decline. An UNRISD/UNFPA study on the 'Social Impact of Environmental Degradation at the Community Level' explores three hypotheses:

(1) The local system of resource use are engendered and the male and female resource related livelihood systems are differentially affected.
(2) The burden falls disproportionately on women because of their nurturing function. It is much easier for men than women to generate income in other sphere of economic activities.
(3) Women's work obligations are not matched by a corresponding control over resources which would enable them to take the best trade off decisions in circumstances of environmental decline. This reflects women's disadvantages in other dimensions of livelihood (market related) in which environmental resource entitlements are embedded [UNRISD 1992].

This viewpoint ignores the contribution of women to maintaining bio diversity, sustainable agro forestry systems, water management and innovative management of community resources.

Those who see the links between poverty, decline in common resources and livelihood and women's grass roots initiatives in protecting and regenerating their community resources base, argue that women are not

only 'first victims' of environmental decline but also 'saviours' and conservationists.

The eco feminists view women as being closer to nature and having a natural predilection for conservation of natural resources. The discourse on eco feminism not only articulates important connections between the domination of women and exploitation of nature but also argues that the feminist and the environmental movements are both non hierarchical and can reconceptualise an egalitarian perspective which is more in harmony with nature. While women's movement and ecology movements both critiqued development theorists and practitioners, the understanding of diverse problems of various eco systems threatened by human and policy interventions reflect a great deal of diversity to be amenable to simplistic analysis. Agarwal suggests that 'feminist environmentalism' is rooted in their material reality. In this conceptualisation the link between women and the environment can be seen as structured by a given gender and class (caste/race) organisation of production, reproduction and distribution [Agarwal 1992]. Mazumdar argues that there seems to be a general reluctance on the part of scholars, policy makers and environmentalists to define the class and characteristics of women who ought to be projected as key actors in the environmental debate, i e, peasant women [Mazumdar forthcoming]. Distinguishing between the social base of the environmental movement and its articulate leadership or the 'public' and the 'private' face of Indian environmentalism, Guha argues that a large segment of what presently passes for the environmental movement is a peasant movement [Guha 1988].

The potential of peasant and tribal women in mobilising for environmental action has been emphasised by many action groups. They are viewed as 'day-to-day environmental managers' [Dankelman and Davidson 1988] or as 'barefoot conservationists' [Davidson 1989]. This instrumentalist view is however questioned by Sen and Grown: 'It should be remembered that they are neither responsible for the crisis in the world system nor can they be expected to resolve it.' This makes sound sense. However, it is the resource impoverished women who have intervened in decisions that threaten their environment and livelihood.

The symposium on 'Women and Child First' argued for a reversal of presumptions in the debate on 'gender, environment and development' and emphasised that the UNCED Conference at Rio should focus on resource users (human beings) rather than resource alone. The tendency to keep environment in a 'policy ghetto' however, strengthens the arguments for 'protecting the environment'. It is to be protected from whom? This argument also delinks human development from human environment. To emphasise the vital linkages between human progress and environment we need new indices to take into account the earth's resources and the human costs of ecological degradation.

We also need to look at the contribution of unpaid work of women and children and their struggle for survival in an environment under distress. The symposium highlighted the issues of land reform and peasant women's access to productive resource to ensure food security and sustainable livelihood systems [UNICEF 1991]. A study examining the linkage and interaction between land tenure and deforestation, defines land tenure in terms of a 'bundle of rights' and obligations governing the use and control of land and water resources. The land ownership patterns which contribute to insecurity of tenure and rural poverty often contribute to environmental degradation. Peasants and forest dependent communities are frequently dispossessed by traders and settlers, who lack both knowledge and incentives to use forests in a sustainable manner. Such arrangements are often backed by political/economic structures and government policies [Dorner and Thiesenhusen 1992].

Underlying these debates in national and international fora are many hidden questions and a set of assumptions. In global debates have we overemphasised the interconnectedness of 'our common future' without adequately addressing the power dimension both between and within nations, and the normative issues?

The fear in developing countries is that environmental issues could be used in an interventionist manner by various government and aid agencies. In many developing countries governments are quick to adopt liberal agenda and emancipatory rhetoric. An analysis of 'Chipko' movement—hailed for women's activism—states, that "the state has used growing environmental concerns to concentrate on environmental management without any concern for devolution of environmental rights and obligation. Chipko began independently of global environmental consciousness, but in interacting with the rest of the world, it assumed a deep conservationist bearing. In the process its utilitarian and developmental stance was steadily eroded. The forest that women tried to protect has been converted into Nanda Devi biosphere reserve and women cannot even take a blade of grass or even pick a herb to treat a stomach ache"

Population Question

An important dimension of the internationalisation of environmental concern is the population question. The issues of resource ethics, militarism and debt management are pushed to the background while population is seen as a real threat to environment. The argument generally is: Fight the menace of population for removal of poverty. Population control is one of the four priority areas of India's Eighth Five-Year Plan. Recently the government of India has set up an Expert Group to draft a National Policy on Population. Maurice King's famous write-up on 'Human Entrapment in India' accused UNICEF with its ORT and immunisation policies for child survival, of compounding the population problem. Over-population, poverty, under-development and environmental distress argument has been popularised by various thinkers in international agencies.

An alarming extension of the demographic argument can be seen in population control policies and new technologies (anti fertility vaccines, Norplant, Net-N, etc). Mazumdar argues that the general preparations for the UN Conference on Environment and Development at Rio, appeared to focus more on "examining the relationship between poverty and environmental degradation which tends to strengthen the widely prevalent view among the haves of the world that the poor are mainly responsible for the present environmental decline. Stretched to its global logic, this view also incorporates a similar charge against the poor but populous countries of the world. The view that associates women mainly with reproduction sees women as a real population threat" (forthcoming). The population hysteria has now gripped both international and national agencies. Anti-natalist policies and the population, environment and development debate dominated by the perspectives of industrialised countries, have provided a strong rationale for research and investment in reproductive technologies.

A statement issued by some of the Delhi based organisations rejects the argument that population growth is mainly responsible for poverty and environmental degradation. It points out that population growth is a direct consequence of increasing inequities and dispossession of the majority. The government seeks to address the symptoms of population rise without addressing the economic and social structures and policies which are the root cause (Delhi statement by women's organisation calling a halt to anti-fertility vaccines, 1993).

Environmental degradation is not a demographic question. Josue' de Castro's masterpiece, *The Geopolitics of Hunger* (revised and expanded in 1973) reflects on the experience of decolonisation and development in the post-second world war era. The book explores two related theses. The first focuses on the social roots of hunger which can be traced back to the direct or indirect effects of the system of colonial exploitation. The second theses which he considers the 'crucial point' of his book challenges the Malthusian notion that demographic pressure on subsistence level is responsible for hunger and underdevelopment. He claims that starvation is the cause of over-population.

The global perspectives on environment have on overriding concerns with population growth in developing countries. NGOs in developing countries have offered a powerful critique of resource use patterns in the developed countries focusing on equity in distribution of resources, protection of resource base and ensuring livelihood of people. Large populations and poor people are blamed for environmental destruction. At the same time, timber lobbies, big projects to supply infrastructure to the export industry (large dams, land to MNCs), mining and quarrying activities which pose a great threat to environment. They treat environment as an externality instead of a living system that affects people's lives. The prescriptions often put wrong emphasis on people who have been victims of interventions as a consequence of decisions made in the centres of power.

The Committee on Women, Population and Environment (a global alliance of women activists, environmentalist, community organisers, health activists, etc) challenges the widely promoted view that population growth is the primary cause of "global environmental degradation and population control the solution". Such a view not only helps to lay the groundwork for an intensification of top-down population control programme that are disrespectful to women, but ignores the major causes of the environmental crisis, i e, military and industrial toxic wastes and the over-consumption of the affluent nations.

Population policies were on the agenda at the Earth Summit 1992 in Rio, where the charge of over-consumption in the north was counteracted by blaming the population pressures in the south as the main cause of environmental degradation. In the context of the emerging debate on the links between population and environmental degradation three groups (DAWN, ISSC and SSRC) argue that "extremes of wealth and poverty leading to over-consumption of some and erosion of livelihoods for others skewed distribution and use of resources and patterns of human settlement (including urbanisation) have a stronger demonstrable relationship to environmental degradation than population size *per se*. They ask for critical assessment of environmental and human effects of intensive agriculture, transformative industries and military activities that produce waste and pollution and reassessment of macro-economic forces such as debt, SAP, financial trade flows and agreements and national government interventions [Social Science Research Council 1992].

Is there a contradiction between subsistence and sustainability? The inherent blindness of the present paradigm of development to human dimensions are highlighted by social movements, women's movements, ecology movements, peace movements, indigenous people's movements, and human rights movement. People's initiatives to ensure greater accountability of systems of governance and public institutions have assumed a greater significance today, however they continue to be weak.

II
From Global to Local: Women as Organisers of Grass Roots Action

In the last two decades, conflicts over the alternative use of local resources—wasteland development and conflict over commons, river waters, marine resources, minor forest product, etc—have given rise to several community initiatives. A variety of institutional patterns have emerged in such community-based natural resource management systems.

Despite ideological diversity of community initiatives and proliferation of NGOs working in the area of environmental action, poor peasant women are motivated for group action as they regard these organisations as the only protection against their vulnerabilities as individuals at home, at work and in society. Collective control and management of productive assets (land, plantations, village forests, watersheds) increases women's bargaining power and could lead to changes in local production relations as well as power relations. In one of the action project areas in Bankura district of West Bengal, women have mobilised around wasteland development (with CWDS facilitation). Once the district had thick mixed forests, Santhal tribals lost their forest and land to traders, contractors and cultivators. They started migrating for work to Burdwan and Hooghly. The migration was harsh and women clamoured for work in their villages. The project has evolved from women's group activity of reclaiming wasteland and converting them into tassar plantations. One of the Samiti members emphasised: "We have learnt that actually it is the land that owns people. We have worked hard to give it a green cover and in return it has clothed us with authority. We are advancing together. The journey has just begun" [ILO 1988].

The question is—can such interventions at a micro-level snowball into a process of change towards greater empowerment of women and can it deal with macro-economic processes which negate such gains. Can the government play a supportive role?

Does the local power structure allow space for women together to reshape their lives? For this to happen Ela Bhatt points out that "a restructuring and reordering of power structure is necessary and it should take place at the local level... The lesson is decentralisation of decision-making and management of resources, local planning based on local needs, skills, resources and local implementation" [Bhatt 1992].

Nationalisation and privatisation of common resources have often led to environmental degradation. Greater security of tenure for local resource users, respect for customary rights and giving a stake to the local community in managing resources is a prerequisite for ensuring environmental rehabilitation and livelihoods. Agarwal and Narain emphasise that "to achieve environmental security each rural settlement of India must have its own clearly defined environment to protect, improve, care and use" [Agarwal and Narain 1989].

The social ecological movements have clearly demonstrated their opposition to models of development which deprived the local population of its livelihood base. Economic decision-making processes have yet to revise their concepts to include the value attributed to the environment by people whose incomes and livelihoods are affected by policy interventions. The survival strategies of poor women are really not incompatible with practices of environmental conservation.

Peasant women, historically, have been the resource managers although this has received scant attention in environmental debate. A National Conference on 'Management and Regeneration of Natural Resources: A Wider Role for Peasant Women' organised by the Centre for Women's Development Studies in collaboration with NIRD, Hyderabad provided grass roots organisations of peasant women an opportunity to not only share their views, experiences and perspectives; their struggles and aspirations but also to grasp the national and international dimensions of some of the critical issues. The four peasant women's conferences organised in India, Bangladesh, Nepal and Pakistan (1991-92) followed by a south Asian Regional Conference at Lahore clearly brought out peasant women's common concerns and their dependence on natural resources and particularly common property resources. In the Indian Conference, 89 peasant women representing 29 grass roots groups from different parts of the country identified the core issues affecting their livelihood as land degradation, poor maintenance of land records, deforestation, problem of water resource management, interrelationship between environmental and social change, nature and role of collective action in strengthening women's voices in local decision-making processes and need to recover, expand and redefine women's traditional rights with greater security of tenure for resource use [CWDS 1983].

They protested against land degradation caused by siltation of rivers and reservoirs, mining, indiscriminate felling of trees, decline of common resources and indiscriminate use of fertiliser and pesticides.

> Now that we are restoring some of these wasteland through planting trees, we want to tell the government that chemical fertilisers and pesticides do a lot of harm to land, cattles and human beings. We can suggest methods to produce more of green manure which our ancestors used. That will also prevent pollu-

tion of water (Sarla, president of Nari Bikash Sangha, Bankura, West Bengal).

Most of the peasant women complained of loss of village commons through privatisation and encroachment:

> Our 'gomal' (common) lands even our village tanks are not safe from the greed of the well-to-do. They have conspired with Panchayats (local village councils) and the government officials and converted these into private farms or houses. Our mahila sanghas (women's organisations) do not have access to these common lands or we would develop them for use by everyone in the village. Women need fuel and fodder—the common lands should be under the management of the sanghas and not owned for private profit by industry or farmers (Gangamma, a peasant woman from Karnataka).

The biggest problem that the state policies have created in the village communities is their alienation from their commons. Studies have shown that access to village commons reduces income inequalities—between poor and non-poor households. Degradation and encroachment of village commons and declining community control and usufruct rights due to erosion of community resource management systems have affected poorer households' capacity to meet subsistence needs. The dependence of such households is greater in arid and semi-arid areas and the coping strategies of poor households are linked to seasonality, crop cycle and variations in food availability.

Joint forest management (JFM) a new concept which is currently being tried in 14 states of India aims to drastically revise the old policing role of the forest department and puts forest dependent communities at the centre of the new policy. How has this partnership between the forest department and forest-dependent communities worked? A workshop report on JFM indicates that most effective local institutions develop in those communities which are small and homogeneous the topography of the upland villages being such that their common lands are visible (hill and upland villages). Once degradation sets in, people become indifferent to protection. Remoteness from roads and markets further helps in retaining mutual obligations. Fear of village elders deters too frequent an abuse of common resources. Finally such collaboration is likely to succeed if all families including the rich are highly dependent on forests for fuel and fodder. The report further states that village stratification in India inhibits development of institutions representing a common will. Grossly unequal land tenure and access to markets ensure that only a powerful minority gains in the name of the 'community benefit sharing'. An effective forum for conflict resolutions is crucial to the success of the community involvement. The states, where there is an organised political pressure from below and direction from above, have often responded well to such challenges. Interestingly, the workshop report dwelt on the paradox of the nature of state power in India where people-oriented policies tend to legitimise state power. While land degradation and deforestation weaken the state, land rehabilitation and anti-poverty programmes make people dependent on state authority. The report also advocated separate organisations of women as the village social system marginalises them [SPWD 1992].

Shramashakti, the report of the National Commission of Self-Employed Women and Women in the Informal Sector (1989) clearly argues for governmental support to organisations of poor women:

> When the state is sympathetic to the issues of poor women and supportive of their organising efforts, women do gain as the governments can help create a support structure where none existed before... It is ironical that one is asking the state to support a machinery to promote action for change in state policies, but we have done it with great hope on the strength of the Foreword of the Seventh Plan which states that development is basically about people [Government of India 1989].

The current debate on the retreat of the welfare state in the face of onslaught from the process of globalisation of economy and liberalisation poses a fresh challenge to state support for such initiatives. The variations and conflicts in structures and processes of the community-based management systems and government-initiated systems of natural resource management have been at the centre of environmental debate. Unresolved political conflicts between local people and government have also contributed to uncontrollable exploitation and mismanagement of natural resources.

The liberalisation policy has heterogeneous elements which often work at cross purposes. Growing evidence from Africa, Latin America and Asian countries indicates that short-term measures taken to improve balance of payment situation or stabilisation programmes exacerbate environmental stress. As long as issues of survival and sustenance remain divorced from resource use programmes they will never take roots at the community level. Reduction of public spending will have an adverse effect on all programmes of ecological generation. Privatisation and deregulation of industries, emphasis on exports-led growth and entry of TNCs will pose a threat to the remaining common property resources and will contribute to environmental damage. The government has done precious little to force industries to internalise ecological costs. Agarwal argues that since the government has taken a decision to liberalise the urban industrial sector, they should carry on this liberalisation process to the rural sector as well by communitising the resources and letting the local community fix the price for resources and control its aquifers. Arguments of debureaucratisation and decentralisation have provoked debates on alternative institutions and mechanisms to manage the community resource base [CSE 1992].

Institutional Capacity and Gendered Space

As the economy becomes more market-oriented, institutional issues and accountability of systems of governance become important. The effects of fiscal and monetary policies on women is determined by the social matrix and gendered patterns of resource use and control in rural households. The concept of 'environmental justice' cannot be delinked from issues of equity and social justice. NGOs cannot cushion disadvantaged groups from adverse effects of liberalisation and global process of trade and economic relations which are strongly linked to environmental degradation in the south important. If investments in agriculture, land and water-based programmes and education, health and shelter, are reduced, decentralised development will be affected adversely.

In the backdrop of these challenges, what are the implications of the 73rd and 74th constitutional amendments empowering institutions of local self-government like panchayats and zilla parishads and providing one-third reservations for women. The 73rd amendment defines panchayats as institutions of self-government, to which state legislatures are required by law to endow "such power and authority as are necessary to enable them to function". The eleventh schedule transfers women and child development, anti-poverty programmes, elementary education, health, land reforms, forestry and conservation programmes, etc, to the panchayats. The question is whether this will mean genuine devolution of power to panchayats or will they be expected to fulfil only development functions? How is effective, informed and organised participation of women who will be elected to these bodies to be ensured? How is the dilution of the underlying philosophy of these amendments by state governments while amending state panchayati raj acts to be prevented? While the need for vigilant and informed pressure cannot be over-emphasised, are we expecting too much from women's representation on these institutions to correct gender imbalances in access to and control over community resources? We need to explore the gender aspects of natural resource use and management in diverse contexts including the contribution of women in maintaining biodiversity. It is important to contextualise the lives and struggles of women within different eco-systems and the historical processes that alter and shape construction of gender relations.

Neither technology nor economics can answer ethical questions relating to resource use. Are the bargaining structures at the micro-level adequate to deal with macro forces? While the global debates have been emphasising transfer of environment-friendly technology to the south, we are neglecting 'indigenous knowledge systems'.

The Rio Declaration at the Earth Summit acknowledges that women have a vital role to play in environment management and development from which they have been historically excluded. The relative power of various interest groups determines the environmental agenda although grass roots organisations for the empowerment of poor rural women have been identified as a critical strategy to counter such negative forces. The DAWN report suggests that "we go beyond the discussion of empowerment as good for women to the discussion of empowerment as critical for building accountability into the functioning of the public realm—both the state and the institutions of civil society—thereby the possibility of their transformations along with the transformation of gender relations" [DAWN 1991].

The environmental movement is a by-product of popular participation at the local level questioning national policies for natural resource management. The issue of local communities, setting their own environmental agenda where women have a voice in decision-making process, is a political question. Do we have an operational framework to discuss the trade-offs between local environment management and economic development policies. How local democracies in India shape and respond to ideological and economic pressures will be interesting to watch.

Gender has been increasingly acknowledged as a critical variable in analyses and development planning. Growing evidence from countries in Africa, Latin America and Asia, suggests that implementation of structural adjustment policies sharpen the conflict between the use of land and other resources for food production and subsistence needs and for commercial exploitation. Most of the governments see urban industrial sector as a key to growth and neglect rural agricultural sector. It is crucial to recognise the role rural women have played in providing household food security. The processes and institutional arrangements and the manner of women's participation are of fundamental importance, although not as yet well understood in policy formulations. The articulation of gender and poverty issue within SAP discussion poses a real dilemma between state's interventionist role and the 'market forces'. The organisational intervention did provide political space to women but the restructuring and market forces are going to erode it by redrawing the boundaries between the state and the economy.

Note

1 The paper was presented at the NSI-CWDS Conference on Structural Change and Gender in the Era of Globalisation. It is part of the ongoing project on 'The Impact of Macro-Policies on Women in the Period of Liberalisation and Adjustment: A Comparative Perspective from Canada and India'.

References

Agarwal, Anil and Sunita Narain (1989): 'Towards Green Villages', Centre for Science and Environment, Delhi.

Agarwal, Bina (1992). 'The Gender and Environment Debate: Lessons from India', *Feminist Studies* 18, No 1

Bhatt, Ela (1992): 'Structural Reform and Poor Women—The Case for Redesigning Development', *Future*, 28, Autumn.

Committee on Women, Population and Environment (1993): 'Women, Population and the Environment. Call for a New Approach', a statement prepared by the Committee on Women, Population and Environment, February.

CSE (May 1993): Round Table on the Environmental Impact of India's Liberalisation Policy.

CWDS (1991): *Voices of Peasant Women*, Report of the National Conference on Management and Regeneration of the Natural Environment: A Wider Role for Peasant Women, August 26-30, Hyderabad, organised by Centre for Women's Development Studies, Delhi, in collaboration with the National Institute of Rural Development, Hyderabad, UNIFEM, Freedom from Hunger Campaign (FAO).

DAWN (1991): 'Development Alternatives with Women for a New Era—Towards a New Conceptual Framework', DAWN Informs, 2(1): 1.

Dorner, Peter and Thiesenhusen, C William (1992): 'Land Tenure and Deforestation: Interactions and Environmental Implications', A Discussion Paper, UNRISD, Geneva.

Friedman, H (1990): 'The Origins of Third World Food Dependence in Beronste' in H Crow, B Mackintosh and C Martin (eds), *The Food Question—Profits vs People?*, Earth Scan Publications, London.

Ghosh, Jayati (1993): Keynote address on Gender Concerns in Macro-Economic Policy delivered at the Sixth National Conference of Indian Association for Women's Studies on the Dynamics of the New Economic Policy, May 30-June 3.

Government of India (1989): *Shramshakti*, Report of the National Commission of Self-Employed Women and Women in the Informal Sector, New Delhi.

Guha, Ramchandra (1988): 'Ideological Trends in Indian Environmentalism', *Economic and Political Weekly*, Vol XXIII, No 49, December 3.

Haq, Mabubul (1992): 'Human Development in India', Keynote address delivered at the Symposium on Economic Growth, Sustainable Human Development and Poverty Alleviation in India, January 3-6, Bombay, India.

Hariss John with Barbara Hariss, Meghnad Desai and Purna Sen (1992): 'Economic Reforms in India: Potential Impact on Poverty Reduction and Implications for Social Policy' (Mimeo), Development Studies Institute, LSE, London.

Hart, Judith (1985): 'If I Sat Across You—A Response', *Development Seeds of Change*, 1984-85.

ILO (1988): *The Bankura Story: Rural Women Organise for Change*, New Delhi

Jackson, Cecile (1993): *Environmentalism and Gender Interests in the Third World*, Paper presented in a Research Seminar, Institute of Social Studies, The Hague, Netherlands.

Jolly, Richard (1985): 'Adjustment with a Human Face', *Development: Seeds of Change*

Mackenzie, F (1993): 'Explaining the Connections Structural Adjustment, Gender and the Environment', *Geo Forum*, Vol 24, No 1.

Mazumdar, Vina (forthcoming). *Peasant Women to Mother the Earth: Some Voices from South Asia*, FAO (FFHC), and Centre for Women's Development Studies, New Delhi, India

Mies, Maria (1993): 'Consumption Patterns of the North—The Cause of Environmental Destruction and Poverty in the South', *Women in Action* 4/92 and 1/93 ISIS International.

McCoy, Michael and Patrick McGully (forthcoming) (1993): 'Road from Rio: An NGO Action Guide to Environment and Development' (Draft circulated to participants of the Balancing the Future Conference, Driebergan, The Netherlands, May 9-13).

Nypels, Maarten (1993): 'Choices for Change --Towards a Balanced Future: An Essay on Challenges and Obstacles in a Variety of Social Realities' presented to the Conference on Balancing the Future II, May 9-13, Driebergan, Netherlands

Patnaik, Utsa (1992) 'The Likely Impact of Economic Liberalisation and Structural Adjustment on the Food Security System in India' Paper presented at the National Workshop on Employment, Equality and Impact of Economic Reform for Women, Organised by ILO/National Commission for Women, New Delhi.

Payer, C (1991). *Lent and Lost: Foreign Credit and Third World Development*, Zed Books, London and New Jersey

Sen, A K (1981) 'Poverty and Famine—An Essay on Entitlements and Deprivations', Oxford University Press.

Sharma, Kumud (1989): 'Macro Policies for Natural Resources Management. Marginalisation of Poor Rural Women', Occasional Paper No 8, Centre for Women's Development Studies, New Delhi

—(1993): 'Choices, Change and Challenge: Gender and the Dynamics of Economic Reform in India', Keynote address delivered at the Round Table Organised by International Political Science Association's Research Committee on Women, Politics and Developing Nations, August 17

Shiva, V (1991) *Ecology and the Politics of Survival—Conflicts over Natural Resources in India*, Sage Publications, Delhi and UNU, Tokyo, Japan

Social Science Research Council (1992): Mexico Policy Statement on Population and the Environment by Social Science Research Council, the International Social Science Council and DAWN at the Workshop held in Mexico in February.

Somnathan, E (1991): *Deforestation, Poverty Rights and Incentives in Central Himalaya*.

SPWD (1992): *Joint Forest Management: Concepts and Opportunities*, Proceedings of the National Workshop at Suraj Kund, August, Society for Promotion of Wasteland Development, New Delhi.

UNCED (1992): Agenda 21, Chapter 24, 'Global Action for Women towards Sustainable and Equitable Development', UN Conference on Environment and Development, Rio, June.

UNDP (1992): *Human Development Report*, United Nations Development Programme, OUP, New York

UNICEF (1991): *Women and Children First*, Report of a Symposium Organised by UNCED, Geneva.

UNRISD (1992): *Social Development Research*, 1991-92.

WCED (1987): *Our Common Futures*, OUP, London.

World Bank (1992): *World Bank Development Report* (1992), Development and the Environment, World Bank, OUP

Gender Implications of Adjustment Policy Programme in India

Significance of the Household

Joy R Ranadive

This article seeks to emphasise the importance of accounting for the distributional effects of structural adjustment policies. While an attempt can be made to predict these effects if the programmes succeed, the far more urgent task is to assess the distributional impact of the costs of the transitional period, when due to special circumstances the household will act as a buffer for absorbing the shocks to the economy. Within the household, women will bear the brunt of the impact.

TODAY the issue of development has got inexorably entwined with stabilisation and structural adjustment policies. Developing countries the world over, since the early 80s felt the need to initiate reform packages which were supposed to improve the economic environment within which they were functioning. Due to a host of interrelated global factors these countries found themselves teethering on the brink of crises for which help was sought from the Bretton Woods institutions. Stabilisation policies are attributed to IMF prescriptive pre-conditionalities and structural adjustment policies to the World Bank. Stabilisation policies are primarily short term which manage or avert a crisis by reducing fiscal deficits, curtailing demand and lowering the rate of inflation. Structural adjustment policies are long term, in that, over time they seek to reduce market rigidities and open the doors of internal and external markets to competition. Together, these twin packages seek to increase the flexibility of an economy so as to make it less vulnerable to further shocks and to promote higher rates of growth.

Over time it has been recognised that due to the contractionary nature of stabilisation policies coupled with the long gestation gap before the results of structural adjustment manifest themselves, there is a transition period that the economy concerned has to go through. This transition period like any other, demands its pound of flesh. The transition period is justified on the grounds that ultimately when the policies bear fruit the economy will grow and this growth will more than compensate the socio-economic costs of the transition.

This paper seeks to emphasise the importance of accounting for the distributional effects of stabilisation and structural adjustment policies. (Since the two generally go together, they will be referred to henceforth in the paper as adjustment policy programme (APP)). On the one hand one can attempt to predict the distributional impact of an APP if it succeeds in practice as is theoretically envisaged. No doubt this will lead to debates on the necessity and sufficiency of growth to eradicate the kinds of perennial problems that beset developing countries. On the other hand, there is an immediate and hence more important need to assess the distributional impact of the costs of the transition period. The paper argues that due to certain special circumstances it is the household in the economy that acts as a buffer to absorb the shocks during this period. The pain of absorption is particularly acute for poor households which are already existing on the fringes of bare survival. And further, due to certain specific gender-related circumstances within the household, it is the woman that takes the impact within the buffer. In the light of the long-term interests of the economy, it is imperative for policy-makers to take serious note of this phenomenon. If neglected, the transition period itself can wreak long-lasting damage to the fabric of the economy. In such a situation, the very logic behind the APP is at stake since a sacrifice for the future could well prove to be a sacrifice of the future.

Policy-makers have a myopic view of the household due to reasons I will later elaborate upon. In actuality the household performs three important roles, of being a consuming unit, a producing unit and a distributing unit. It is the third role that is most significant as also the one that shapes the earlier two. And it is precisely this facet of the household that is lost to policy-makers. Juxtaposed with the distributional impact of the costs of the transition period, it spells a certain specificity in the way social safety nets should be formulated. This paper stresses upon the dire need of an adequate perception of the household in order to grasp the implications of the APP.

Adjustment Policy Programme in India

The APP in India is being associated with a package of policies adopted by the government of India in June 1991.[1] At that point of time, these policies were critical and in the nature of crisis-management measures since India was faced with a prospect of a fiscal breakdown and of defaulting on international commitments. IMF help was sought[2] and stabilisation measures were taken to improve the balance of payments situation and to contain inflation. Simultaneously, measures of structural adjustment were initiated wherein different areas of policy (trade, industry, etc) were altered to liberalise the market, to ensure an effective use of resources and to effect resource mobilisation. The budgets of the following years were likewise formulated keeping in step with these measures.

The debate that has since emerged is of the following nature. On the one side are advocates of the APP, on the other, the strong opponents and somewhere in between are the wary moderates. Those who favour the economic policies point to the background against which the steps were taken. India has from the beginning of planning in the early 50s, focused on a dominant public sector which undertook major infrastructural investments. The private sector produced foodgrains, agricultural products, virtually all consumer goods and many capital goods. However in an attempt to avoid monopolies and to channelise investment, production was subject to a system of licensing through which the government regulated private sector activity. A rigid set of price and quantity controls existed. Subsidies were introduced to protect certain areas of production as also certain segments of the population. Over time these subsidies expanded both horizontally and vertically. A high tariff wall protected domestic industry from outside competition. Import substitution was preferred to export promotion in a bid to achieve self-reliance. This system of rigidity proved useful in the first two decades of planning. Subsequently, there developed a new hierarchy of vested interests and inefficiencies permeated throughout the economy.

The 70s and 80s saw a number of critiques from economists and policy-makers who urged some kind of economic reform and saw deregularisation and flexibility as solutions. Further, there were large and persistent macro-economic imbalances since the 1980s. Internally, there was a widening gap

between the income and the expenditure of the government, which led to mounting deficits met by borrowing at home Externally, a persistent current account deficit in the balance of payments was inevitably financed by borrowing from abroad The Gulf crisis in 1990 further aggravated the situation India's credit rating in the international capital markets plummeted Against such a background, proponents of the economic reform package see it as a change long overdue The market forces of competition are viewed as essential to bring about efficiency in resource allocation and mobilisation A high sustained rate of growth is seen as the goal and APP the means to achieve it [Dhar 1992, *The Economist* 1991 Rangarajan 1992]

The objections to the APP have been many There are those that see the adherence to these policies as an abject surrender to the International Monetary Fund and as a loss of India's economic sovereignty [Arun Kumar 1991, Bhattacharyya 1991, Bidwai 1991] It has been argued that it is incorrect to pursue stabilisation and structural adjustment simultaneously since the latter cannot be effective until the former is achieved [Bajpai 1993] There is now no doubt about the fact that during structural adjustment it is the poor that suffer the most Numerous studies on the effect of structural adjustment programmes in developing countries have revealed that whatever be the specificities or details that operate in any particular economy the poor bear the brunt of the transition period [3] Hence the need for safety net which will protect the vulnerable sections of the population is acknowledged worldwide [Cornia 1990, Liebenthal 1990, Vyas 1993]

The moderates could be classified as those who see the need for economic reform of the APP kind in India, but raise questions about the way they have been initiated More importantly, they stress the importance of the safety net and question the government's approach to and intent towards formulating an effective safety net This contrasts with strong opponents who want to reject the APP in its entirety, and are even prepared to formulate an alternative policy package [4]

THE SAFETY NET

What is important at this point of time is that the APP has for the present, come to stay Over two years have lapsed since it was initiated and the government which has itself periodically survived internal crises, plans to continue with the programme in the years to come Since we are mid-way one cannot talk of the "effects" of the policies, however the transition phase has begun Gupta, Bal and Shankar (1993) have noted in their study of nearly 30 countries which are undergoing structural adjustment programmes, that almost no low income country could avoid a contractionary period of less than 4 to 6 years According to them, due to the heavy foreign exchange constraints, import compression and a relatively unfavourable international scenario, India will have to go through a painful prolonged period of adjustment

Significantly, the government itself in its discussion paper has acknowledged that,

> fiscal discipline forces limits on government spending and this may affect the pace of implementation of programmes in the social sector which are especially critical for the well-being of the poorer sections Economic restructuring may also involve loss of jobs in certain sick and unrevivable units as labour is redeployed into other expanding or new units [GOI 1993 p 19]

This is particularly so because expenditure on other "sensitive" sectors cannot be cut As outlined by Manmohan Singh,[5] interest payments are a fixed contractual obligation, defence expenditure is critical to the security environment, expenditure on government administration would result in a wage freeze and decline in employment and subsidies cannot be reduced overnight Consequently it was social sectors that had to receive the axe As shown in the *Economic Survey 1992-93*[6] although there is an increase in absolute terms in rupee crores, the percentage distribution of plan outlay to social services (education, medical and public health, family welfare, housing, urban development, other social sources) was 14 8 per cent in 1990-91, 16 3 in 1991 92 and 15 9 in 1992-93 Likewise, allocations to rural development (used largely in poverty alleviation programmes) were 6 7 per cent in 1990-91, 6 2 in 1991 92 and 5 6 in 1992 93

The inherent paradox lies in the claim the government makes regarding the safety net that it has envisaged [GOI 1993, pp 19 20] This net spells out three components—a National Renewal Fund which will finance schemes for compensation retraining and deployment of workers affected by restructuring, a strengthening of the Public Distribution System, a stepping up (relative) of expenditure on social sectors Assuming that the poor of the economy are the target group both of the social service and development expenditure and of the safety net, it seems illogical to deprioritise expenditure allotted for them on the grounds of a financial crunch and prioritise the same under the guise of a safety net

Of the three components of the safety net outlined by the government, not much has been done about the National Renewal Fund The second component, i e, the Public Distribution Scheme (PDS) in operation in India has much to be desired There are debates about whether it is pro-rich and urban biased [Howes and Jha 1992, Dev and Suryanarayana 1991] Besides, it has been found to be inadequate and ineffective in its reach and capacity to assist poverty alleviation There is no uniformity in the entitlement and allocation of foodgrains in the different states, the lack of purchasing power in the hands of the poor do not allow them to avail of their entitlements at the fair price shops (FPS), there is a discrepancy between local food habits and available rations, there is overcrowding at some FPS and underutilisation at others Besides, there is no alignment between the nutritional requirements of the population and the PDS [Hatekar 1993] The Revamped Public Distribution System (RPDS) which the government launched in January 1992 extended the PDS to 1700 specially identified blocks The aim is to provide a minimum quantity of foodgrains at specially subsidised rates to the most backward sections of the population residing in geographically difficult and remote areas However, it has been found that the RPDS has run into the same difficulties as the existing PDS [National Commission for Women 1993]

The importance of the third component of the safety net cannot but be stressed The problem takes alarming proportions when note is taken of the already weak existing social infrastructural base that exists in India According to a study on social sector expenditures and human development in India [Prabhu and Chatterjee 1993] although the actual allocations to the education in health sectors are at par with the average levels in Asian countries, the average level of human development in the country is low Hence it is imperative to substantially raise the allocations to social sectors Further, Prabhu and Chatterjee find a synergistic relationship between education health and nutrition which then require a simultaneous increase in allocation to these sectors The study also recommends a drastic reallocation of resources in favour of primary level facilities At present over 50 per cent of allocations in the education sector are towards elementary education This is inadequate as India requires over 65 70 per cent allocations in all states At present in the health sector, less than 20 per cent of government health expenditures, are incurred towards public health Even after including water supply and sanitation the expenditures on an average do not exceed 40 per cent which again is grossly inadequate If the goal of the structural adjustment component of the APP is to open up the economy to market forces and competition, whilst the stabilisation component does not allow for even a maintenance of the existing low level of social infrastructure it seems as if once again a major portion of the population who are ill equipped to participate in a competitive world would be left out of the development process The success stories of Korea, Malaysia and Thailand owe a lot to the existing pre conditions in these countries *vis a vis* the quality of their human re-

sources. For example, Korea had achieved a literacy rate of nearly 80 per cent by the early 1960s itself. Maternal mortality rates in 1980 per 1,00,000 live births was 34 in Korea, 59 for Malaysia, 270 for Thailand and 500 for India. However, in India the release of resources for human resource development at the moment is dependent on the success of the stabilisation and structural adjustment policies [*Economic Survey 1992 93*, p 15].

An important facet of the mechanics within which the APP works is the time span over which different reform measures act and begin to show results. Stabilisation policies are supposed to act in the short term, structural adjustment policies act over a longer period of time. The pain of transition is felt in the interim time. For similar reasons, the outlining and implementation of the safety net has to receive careful attention. Due to the experiences of countries who adopted similar APP over the last decade the socio-economic costs can be predicted. Hence the safety net should be intelligently and realistically forecasted and devised. Further, its implementation, should be so initiated that its effectiveness coincides with the pain of the costs. If this is not done, the safety net takes on the nature of compensations paid out after the damage is done. And this would be dangerous at one level and foolish at another.

Hence the problem of the safety net can be tackled at various levels. One, a genuine, serious attempt to predict what the socio-economic costs would entail. Two, to forecast the distribution of these costs. Three, to outline a corresponding safety net. Four, to realistically space and time the components of this net so that the pain of adjustment is cushioned. This of course is not a once-and-for-all exercise. The whole exercise has to be in the nature of an ongoing process which is periodically revised after scrutiny.

In order to intelligently devise an effective safety net, it is of utmost importance to understand where and how the costs of the transition period would be distributed. The APP would result in a modification of the structure of opportunity within which individuals have to adjust to cope with the changes. It has been found that different groups in each country of Africa and Latin America experienced structural change differently [Ghai and Hewitt de Alcantara 1991].[7] Likewise, different economic units within a country hear the impact differently.

The household, of all the economic units, serves as the buffer since it is within this locus that human beings reproduce and sustain themselves. Further, whatever be the effects within markets in agriculture, industry, etc, the repercussions reverberate at the household level through their effect on the demand, supply and price variables that any household *per se* adjusts to.

The Household

In order to understand how the household becomes the buffer to take the impact of the transition period in the APP, I will first outline the importance of understanding the concept of the "household". As is generally known, the human being has long been established as a social animal who co-habits, co-exists and lives in groups. It is also known that in all human societies domestic groups are family- and kin-based. These groups have been an expression of society's mode of organisation and are also part of a larger social structure. Policy-makers operating at the macro-level do not have a realistic perception of the household because of which the true impact of policies are not identified. Policies are governed by the rule of the economic regime wherein economic parameters serve as indicators and steps taken usually have to make "economic sense". Consequently, the viability of projects/programmes are judged by the economic gain they rake in. Further, the rule of the economic regime extends in that, it is concepts and visualisations of Economics as a subject that govern policy-makers. The perceptions of other social sciences like Sociology and Anthropology which are often more realistic (especially regarding concepts like the "household") are bypassed for the visualisation from Economics. Again, this visualisation is that of mainstream Economics, largely governed by neoclassical tenets, as against those of relatively more realistic heretic streams of economic thought.

Consequently, the household is used as a unit of anlaysis and not as a unit *for* analysis. Neoclassical economics has opened up the firm for analysis but not the household. It visualises the latter as a collection of members, no doubt with differing needs, tastes, preferences, but interrelationships between whom are not explicitly looked into. As Galbraith has rightly said,

> neoclassical economics resolves the problem of burying the subordination of the individual within the household. Then it recreates the household as the individual consumer. Then the matter remains. The economist does not invade the privacy of the household [J K Galbraith 1973, p 51].

This makes one wonder that perhaps if the "family" was used as a conceptual tool as against the "household" an element of realism would be introduced. However, within the subject of Economics, the consideration of the "family" too is as unrealistic. There is at one level the usual visualisation of the family as a "glued-together" unit where individuality is absent and only family decisions are taken.[8] A model deviant from mainstream economics envisages the family as a super-trader [Becker 1974, 1981]. Here individuals are assumed to be relentlessly pursuing their individual utilities and in so doing they enter into trade at implicit prices. Marriage is seen as a two-person firm with either member being the entrepreneur who hires the other and receives residual profits. A third visualisation is of a despotic head who has complete command and takes all decisions. Here, the family behaviour reflects this head's choice function. Even if they consider kin-relationships and some kind of interactions between members, these visualisations are unrealistic abstractions of the way families really function [Sen 1983].

Another limitative visualisation of the family is that of the nuclear family which consists of the husband (generally conceived of as the bread-winner), the wife (often a dependent), and unmarried children (also dependents). The household in mainstream economics implicitly assumes a nuclear family and also assumes as exogenously given, a set of culture boundaries, allocation of rights, duties, responsibilities, tasks, resource distribution, etc. It is implicitly assumed that there is a stable monogamous conjugal pair—who together make decisions, carry out actions and manage resources. It is assumed that the married couple bear the costs of their children jointly and at the same time, however, it is also assumed that the mother bears the total costs of time.

However, the visualisation of the family as nuclear is limitative since it is but one case. In many societies there are other kinds of families in existence, some simpler, some more complex, where the structural composition of the family can be quite different from that of the nuclear family. Further, there is dynamic interaction between members resulting from different aspirations and different opportunities. These result in different behaviour patterns across families. These patterns in turn may be governed by non-market rules, conventions and a sense of propriety. Various patterns of systematic discrimination may be built into that sense of propriety as to who should get what. It can also happen that family members may not have a clear perception about their welfare. Instead there may be a compounded family welfare that is sought which paradoxically can have an inbuilt bias in favour of some members than others.

The Three Roles of Household

The household can be viewed as an institution which as per the society, the time, and the culture has become a regularised mode of co-habiting behaviour and existence structurally based on a kinship pattern. Across the world different types of households exist and in a country like India, itself with a myriad of peoples, one finds householding of many varieties. However, one factor cuts across these diversities and that is, the roles that any household *per se* performs.

The household is a consuming unit,

wherein it constitutes demand for goods and services. These goods and services are supplied from the outside world (S_O) and also from within the household (S_H). Hence, the consumption at an aggregate level for any household would consist of goods supplied from outside (C_1), services supplied from outside (C_2), of goods supplied within the household (C_3) and services supplied within the household (C_4). Macro-level policies directly affect S_O and the household as a single unit has no control over it. It however can manipulate S_H.

The household is a producing unit,[9] wherein it constitutes supply for goods and services These goods and services are demanded for by the outside world (D_O) and also by the household itself (D_H). The household consequently produces goods for the outside world (R_1, marketed and hence priced); services for the outside world (R_2, again marketed and priced), and also goods for own consumption (R_3) and services for own consumption (R_4).[10] As a producing unit the household has no control over D_O which is directly affected by macro-policies. It can however alter D_H in its attempt to adjust.

The most important role of the household is of a distributing unit. The household based on a configuration of cultural, religious, social and economic norms, distributes resources and time (hence work) amongst its members. These distributive rules determine the patterns of consumption and production, i e, the allocation among members of C_1, C_2, C_3, C_4 and R_1, R_2, R_3, R_4, as also the aggregate levels of consumption and production. Hence the third role governs the first two.

The household makes an assessment of (1) the needs and (2) the contributions of its individual members and distributes (a) resources/income (which can be interpreted as a basket of goods and services) and (b) time (hence work and leisure) accordingly.[11] At one level the distributive rules determine who consumes what goods and services and how much. Consumption is distributed according to an assessment of both needs and contribution. For example, social, cultural and religious norms (I shall call them non-economic norms) may ascertain that a male in the household requires more food and nutrition than a female. Further, if the woman's contribution is exclusively in terms of domestic work (R_3 and R_4) then the assessment of her contribution is marginalised since it does not fetch an income from the market. Hence, an economic parameter of monetary gain determines the assessment of contribution and to that extent the rule of the economic regime enters valuation within the household too. To cite another example, the male child is often seen as superior to the female because he is expected to be a support to his parents in their old age whilst the female child will be married and of advantage to another household. As a result, the boy is an investible resource (hence receives prompt medical attention) whilst the girl is a wasted investment (hence is relatively neglected).

Likewise, the non-economic and economic norms set the distributive rules which determine the pattern of production. Non-economic norms are responsible for a sexual division of labour wherein by and large the woman is supposed to undertake the domestic production of goods and services. Hence R_3 and R_4 are largely the woman's responsibility. R_1 and R_2 can be undertaken by both men and women but at times in spite of the economic necessity of the woman's participation in R_1 and R_2, non-economic norms may not permit her to engage in them.

It may seem here that the household is again being portrayed as an individual consumer as is in neoclassical economics. This however is not true There is no such thing as a common table of tastes and preferences of a household. However, quantifiables like demand, supply, consumption levels, production levels can be aggregated. Even so it is the disaggregation of these aggregates that throw light on intra-household disparities. Further, when it is said that "the household sets the distributive rules", I am talking about the code of conduct for activity that each household as a collective, sets for each of its members, which is a result of the configuration of non-economic and economic norms that it sets store by.

The household does not act in isolation of other households or other units within the economy. It interacts with (1) the community which comprises of other households in the neighbourhood; (2) other members of kin comprising of relatives who do not stay within the domain of the household and (3) other economic units.

Within the productive role, the household performs the important task of the production of human resources. Due to biological reasons, the production is tied to the reproductive capacity of the woman to have and bear children. But due to non-economic norms, the maintenance and nurturing of these resources is tied to the sexual division of labour which directs the responsibility to the women in the household. Human resources is the one factor of production that from the time of its inception to its maturity is in the nature of capital formation wherein investment of time, effort, goods and services have to be made. Upon maturity, however, it takes the form of labour. Hence it changes in character from capital to labour and in form from good to service. The production (biological reproduction and maintenance) of these resources take place largely within the household. And it is the distributive rules that allocate who in the household invests what and how much in their production.

How the Household Is a Buffer

The interface between macro policies such as the adjustment policy programme and the micro unit of the household, lies in the latter acting as a buffer that absorbs shocks released by the farmer. In the event of any change in the economy, the household's prime concern is to survive. This is particularly true of poor households within which one third of India's population lives.[12] It has been found across countries and cultures that the responsibility of the survival of the household rests on the shoulders of the woman.[13] That the family is fed, clothed and cared for is the woman's concern since it ties up with her share of work as per the sexual division of labour. This she does irrespective of her contribution to R_1 and R_2 and also irrespective of her direct access to resources/income. In male-headed households it may be carried out on the basis of a partial control of resources, whereas the responsibility is explicit in female-headed households.

The transition period of the APP unleashes certain forces which make survival for the poor households more difficult. As things stand today in India, the consumption basket is becoming relatively dearer. The S_O variable that the household faces is altered in that due to overall increasing price cutbacks in the government's social sector expenditure, the goods and services supplied in the market are less accessible to the household. Hence either the total level of consumption of goods and services of the household drops or if the aggregate level is maintained, the allocation of goods and services across members is so changed so as to accommodate the shortfall. This shortfall is made up of by altering S_H for which R_3 and R_4 have to be increased. An alternative of course exists in increasing R_1 and R_2, but this is subject to changes in D_O. If D_O so changes that employment opportunities increase for members of the household then the corresponding increase in income could help in combating the shortfall.

Likewise, the S_O variable could be altered say, by a shift in agricultural production from cereals and coarse foodgrains to exportable crops, or by a reduction in food and fertiliser subsidies snowballing in an increase in the prices of foodgrains. Whatever be the reasons when S_O becomes relatively inaccessible to the household, survival becomes correspondingly difficult. To compensate for the lacunae and to ensure that the family pulls through, the pressure increases on the woman. It entails an increase in time and effort on her part across R_1, R_2, R_3 and R_4. When the food basket becomes more expensive it spells searching for cheaper alternatives, making frequent trips to the market since the commodities cannot be bought in the same quantities as earlier,

cutting down on the purchases of other commodities, longer hours in food processing. When health or education services become inaccessible or expensive they have to be replaced with effort at home. Goods and services produced in the market become short in supply *to the household* due to their inaccessibility and have to be replaced with those produced at home increasing the time and effort going into R_3 and R_4.

Similarly R_1 and R_2 also have to be increased. On the one hand the transition period due to contractionary and pruning policies fuels inflation and unemployment, on the other hand it opens up employment opportunities in areas like export processing zones [Deshpande and Deshpande 1992]. These are exactly the kind of circumstances that compel women in poor households to seek employment in the informal sector or in export processing zones where the returns are paltry and conditions of work deplorable.

IMPLICATIONS FOR THE WOMAN

Hence totally across R_1 to R_4 the pressure increases for the woman. She has to, in an attempt to manage the household and ensure its survival, balance between her contribution towards R_1, R_2, R_3 and R_4. However there is a limit to her capacity both as a human being and in terms of time available. Consequently either R_1, R_2 may suffer a setback or R_3, R_4. If it is required that she contribute more to R_1, R_2 then this often rebounds on the girl children in the household since they have to take over R_3 and R_4. The transfer occurs across women since the existing sexual division of labour does not alter. This could be further reflected in a fall in school attendance, school drop outs and falling levels of health and nutrition of girl children. If on the other hand R_3, R_4 cannot be transferred the woman's contribution to R_1, R_2 could be less than expected by market signals or else R_3, R_4 suffer to the detriment of other members especially the aged, sick or infant members of the household.

The APP is based on an inherent elasticity of adjustment optimism. Policy makers believe that variables, say, demand and supply will adjust to market signals like prices. They do not account for non economic rigidities and bottlenecks that could impede the adjustment process. Likewise they believe that however difficult surviving becomes, poor households will pull through and devise coping mechanisms to look after themselves. While this may be true there is a limit to women's capacity to adjust and it may so happen, as Elson cautions, that breaking point may be reached [Elson 1993]. Moser's study of an urban low income community in Guayaquil, Ecuador, shows just how difficult women have found balancing between R_1 to R_4 [Moser 1989]. Out of the 141 households surveyed, only 30 per cent managed to cope. In 55 per cent cases the women were staking the lives of their children, especially daughters to survive. And in 15 per cent of the households the children were going astray and family crumbling. As Moser says, 'Not all women can cope under crisis and it is vital that the romantic myth of their infinite capacity to do so be debunked.'

An important fall-out of reaching this breaking point lies in the effect it has on the production and maintenance of human resources [Cornia 1990, Elson 1987, 1992a, 1992b, 1993]. When the impact of absorbing shocks during the transition period in structural adjustment falls on the woman, in the long run the production and maintenance of human resources suffer. Elson (1993) points to how the production of human resources is different from the production of any other resource. The former has an intrinsic value besides having an instrumental value. If the demand or market value of a resource dropped beyond a minimal low level its production is abandoned or stopped for more lucrative options. But if the maintenance of children became difficult mothers do not abandon them and consequently the pressure is absorbed by the women.[14]

It may seem here as if the ensuing argument sees the woman only as an instrument of biological reproduction and producer of human resources, with no inherent value herself. This is not true. The purpose of the argument lies in pointing out that since policies and policy makers are governed by the rule of the economic regime even adherence to this narrow rule cautions one about the effects of the transition period. It makes economic sense to take into account the danger of an erosion of human resources since a qualitatively weak human resource base does not bode well for any kind of future development, economic or otherwise. Further inasmuch as the woman is seen only in an instrumental perspective it is because of the marginalisation of her contribution to the economy. Only when women form part of the labour force do their contribution enter statistics and hence national income accounting. However, unpaid domestic work which forms a considerable contribution to the national product is not accounted for. No doubt there are practical difficulties in measuring unpaid work as also conceptual problems[15] but the underlying reasoning of this marginalisation lies in the fact that it does not fetch a remuneration from the market. And a fall out is the under-valuation of the woman.

Independent of whether the woman's contribution to the economy is significant by economic standards, she does have an intrinsic value of her own. As a human being her right to a life of meaningful existence and dignity cannot be denied. If the health, nutrition and mortality statistics of women and girl children show a deterioration, it is a negative signal for society irrespective of their roles as producers.

It would also seem from the paper that the woman is only a victim who passively adjusts to the distributive rules set by the household. This is again not entirely true. In the first place it is the behaviour of people over many years that set non-economic and economic norms which in turn determine the distributive rules. Secondly, no one person is always a passive victim just as no one person always an active formulator of rules. Women at a point of time operate within a given set of distributive rules and are subject to them as are other members of the household. But changes could occur in the distributive rules due to an outside stimulus. This stimulus could be marriage, migration or an economic crisis brought on by an APP.

Since the lives of women are largely governed by the mechanics within the household their coping strategy has to be seen from two angles. One, the method of coping when the household's well being is at stake and the woman does not see her own well being as different from the collective well being of the household. Often it is this kind of attitude that explains why in the face of inequality and deprivation women do not protest or question [Sen 1990]. The lack of a personal perception of welfare combined with a great concern for the family helps to sustain existing discriminatory rules of distribution.

The second dimension of coping strategy lies in the woman having some perception of personal welfare separate from and perhaps in conflict with the perception of welfare of the household/other members of the household. She then has to make space for herself within the existing distributive rules even whilst attempting to alter them. In this strategy she copes with the intra household gender specific disparities in distributive rules with respect to (a) income/resources and (b) time. For example, Sen sees the household to be a scene of co-operative conflict where spouses have different goals and strategies. There are a number of potential solutions that can be reached but the final solution is an outcome of the relative bargaining abilities. Significantly, bargaining ability here is not a personal negotiating skill. Factors like a perception of self-worth, of actual ability to earn a market income or bring valued resources into the household, the value to the contribution given by other household members influence bargaining ability [Sen 1990].

To go back to the argument about the transition period of the APP pushing the woman towards breaking point, the implications of the second dimension of coping on the part of the woman raises more questions about the ability of the household to absorb the shocks. Even if one accepts that mothers do not abandon children in times of crisis, necessity may transfer the burden to more vulnerable members of the household which comprise of children, and particu-

larly girl children Taken collectively it seems that the household copes, survives and absorbs the shock [16] But the distribution of costs across the members is uneven and the production and maintenance of human resources comprising one-third of the population is jeopardised

Likewise, within the economy, the distribution of costs across economic units is uneven and the household bears the maximum impact This is because even if individuals participate in economic activity within the framework of other economic units, the questions of sustenance and survival are ultimately traceable and have to be answered within the framework of the household In the light of these arguments, the questions that arise are,

(1) Given an existing set of distributive rules within household, what are the changes in consumption and production patterns that will be initiated by the macro stimulus of the transition period during the APP

(2) Will there be a change in the distributive rules due to a change in estimations of needs and contributions of members within the household?

(3) Will the economic/non economic norms alter? If yes how?

(4) In coping on behalf of the household will the woman reach breaking point? Or will she be able to transfer the pressure to other members perhaps children? Or will she collectively with other women in the community devise alternate coping mechanisms?

(5) Subject to question (4) as a result of the coping strategy does the household survive at the expense of the woman or the woman at the expense of the household or do both pull through?

Gender Bias and Safety Net

We have seen that there is an inherent male bias in the formulation of the seemingly gender-neutral macro APP in that it does not account for the cost and investment of time and effort on the part of women in the production and maintenance of human resources The implications of this bias range from a miscalculation of the effects of the macro-policies to a very misunderstanding of basic key concepts of the APP like 'productivity' and 'efficiency' [17] Further it has been argued that different policies affect men and women differently, note of which is not taken by policy-makers [18] Since the formulation of the safety net is now part of the formulation of the APP the arguments towards engendering policies also extend towards the safety net

In sum, the safety net has to be pre-emptive rather than curative or compensatory It has to serve as a cushion that enhances the survival chances of poor households in a recognition that it is the household that forms the buffer during the transition period It has to be gender-sensitive in that it encompasses measures which redirect resources directly to women and indirectly through health, education, services, water, supplies sanitation faculties, and public transport which then aid them to manage the household as also to participate in market activity

In the light of the above argument a certain specificity emerges in how the safety net should be identified and devised It has already been argued by the UNICEF in their advocacy of "adjustment with a human face" [Cornia, Jolly and Stewart 1987] that structural adjustment policies should be so formulated that the costs to poor households are reduced and their capacity to survive the crises be enhanced The response to this report was the emphasis on safety nets laid by the World Bank and echoed by the countries undergoing the programmes The safety net outlined by India is also of this nature where the "vulnerable" are sought to be protected However, the intent and purpose of this approach has been questioned and criticised by Elson who advocates "transformation" as against "protection" Elson advocates the transformation of social relations of production and reproduction According to her there can be "adjustment with a human face" only if strategies for struggle are aso outlined along with strategies for survival [Elson 1992a]

Conclusion

In conclusion it can be said that unless the unit of the household is opened up for investigation the true impact of the APP cannot be identified, without which an effective safety net cannot be devised Even if one stays within the narrow confines of the rules of the economic regime it makes 'economic sense' to protect the erosion of a valuable factor of production The choices made now have an irreversible inter-generational impact But what is actually required is a vision that goes beyond the economic regime without which there will be neither sensitivity nor realism in the formulation and implementation of economic policy The need is immediate considering the reach of the APP both in space and in time

Notes

[This is a revised version of the paper presented at the Conference on Structural Change and Gender Relations in the Era of Globalisation, September 30 - October 1, 1993, Toronto, Canada
The paper is part of an ongoing project examining the effect of macro-economic policies on the lives of women, conducted jointly by the CWDS New Delhi and the North-South Institute Ottawa, Canada, funded by the Conference Board of Canada. The paper was prepared before the union budget of 1993-94]

1 It has also been argued that the process of deregularisation and liberalisation had already been set into motion earlier by Rajiv Gandhi However, in June 1991 the programme was formally initiated

2 Substantial withdrawals have been made from 1990-91 onwards under one facility or other Besides, the Reserve tranche drawings of SDR 487 million (US $ 666 million), India drew SDR 1 269 million (US $ 1 814 million) from the Fund in 1990-91 In 1991 92 the drawal was SDR 905 million (US $ 1,240 million) India made a 20 months stand by arrangement with the Fund in October 1991 for a total loan of SDR 1 656 million (US $ 2,262 million) two instalements worth SDR 270 million (US $ 382 million) were drawn in 1991 92 In April-December 1992 SDR 924 million (US $ 1,306 million) has been availed of leaving a balance of SDR 462 million (US $ 650 million) to be drawn till May 1993 (Economic Survey 1992 93, p 117)

3 There is now considerable amount of literature analysing the experience of developing countries in sub Saharan Africa Latin America, the Caribbean etc with adjustment policy programmes For example Afsher and Dennis (eds) 1992 Sen and Grown 1985 Singer et al 1991 Sobhan 1993 Taylor 1991 Vickers 1993 Ward 1990

4 A Preparatory Committee for Alternative Economic Policies has been established in New Delhi This committee comprises of members opposed to the new economic policy (NEP) in India and presents a forum to come together to devise an indigenous alternative to the NEP The Committee believes that India has enough resources to solve its problems without help from the Bretton Woods Institutions

5 Foundation Day Lecture of Manmohan Singh, Finance Minister at Environment and the New Economic Policies New Delhi June 17 1992

6 P S 48, 2 61C plan outlays by Heads of Development Centre States and Union Territories (1990 92 1992 97)

7 Ghai and Hewitt de Alcantara make an interesting analysis of how the APP in Africa and Latin America changed the life chances of different classes as also of different categories of people within the same class Their analysis includes the upper class the salaried middle class as also the working class

8 The glued together terminology is used by A K Sen 1983

9 Production is taken to mean an alteration of form or composition so that the new commodity or service is differentiable from its earlier form or composite components

10 There would be an overlap as regards the supply and also production of certain goods and services For example a good may be initially produced outside the household but further processed and hence ultimately supplied from within the household For analytical purposes we consider the end product/service in determining whether its supply/production was made outside the household or from within

11 The intra household disparities in allocations of resources have been studied its a theory of entitlements (Sen 1987 1990 Papanek 1990) There also have been individual studies which observe resource allocation within households in developed capitalist societies, transitional societies and subsistence economies (Young 1992)

12 Given a minimum per day energy requirement of 2 400 calories per individual in the rural areas and 2 100 calories in the urban areas, the Planning Commission has estimated the incidence of poverty in 1987 88 to be 33 4 per cent in rural India, 20 1 per cent in urban areas and 29 9 per cent at an all-India level

13 In the use of the word 'woman' it may seem here as if the visualisation is limited to that of

a nuclear family This is not so In non nuclear families it is the women in the household that share the responsibilities However the distribution of power and authority differs across women since all women in a given household are not equal Often older women have more space and authority hence more rights and less responsibility I use the word woman in a symbolic manner to differentiate across gender

14 When surviving becomes more difficult one effect could be in less children being born but at that point of time the rearing of the existing number of children poses problems

15 For a discussion of these problems see Lucella Goldschmidt Clermont 1982

16 Here it is critical to *define* what is meant by a breaking point At an extreme level one can take death of member(s) to mean a breakdown In such a circumstance even if there is a drop in nutritional levels but the members survive (live) then it can be interpreted as coping If on the other hand a certain minimum floor level of sustenance is stipulated and the crises causes the members to slip below that level causing a disruption in their lives it can be taken as a breaking point In a typically micro economic sense (used by policy makers) a household as a unit would be said to cope if its members somehow manage to keep body and soul together

17 For a discussion see Elson 1992a 1992b

18 The gender impact of development policies *per se* has been an important issue on the mandate of women studies scholars as also women s movements It started across the world way back in the late 60s and in India in the early 70s There is considerable literature generated that investigates the gender impact of structural adjustment programmes ever since they came centrestage of development policy

References

Afshar H and C Dennis (ed)(1992) *Women and Adjustment Policies in the Third World* Macmillan London

Bajpai Nirupam (1993) Stabilisation with Structural Reforms Can the Two be Pursued Simultaneously? *Economic and Political Weekly* May 15

Becker Gary (1974) A Theory of Marriage in T W Schultz (ed) *Economics of the Family* University of Chicago Press Chicago

(1981) *A Treatise on the Family* Harvard University Press Cambridge

Beneria Lourdes and Shelley Feldman (eds)(1992) *Unequal Burden Economic Crises Persistent Poverty and Women s Work* Westview Press Boulder

Bhattacharyya N (1991) Tailored to Suit Fund Bank Interests *Mainstream* August 3

Bidwai Praful (1991) Sinking Deeper into IMF Quicksand *The Economic Times* August 15

Cornia G A R Jolly and F Stewart (eds) (1987) *Adjustment with a Human Face* Vol 1 UNICEF/Clarendon Press New York

Cornia Giovanni Andrea (1990) UNICEF s views on the Experiences with Structural Adjustment Programmes in *Structural Change and Poverty* CDR project paper 90 2 Centre for Development Research

Deshpande Sudha and L K Deshpande (1992) New Economic Policy and Female Employment *Economic and Political Weekly* October 10

Dev Mahendra S and M H Suryanarayana (1991) Is PDS Urban Biased and Pro Rich? An Evaluation *Economic and Political Weekly* October 12

Dhar P N (1992) Constraints on Growth Reflections on the Indian Experience' in Uma Kapila (ed) 1992 *Indian Economy since Independence Vol 4 Recent Developments in Indian Economy with Special Reference to Structural Reforms* Part one Academic Foundations Delhi

Economist, (1991) The Caged Tiger A Survey of India *The Economist* May 4

Elson Diane (1992a) From Survival Strategies to Transformation Strategies Women s Needs and Structural Adjustment' in Lourdes Beneria and Shelley Feldman (eds) *Unequal Burden Economic Crises Persistent Poverty and Women s Work* Westview Press Boulder

(1992b) Male Bias in Structural Adjustment in H Afshar and C Dennis (eds) *Women and Adjustment Policies in the Third World* Macmillan London

(1993) Gender Aware Analysis and Development Economics *Journal of International Development* Vol 5 No 2

Galbraith John Kenneth (1973) *Economics and the Public Purpose* Penguin Books Harmondsworth

Ghai Dharam (ed) (1991) *The IMF and the South The Social Impact of Crisis and Adjustment* Zed Books London and New Jersey on behalf of UNRISD Geneva and ISER/UWI Kingston 1991

Ghai Dharam and Hewitt de Alcantara Cynthia (1991) The Crisis of the 1980s in Africa Latin America and the Caribbean in Dharam Ghai (ed) *The IMF and the South The Social Impact of Crisis and Adjustment* Zed Books London and New Jersey on behalf of UNRISD Geneva and ISER/UWI Kingston

Goldschmidt Clermont Luisella (1982) *Unpaid Work in the Household* International Labour Office Geneva

Gupta S P (ed) (1993) *Liberalisation Its Impact on the Indian Economy* Indian Council for Research on International Economic Relations Macmillan Delhi

Gupta S P Minna Bal and Rashmi Shankar (1993) Cross Country Analysis of Impact of Liberalisation and Economic Reforms in S P Gupta (ed) *Liberalisation Its Impact on the Indian Economy* Indian Council for Research on International Economic Relations Macmillan Delhi

Government of India (1993) 'Economic Reforms Two Years After and the Task Ahead Discussion Paper Ministry of Finance Department of Economic Affairs Government of India New Delhi

Government of India, *Economic Survey 1992 93* Government of India Ministry of Finance Economic Division, New Delhi

Hatekar Neeraj (1993) 'The Public Distribution System and Health Policy Need for an Integration Paper submitted to *Sixth National Conference of Indian Association for Women s Studies on the New Economic Policy and Women* Mysore

Howes Stephen and Jha Shikha (1992) Urban Bias in Indian Public Distribution System *Economic and Political Weekly* May 9

Kapila Uma (ed) (1992) *Indian Economy since Independence Vol 4 Recent Developments in Indian Economy with Special Reference to Structural Reforms* Part one Academic Foundations Delhi

Kumar Arun (1991) Into the Valley of IMF March the 800 Million', *Mainstream*, August 24

Liebenthal Robert (1980) World Bank experience with Structural Adjustment and Poverty Alleviations in *Structural Change and Poverty* CDR Project Paper 90 2, Centre for Development Research

Moser C (1989) The Impact of Recession and Adjustment Policies at the Micro-Level Low Income Women and Their Households in Guayagirl, Ecuador', UNICEF (1989), *The Invisible Adjustment Poor Women and the Economic Crisis* UNICEF, New York

Nachane, Dilip and Ajit Karnik (1992) 'The Indian Economic Situation Issues and Prospects' in V R Panchmukhi (ed) *Fiscal Management of The Indian Economy* Interest Publications New Delhi

National Commission for Women (1993) Revamped Public Distribution System in the context of the New Economic Policy mimeo *Report of the National Commission for Women* New Delhi

Ostergaard, Lise (ed) (1992) *Gender and Development A Practical Guide* Routledge London and New York

Panchmukhi V R (ed) (1992) *Fiscal Management of the Indian Economy* Interest Publications, New Delhi

Papanek Hanna (1990) To Each Less Than She Needs from Each More Than She Can Do Allocations Entitlements and Value in I Tinker (ed) *Persistent Inequalities Women and World Development* Oxford University Press New York

Prabhu Seeta K and Chatterjee Somnath (1993) *Social Sector Expenditures and Human Development* Department of Economic Analysis and Policy Reserve Bank of India Bombay

Rangarajan C (1992) Economic Reforms A Step in Right Direction *The Economic Times* August 17

Sen Amartya (1983) Economics and the Family *Asian Development Review* Vol 1

—(1987) *Hunger and Entitlements* World Institute for Development Economics Research United Nations University

– (1990) Gender and Co operative Conflicts in I Tinker (ed) *Persistent Inequalities Women and World Development* Oxford University Press New York

—(1992) Economic Development and Women s Concerns in *Integration of Women s Concerns into Development Planning in Asia and the Pacific* Economic and Social Commission for Asia and the Pacific United Nations New York

Sen Gita and Caren Grown (1985) *Development Crises and Alternative Visions Third World Women s Perspectives Development Alternatives with Women in a New Era* (DAWN) Media Redaksjonen Olden

Singer H W Neelamber Hatti and Rameshwar Tandon *Adjustment and Liberalisation in the Third World* New York Order Services Twelve Indus Publishing Company New Delhi

Sobhan Rehman (1993) Structural Maladjustment Bangladesh s Experience with Market Reforms *Economic and Political Weekly* May 8

Taylor Lance (1991) *Varieties of Stabilisation Experience Towards Sensible Macroeconomics in the Third World* Wider Studies in Development Economics Clarendon Paperbacks Oxford

Tinker, Irene (ed) (1990) *Persistent Inequalities Women and World Development*, Oxford University Press, New York

Vickers, Jeanne (prepared by) (1993) *Women and the World Economic Crisis* Women and World Development Series Zed Books London and New Jersey

Vyas, V S (1993) 'New Economic Policy and Vulnerable Sections Rationale for Public Intervention', *Economic and Political Weekly* March 6

Ward, Kathryn (ed) (1990) *Women Workers and Global Restructuring* ILR Press, School of Industrial and Labour Relations, Cornell University, New York

Young, Kate (1992) 'Household Resource Management' in Lise Ostergaard (ed), *Gender and Development A Practical Guide* Routledge, London and New York

Women and Technological Change in Rural Industry

Tile Making in Java

Juliani Wahyana

The introduction of new technology in tile making in Java has disrupted the social relations among its people in particular between men and women Sexual division of labour gets reconstituted with shifts in production methods and technology, but at any given point of time acts to distribute power, resources and authority in ways that keep women subordinated In this shift a new sexual division of labour often becomes more disadvantageous to women

I
Approaches to Technological Change and Women

MANY analyses of the impact of techno logical change on women have mainly dealt with the economical aspects of such a change [1] For instance according to the neo classical model unemployment caused by technological change is only temporary If the market is freed automatic compensation will occur [Goodman 1987] In the Keynesian model the government has a greater role in influencing market demand for products resulting from technological innovations and thereby balance the increase in labour productivity by additional employment generation Increased productivity employment opportunities and income distribution are the central theme of economic models in analysing the impact of technological change

In such analyses impact of the introduction of new technology is studied in terms of changes of the conditions of wage employment While in many third world countries, the labour force is not completely integrated into the wage system as Whitehead argues wage employment coexist with other forms of production of various kinds so demands on labour do not necessarily operate according to the principles of the labour market and wage employment' (1985 29) In addition, many people in third world countries do not earn the so called family wage in which one wage is sufficient for the whole family Thus women have to contribute to the family income through their involvement in production either as paid or unpaid labour Moser and Young say

> the stereotype of the housebound wife holds true for only a limited number of women [in third world countries] since just a small percentage of men earn regular wages Most working class women have to supplement the family budget by undertaking a variety of paid unskilled income generating activities Without this active economic participation, their family would not survive (1981 56)

The inadequacies of economic models to integrate women in their analysis is a challenge to feminist theoretical scholars to come up with a more comprehensive approach [2]

According to Brown (1981) technological change or technological upgrading is defined as the integration of a new package financed out of own or borrowed funds into established patterns of production and marketing The definition implies that technological change is a process which changes over time A new technology or a new package of technology is a response to a particular situation in the society This situation is conditioned by the social organisation Consequently there are, implicit in this package of technology, certain assumptions regarding the social organisation in which a new technology is introduced Meanwhile, the society in which the innovation is introduced is not a passive recipient rather it actively regulates itself to the requirements of technology or rejecting or redirecting the intended use of the technology [Stamp 1989] The law of action and reaction also holds true in this case

As technological change is a process the impact of such a process on women becomes complex On the one hand, the allocation of labour between women and men is governed by the social relations On the other hand, the same social relations may change due to technological innovations Consequently, the allocation of women s labour in tasks, activities, and production may and will alter

An example from Java illustrates the above phenomenon In Java like in many other developing countries, modernisation in the agricultural sector, or to be more specific in rice cultivation, began through the introduction of High Yielding Variety (HYV) rice The traditional variety of rice used to be cut in stalks with 'ani-ani' knife (a traditional small knife for rice-cutting by women) Due to the introduction of the short grains of HYV, the use of ani-ani knife for harvests has become obsolete For the new varieties of rice, sickles are used Sickles are considered as men's tools for they are 'big', 'heavy', and 'dangerous', therefore only men are supposed to use them Men took over the task of rice cutting Indeed the use of sickles reduced the workdays necessary for rice harvest from 200 to 75 per hectare [Collier cited in Kerstan 1992] Along with this it led to a massive displacement of rural women wage workers who had worked as harvesters However, this situation did not last long as the women tried to respond to the new situation by upgrading their skills to use the sickles Little by little women are now reclaiming their share in harvesting

The introduction of new technology (HYV) generated altered relations of production between the sexes (men's taking over women s task of rice cutting) which stimulated in turn another set of new gender relations (women s ability to use 'men's tool) and reclaiming their original sphere of rice cutting Yet we still tend to see technology as a physical rather than social presence Technology is not only the hardware but also the software

Economic models are inadequate to explain the detriment to women in the face of technological change Women are involved in production in a different way compared to men Women and men do specific but different tasks in production This allocation of tasks is a set of specific social relations shaped by the ideology and cultural norms regarding the appropriate roles between men and women

Household and Impact of Technological Change

Whitehead (1985) argues that family-based household relations between men and women determine the terms on which women and men enter into wider economic political and social relations Traditional economic models usually see households as a democratic unit in which all members will obtain the same rewards from their labour and the same benefits from technological innovations However as many studies show, this assumption is arguable One of Palmer's studies (1978) which deals with technological change in agriculture for instance, show that the introduction of new technology in the forms of HYV has result-

ed in the more intensive use of female family labour among farming classes[3]

Sen's analysis of the distribution of fruits of technological change has been very useful in understanding the above phenomenon i e the more intensive use of female family labour within a peasant household According to him households face a dilemma—its members are required to co-operate to add to the family s prosperity they also face conflicts on how to divide this among members A technological interdependence makes it fruitful for the different parties to co operate but the particular pattern of division of fruits that emerges from such co-operation reflects the bargaining power of the respective parties [Sen 1985] Thus, in the case cited above women in the farming households face an unseen force', i e, they have to work more intensively due to their relative position and bargaining power in the household Their bargaining power in turn is determined by the existing pattern of gender relations

The power relations between (or the bargaining position of women and men), in the case of a husband and wife will determine the outcome in a new situation Thus, if the initial bargaining power between a husband and a wife is already unequal in which one has relatively more power than the other, then the outcome of a new situation will be better for the one that has the power This outcome is manifested in for example, the distribution of income and consumption within the household

With regard to cash income, many studies indicate that it is usually men who have the primary control over the family cash income For instance in south Gujarat, the wages paid for work done by women and men for agricultural labour households are usually handed to the male members [Breman 1981 in Agarwal 1985] This is also true in the context of Malaysian plantation workers (Heyzer, 1980 in Agarwal, 1985)

However the way in which income is spent may vary according to who controls it In many instances if women have some control over expenditure than they tend to spend the money on family needs, whereas men tend to spend it on their own needs Although in societies in south Asia, for instance men also share responsibility for the subsistence family needs, the tendency is that the relative sharing of food and cash between members of the household could nevertheless still favour the men [Agarwal 1985] This is apparent in the sharing of food amongst family members There is enough evidence to show that the actual distribution of food and nutrition tends to favour men relative to the women in large parts of the third world Male members of the household are usually given the best diet in terms of quality and quantity [Agarwal 1985] Chatterjee (1989) in one of her studies on women's health care showed that in India women are amongst the worst victims of sickness, disease, malnutrition and premature death Mortality and sickness rate is higher among women

The unequal distribution of food and consumption in the household is an indication of how women are valued In poor households, food as a means of survival is very crucial for the upkeep of all members However, due to norms and ideology, women are ascribed as secondary earners and male members in the households are regarded as primary or potential earners It goes without saying that this normative depiction affects the distribution of food in the family in which women are given the second priority Chatterjee (1989) shows that in India even a male child is treated preferentially compared with his mother He receives a food ration more than his lactating mother

These examples from south Asia and south-east Asia show that a model which sees the household as a democratic unit is misleading Household's member's interests are different one from another, and the way the household distributes its availabilities to each member is unequal depending on each member's position in it From this, a link can be drawn to technological innovations If there is a change in the household's total prosperity as a result of technological innovations, the fruits of such a change to each member will be determined by each member's position in the household As it is apparent that women's position in the households are usually lower than men, women tend to obtain less than men

II
Gender, Class and Sexual Division of Labour

The terms under which women's work is performed influences the effects of technological change on women It is true that all women do not belong to the same class It is also true that women of all classes do not perform tasks in production under the same production relations as their men There are women who work as wage labourers and there are other women who belong to 'owner' class but the female wage labourer has different terms than the male counterpart and the female in the 'owner' class would be not 'owners'

> It cannot be argued that women's work is all characterised by the same set of employment relations, nor do the social relations of work take the same forms for women as they do for men [Whitehead 1985 33)

The impact of innovations on women will be different for different classes of women Palmer (1978) shows how the introduction of HYV did not create jobs for women Women wage workers lose jobs when the task they perform is mechanised and women who work as family labour face the intensification of their unremunerated labour Both sets of women face negative consequences

Another feature that needs to be looked at when considering the impact of technological change is what Whitehead (1985) calls 'sex-sequential' nature of production process in which women's labour is put into a specific sequence For instance, in rice cultivation, women's labour is put into specific tasks in a crop cycle such as weeding, trans planting, harvesting, and storage while men prepare the land A good explanation of this sex-sequential production process is given by Deere

> The division of labour by sex is conceptualised as an aspect of the labour process, although an economic category, its specific form and content is determined by the mutual affectivity of the ideological, political and economic aspects that characterise the social formation [Hence] the division of labour by sex is rarely static but changes overtime it is more than a socio cultural convention and is responsive to material conditions of production [cited in Tadesse 1982 80]

Social relations which are often governed by cultural norms and ideology are not static Society, social relations as well as sexual division of labour change in response to new situations The fact that female workers, who are generally paid less than men for their work in the fields, have started using the sickles—a man's tool—serves as an example for the proposition that it is possible to affect a breakthrough in the traditional sexual division of labour [Kerstan 1992]

Studies on the impact of technological change focus only on some categories of labour relations—those women who work as family labourers or women as wage workers There is another category of women that is often missed—that is women as independent producers (in case of agriculture female farmers) Female-headed households can also be grouped in this category What would be the impact of technological innovations on these women?

Although female entrepreneurs can be considered independent producers when compared to women wage workers and women who work for the family, yet they are not operating in a gender free world Independent though they are, they are also constrained by the gender relations surrounding them Therefore, in order to analyse the impact of technological innovations on these women one needs to examine factors which limit them from getting the optimal benefits of innovations such as access to various resources which are of significance for obtaining the fruits of technological change.

Access to Land Capital and Information

Land is one determinant that is usually used to measure a peasant household's welfare situation The more land they have, the better-off their situation is However, this crucial factor is not distributed equally among the peasant households As has happened in many third world countries along with the modernisation in the agricultural sector, the distribution of land has become more and more skewed Land ownership is concentrated among a small number of households, with the majority of households having little or hardly any land However, this situation is not that dramatic if those who belong to landless or near landless households still have access to it What happens is that they have neither land nor access to land This situation becomes worse when it comes to women In most third world societies, women s rights in land are use rights rather than outright ownership rights [Whitehead 1985] Although according to law and customs women may have the legal right to own land, in practice the situation is different In Java, for instance according to inheritance customs men and women may have equal share of the land, but in practice boys have greater claim than girls [Kerstan 1992]

Women s access to use rights is also usually determined by their relationship with a kinsman like a brother, a father, or a husband [Whitehead 1985] Thus in this sense women s access to use right is not secure

> The way in which kinship status determines her access is in any case rather different from that of men for men s rights to land are mainly inherited whereas women's depend on an extant relationship with a living individual Thus insofar as this relationship is liable to dissolution (through death divorce or separation) and her residual claims may be non-existent or difficult to enforce, her rights are often insecure [Whitehead 1985 54]

Capital in the form of credit is of importance as a means to acquire and mobilise resources However, like the case of land, not all groups have equal access to formal sources of credit Poor groups in general, and women among the poor in particular face restrictions in access to credit and financial institutions These restrictions limit the potential for increasing the productive contributions of these groups and further distort the distribution of income and asset ownership A case in point regarding obstacles in acquiring credit is that they do not have a collateral or if they do they cannot use it as freely as men In many cases, male heads of household hold title to land or other property and are required to sign for loans Where businesses are accepted as collateral, for instance, women may not be considered good credit risks because they are engaged predominantly in small-scale informal enterprises and may not have documentation of formally registered business [Schumacher, et al 1980]

Although there is no law which discriminates women from taking loans and credits from banks, almost everywhere that they are less available for women than for men The discriminatory ways in which finance is disseminated is not always sex-specific though it does affect women more A study showed

> Legally, there were no barriers against women applying for loans however their chances of getting loans were diminished by the fact that none of them become 'progressive farmers' In colonial days, only the man as head of the family and therefore the bread winner was conceived of as a farmer Women could not join the peasant and 'improved farmer s schemes which were the backbone of 'progressive farming [Tadesse 1982 86]

The great majority of rural women are completely unaware of the existence of most of the improved technologies that can help them When information does filter down to the village level, it is usually the men who receive it, either because the extension workers are men, or because it is only the men who have time to sit around at organised meetings where such information is given out Unfortunately these communication channels are rarely used simultaneously to inform the men about the importance of helping their wives through assisting them to acquire improved technologies [Carr in Ahmed 1985]

One UNDP report says

> In nearly all countries agricultural training at low middle and high levels is given to men only This of course produces exclusively male instructors instructors who, in turn address themselves to the male farmers, over looking and disregarding women, even in cases where the wives daughters and hired female labour are doing the work [ILO cited in Cain 1981 37]

In Tanzania, for instance, extension services (composed of male agents) on agriculture rarely reached the women fully involved in cultivation [Carr 1982] Another study done by Staudt (1978) revealed that from 212 small farm households roughly half of them are solely managed by women who had never been visited by agricultural officers, compared to a quarter of the jointly managed farms that had failed to be visited [in Ventura-Dias 1985]

Women's access to training in productive skills is primarily focused on cooking and sewing There is hardly any training or courses directed to women which have to do with technology particularly improved technology in production It is to some degree due to the bias and prejudices about women and technology The sexual bias in the channelling of extension services is so pervading that technical assistance experts have trained men in activities that were entirely women's responsibilities, like what happened in one west African country Government extension personnel trained men in appropriate coffee planting techniques even though this task was the responsibility of the women [Carr 1985] For instance men are trained to construct and use pumps wells, filtering systems etc, despite the fact that it is women who traditionally were in charge of supplying water [Karl 1983] Moreover, stereotypes that women cannot manage technology are reinforced by the fact that illiteracy is more widespread among women who, therefore cannot read instructions This situation of unequal access to new techniques and institutions is reproduced through the nature of existing educational institutions as Tadessee argues

> New techniques based primarily on know how such as application of fertiliser or the use of improved seed varieties obviously do not carry an inherent sex designation for utilization But to a certain degree the acceptance and use of improved agricultural methods depends on education And unequal education for the sexes with primarily boys sent to school or boys remaining in school longer than girls creates an ever widening gap between the sexes [Tadesse 1982 87]

It is apparent from the discussion above that not all groups in the society have the same access to resources Access to factors of production is much easier for some groups than for the others With regard to women, they are systematically denied access to land rights resources skills training, farm inputs knowledge extension services and the modern means of production All of these factors are of significance to women as they determine outcomes of a new situation like technological innovations The presence or absence of one of the factors may cause a great difference to the women concerned

The continuous exclusion of women from getting access to vital resources which can enhance their position in the face of technological innovations have marginalised them Marginalisation according to Grijns is

> The process by which power relations between people change in such a way that one category of people is increasingly cut off from access to vital resources (land and water capital employment education political rights and so on) which become more and more monopolised by a small elite [Grijns et al 1992 11]

If we relate this with Sen s bargaining problems model then the denial of women's access to strategic resources can be seen as a result of the specific pattern of gender relations That influences bargaining position of both parties in ways that "differentially bias the cultivation of skills and sustain asymmetry of opportunities offered for acquiring untraditional' skills" [Sen 1985 8]

The obstacles that rural women face with regard to acquiring new technology show that the social and political context in which new technology is introduced is of greater importance than the nature of technology itself The fact that it is women who often tend to lose or gain less from a project than the men of their class relates less to the technical characteristics of the project than to the ideology that legitimises and reinforces women's subordinate position economically and socially both in the household and in the larger society [Agarwal 1985] As Agarwal puts it

> The problem of technological change cannot be located in the technological innovation *per se* since what is often inappropriate about the innovation is not its technical characteristics but the socio political context in which it is introduced (1985 112)

However one must also bear in mind that this does not hold true for all cases of technological change In some cases, there is technology which in itself is inappropriate Many reproductive technologies for instance may be inherently bad for the human body Additionally it is bad for women because it is thrust on women An other example deals with what eco femininism is concerned about Some new technologies generated do not concern the environment at all In Java for instance the increasing use of fertiliser and pesticides in agriculture has in some cases polluted the ground water Women who very much depend on this source of water for their productive as well as reproductive tasks have to face this problem There are cases where polluted ground water has caused deaths among rural population When one deals with questions like who produces the technology and for whose benefits one could argue that only certain technologies are generated and become available because of the power technocrats and business corporations hold Choice of technology introduced therefore can be due to power relations in the society But in all cases their effect is always mediated by the social relations including gender relations

III
Small Industries and Technological Change

As can be seen throughout this discussion examples of impact of technological change are available mainly from agriculture There is not enough material on women in small scale industries undergoing technological change

With regard to women in small scale industries and technological change the few studies done in this area have confirmed that technological innovations are usually unfavourable to women In batik industry, for instance, when the copper stamp (cap) was introduced, this became a men's tool and it led to men taking over the task which used to be done by women using the canting method [4] Along with this change wage differentials also widened Stamping was then ascribed as 'heavy' and requiring 'more skills', therefore it was paid more, four to six times more than other tasks performed by women, such as canting work and finishing work [Joseph 1987, Wieringa 1981]

Changes in market demand for batik that were artistic paintings resulted in producers going back to 'traditional technology' that is the use of canting, a tool which used to be considered as women's tool and the making of batik traditionally was 'women's work' This new style of artistic batik has now acquired the label 'skilled' and is now done exclusively by men in small workshops [Wieringa 1981]

Another case is the introduction of new products and new designs in the rattan handicraft in west Java [Smyth 1990] Here technological change has resulted in increased differentiation among producers and consequent marginalisation of females Experiences in central Java show however that it is possible for women sometimes to be able to reclaim their economic position as time goes by

The impact of technological innovations on women thus varies depending on several factors One of the factors is the selection of the technology Technology selection is determined by access to available technologies Another factor, which is also important is the social condition in which new technology is introduced Examples from agriculture show that many detrimental effects of technological change to women are not caused by the technology itself For instance the introduction of new rice varieties which was technically supposed to create jobs for women did not in effect happen because new varieties were introduced together with mechanisation The supposedly positive impact of the introduction of the new varieties on female employment got neutralised by this mechanisation

One must bear in mind when discussing the impact of technological change that not all women are governed by the same social relations In production, employment and social relations which regulate processes may differ from one woman to another There are women who are ruled under specific employment relations such as wage workers and family labour There are also women who work as entrepreneurs The distinct social and employment relations that regulate work for women will determine the effects of a new technique Gender as representation of social relations conveys with it the persisting inequalities as well as the power relations between men and women Specific pattern of sexual division of labour as a product of social organisations will also determine the impact of technology adopted

Although implicit in the social arrangements are the inequalities between the sexes, they are not something unchanging Society men, women as well as the relations among them do and can adjust to a new situation, i e technological innovations as in the examples mentioned earlier —the use of sickles by women and canting in batik making by men Sexual division of labour may break down due to changing situations and which may be advantageous or disadvantageous to women

IV
Javanese Women: Between Ideology and Reality

There is a common perception that Javanese women enjoy a relatively high status and therefore a high level of autonomy and power in the family as well as in the society due to their contribution to the family purse and production [Geertz 1961 Papanek and Schwede 1988] But recent studies have shown that the notion of Javanese women's high status is also contested Wolf (1992) and Djajadiningrat Nieuwenhuis (1987) for instance argue that the power the Javanese women possess in fact is not the real power since the notion of power in Javanese society is different from the notion of power in western culture i e control over income Thus what seems to be the power from the point of view of westerners is not power' in the real sense in the Javanese society Therefore the power' of Javanese women does not carry with it any authority

Javanese Family System

Geertz in her study conducted in Java said that Javanese society is a matrifocal society in which " a woman has more authority influence and responsibility than her husband and at the same time receives more affection and loyalty [Geertz 1961] She went on further to emphasise the close knit relationship between related women whereas the role of male members is comparatively insignificant This matrifocality extends to post marital residence A newly wed couple will usually reside with the bride's family from five to 10 years of their married life [Wolf 1992] Matrifocality does not only apply to the nuclear family but it is extended to other relatives as well [Kerstan 1992] Thus, a woman is central in the family as well as in the society If one follows Tanner's definition of matrifocal, then one sees how essential a woman's position is She defines matrilocal as kinship systems in which the role of the mother is structurally, culturally, and effectively central and this centrality is legitimised

These features coexist in a society where the relationship between the sexes is relatively egalitarian and both women and men are important actors in the economic and ritual spheres [Tanner in Kerstan 1992]

The important role of Javanese women in social matters has been well-documented [Geertz 1961, Hull 1982, Cooley 1987, Kerstan 1992] A Javanese woman is expected to maintain a harmony ('rukun') not only in the family but also a harmony with the neighbours (social harmony) A woman is also expected to maintain the social harmony through rituals and custom This can take the form of a feast ('selamatan') Selamatan is very central in Javanese society Almost every event of a person's life cycle is always commemorated with selamatan It occurs on occasions of pregnancy, birth, circumcision, marriage, death, etc According to Sayogya this feast also serves as "the major form of reciprocal inter-household social and material exchange [cited in Cooley 1987 24] While the role of men is one that is formal and ceremonial, the role of women is one of informality which involves material exchanges like buying and preparing food, and deciding how much food is given to whom Concerning the distribution of food Stoler (1977) argues that the real mediators of inter-household relationships in the selamatan are the women, not the men

However, seeking rukun (harmony) is not something without conflicts Although in principal harmony means co-operation and minimal conflicts direct self-interest works against harmony [Wolf 1992] Seeking rukun may encourage constraint, compromise, and sacrifice Geertz, for instance observed the conflicts in the family regarding inheritance White and Wolf pointed out the intrafamilial conflicts over money and labour [Wolf 1992 61] Thus what is seen as the ideal is not always so in practice

Marriage is a very crucial aspect in one's life cycle in the Javanese society since it shows one's development to a higher status When young Javanese become married, they are said to have reached the rank of 'wis Jawa' (Finally Javanese) [Cooley 1987]

Before going further, it is important to know first about different classes in the society Javanese society is a very stratified society There are considerable differences in the descriptions of its structure [Geertz in Alexander 1987] Koentjaraningrat, for example, differentiated the society into two groups, namely, the peasantry and the elite, and later on he added one more category, i e, the traders [Alexander 1987] Within the peasantry, there is still further stratification based on access to resources, i e, land and capital For the sake of clarity, we can use the terms the poor/rural class and the middle-class (including the elite) This stratification is important to bear in mind since it has a considerable bearing on the way the society organises its social life As women do not constitute an independent class but belong to existing classes, it is of importance to note these differences Norms are different depending on the class the woman comes from

Going back to marriage, the notion conveyed by marriage is of being a wife and a mother Once a woman enters marriage, she has to perform those two roles On the other side the role of a husband or the head of the family is that of the sole breadwinner This view holds true for both middle-class and rural class However, conceptions about marriage are different depending on the women's class standing For the middle class, marriage is a way to beget offspring Being a housewife, for them, is a prestige as it indicates that one is free to choose to stay at home [Hull 1982] Whereas for the poor, marriage is seen more in terms of economic relations

Although the prevailing norms are those which reinforce the high status of being a wife and a mother, for the majority of rural women the reality is very different As the majority of rural women are poor even though they enter into marriage, there is no way for them to just stay at home be a serving and dutiful wife and later on be a good mother They have to involve in gainful employment either as self employed, wage labour or family labour To be sure, to some extent, this gives them a sense of independence

This is borne out in the correlation between divorce patterns and the women's class [Hull, Singarimbun and Manning in Wolf 1992] Divorce is more common among rural and poor women than among middle class women This results from different conceptions on divorce between the two classes of women Divorce carries greater stigma for middle class than for rural women Besides, middle class women tend to avoid divorce because of their economic dependence on their husbands For poor women, dependence on men is less, for economic reasons but more for their motherhood [Grijns 1987]

Thus women from the poor class are more ready to face divorce or separation The divorce rate among lower class for instance in eastern Java was 47 per cent based on the 1953 official statistics [Kerstan 1992 132] However, this rate has been declining from time to time Kasto, in his study done in Yogyakarta in 1982 reported that the divorce rate was 10 per cent [in Kerstan 1992] Another study done in 1992 by Berninghausen and Kerstan (1992) showed that the divorce rate in their village of study was 17 per cent The decline of divorce rate is due to new laws governing divorce as well as the continuous state propaganda in reinforcing the role of a woman as a supportive wife, a good mother, and an impeccable housewife [Wolf 1992, Wieringa 1993 Lembaga Studi Realino 1992] There is a strong influence of the middle class norms which see a woman's role solely as a good mother and wife The image of this ideal woman is also reinforced through state run women's organisations In their programme, they emphasise the important double role of women in the family Although the ideal image and the norms are of a woman being a wife and a mother in reality the majority of women are also family providers

Some writers prefer not to use the concept status since it is not clear in definition and may raise confusion Instead of status, Sanday suggested authority' and power' The first implies the right to control the use of joint resources and the lives of others whilst the latter indicates the ability to influence decisions made by those with authority [Sanday in Whyte 1982] Stoler prefers the use of the terms female autonomy which signifies the extent to which women exercise control over their own lives and have social power The latter is the extent to which women exercise control over the lives of others [Stoler 1977] Here, I will follow the definition of status as female autonomy and social power proposed by Stoler

A woman's status in the society is usually linked to her role in production In some tribal societies for instance where men and women work for subsistence the women have as equal status as the men In early China women enjoyed a relatively high status when they were food gatherers [Lang in Whyte 1982] Some see feudalism and colonialism as having contributed to the deterioration of women's status in the society is women are relegated to subsistence production while the men work on cash crops [Boserup 1970] However this is not always the case The colonialisation period in Java for instance is pointed out by Stoler did not decrease women's economic contribution in productive activities Thus, according to her it is not the type of production but the productive relations involved which are more important for social power

In Javanese society status is conditioned by class standing In Javanese settings, status is linked with the possession of land Due to the increasingly stratified agrarian economy as a result of intensification in paddy production land has become concentrated in the hands of a small number of people It, therefore left the majority of households as well as the majority of rural women without sufficient amount to meet subsistence needs [Wolf 1988] This polarisation has caused widening of the gap in wealth among the peasantry Consequently, it has also widened the gap in status among women

Besides class, status is also linked with generation and age This can be seen through

the language used in the society Javanese has several levels of languages from the most formal one to the most casual (coarse) one The level of language used is determined by the social position of both parties For superiors and older people, a more formal form of language is used Whereas for inferiors and the young the form of language used tends to be the casual or coarse one

Age is also an important determinant in one's status In Javanese kinship terminology relatives are addressed in generation-specific terms and not in sex specific terms [Grijns 1987] For instance when a Javanese addresses somebody s/he always uses terms such as 'younger sister/brother' or older sister/brother

Another aspect which is also an important aspect in determining one s status is gender A husband will address his wife by using the term adik meaning younger sister even though there is no age difference between them In many cases a husband addresses his wife only by using the wife's name Adversely, a wife will address her husband by using the term mas meaning elder brother' or pak meaning father but never does a wife address her husband only by calling his name With regard to that Grijns says that this indicates the association of male with older which is more appreciated than female and younger In this case a clear link is established men s social status is higher than women s (1987 110) In general it can be said that the combination of age and having children in the framework of marriage plus the class standing determines the social status of a Javanese woman

Sexual Division of Labour

Working women in Java especially among peasantry (the group of women we are dealing with in this paper belong to this category) are not something unusual Both men and women work hand in hand for the survival of the family The Javanese, unlike other societies do not automatically consider women to be ignorant and incompetent It is very common for Javanese women to contribute to the household economy Many studies done in Java pointed out that Javanese rural women are very active in gainful employment and this has become an attribute of Javanese women s relative high status [Geertz 1961 Papanek 1987 Hull 1982] A woman who does not work while she is in fact capable is considered to be lazy and will be looked down upon by other women

Despite women s participation in the household economy the traditional sexual division of labour which is apparent in Javanese society is the association of women with reproductive work such as child care and domestic chores, and men with productive work The implications of this division to women are two-fold while women on the one hand have to participate in gainful employment, on the other they also have to do the household tasks such as domestic chores and maintenance of the households This has resulted in double burden for these women The perception of gender roles in Java is one of ambivalence A woman is expected to make economic contribution to the household income, yet they are perceived to have the sole responsibility for the material and psychological well being of all household members It is the woman's economic responsibility to carry the household through bad periods

Women's incomes primarily go to the fulfilment of day-to-day maintenance and men's earnings go to larger but more casual expenditures such as school fees or the purchase of consumer goods [Smyth in Utrecht 1989] Consequently, women tend to engage in work which is less risky but gives steady income However, this pattern of labour allocation within the household is also attached to the social class of women For the majority of women who are usually from landless or near landless families, they tend to have a secure and steady flow of income Whereas women from wealthier and landowning households tend to undertake risky but lucrative jobs which require large capital such as batik and jewellery trading [Papanek 1987, Hull 1982, Utrecht 1989]

Due to their contribution to the family income one can therefore easily draw a false conclusion that Javanese women have relatively high status Yet, if one examines further what actually constitutes 'power' in Javanese notion then one can see that the so called 'economic power' a Javanese woman has, is a 'shadow' power, not real power Javanese has a different notion of power from the western one In the western notion control over money, here extended to economic independence is equated with power Power in Javanese emanates from different sources Power is more about 'good personal traits' rather than the material one [Djajadiningrat-Nieuwenhuis 1987] Thus trading in a market for daily necessities, for instance, dose not carry high status Based on the Javanese beliefs, only men who can achieve inner enlightenment and good personal traits Women, due to their biological function are constrained and trapped in material and social dictates, therefore they cannot achieve inner enlightenment Consequently, women are assigned to worldly business such as gaining material things or involved in income earnings activities [Djajadiningrat-Nieuwenhuis 1987, Kerstan 1992] Thus, it is no wonder that Javanese women are active in their participation in income producing activities

For a Javanese woman, earning money is a must and it is a part of their obligation as a good Javanese What constitutes as 'good' or 'bad' again is conditioned by specific culture of this very society Therefore, earning money does not directly correlate with a Javanese woman's status In fact, it carries with it more burden to the woman

With regard to women's economic power, Errycson said that "such economic power may in fact represent the opposite of power in cultural terms, accruing lower rather than higher prestige" [cited in Wolf 1992 64] Therefore, one cannot directly draw a link between women's participation in productive activities and their status

The discussion above shows the discrepancy in the valuation of women's status between 'norms' and actual practice With regard to Javanese women, they are on the one hand viewed as the sole family maintainers who should put family's affairs above anything else On the other, they are required to be active in gainful employment as well as in social relations This has caused a lot of strain to women, for their burden multiplies This phenomenon holds true for the majority of Javanese women who due to economic necessity, have to function as productive and reproductive workers The multiple burden that the women face will no doubt limit their movements and opportunities

With regard to technological innovations, ideology and norms can be an obstacle to acquire new technology It is tradition that has tended to make modernisation a bit of an 'enemy' to women' [Sen 1987 38] This means that traditional relations between different sexes may create an environment in which technological change will be unfavourable for women This has already been proven for technological change in agriculture My case study focuses on technological change in small scale industrial enterprises

V
The Village Setting

The village Karanggeneng is located at the outskirts of Boyolali town Since 1992, a ring road which connects the capital city Semarang and Surakarta passes through this village Consequently, transportation to and from this village has become quite easy Not only is transportation easy, but also its unique location, i e, its nearness to towns and centres have a considerable bearing on the village economy as well as the villagers' way of life Easy access to and from the village has increased the mobility of the people As a consequence, people from the village may go to the nearby towns or cities once there is a demand for their labour or if the employment condition in the village is not satisfactory enough This is apparent from the relatively high wages in the village compared to agricultural work elsewhere in

rural central Java The easy mobility to go to the nearby towns has changed the life style of the villagers, particularly the youth They go to cinemas in towns they wear jeans and other 'urban' clothing which they did not wear before

The population totalled 5 205 in early 1990 of which 2 562 are men and 2 643 are women Most of the villagers have relatively low education Of 4 741 inhabitants who are above school age 3 747 or 79 per cent received education at primary school level or lower The relatively low educational level of the people limits their employment opportunities in the labour market This can be seen through the kinds of occupation or work they undertake

According to official village statistics of 1987, the occupational situation of its inhabitants can be described as follows From its total population 1 000 villagers or 36 9 per cent are involved in agriculture as either farmers or wage labourers (Table 1) People working in the tile industry were registered as entrepreneurs industrial labourers as well as construction labourers The data was collected by the local government and it is not really reliable It can only be used to give the general picture of the occupation situation in the village Another disadvantage is that village occupational statistics are not disaggregated by gender

The table gives the impression that agricultural work is still important In reality however many are not involved in agricultural work at all due to the small size of land holdings as well as the characteristics of the soil in this village (Table 4 the land holding size) In my research I also encountered people who considered themselves as farmers but who in fact do no farming One must bear in mind that we are dealing with official data in which its reliability is questionable For instance the data does not pay any attention to secondary occupation

The relative importance of tile production as a source of income is shown in Table 2 The data was computed from a survey done by the Faculty of Economics, Satya Wacana on 50 households in the village in 1988 The average annual income of a tile household amounted to 1950 of which 66 per cent came from tile making This means that the contribution of tile making to an annual household income is of significance With regard to land holding size, it is apparent from the table that land holding is very small amounting to 0 26 ha on average This means that most households are not involved in agriculture

History of Tile Making

Tile making has been a traditional work for the villagers This kind of home based industry started a long time ago However, there has not been any documentation on when it exactly started According to local sources, most persons made tiles as children helping their parents in this activity One of the producers said that he had started to make tiles 50 years ago Most of the villagers acquired their skills in tile making from their parents It means that tile making is an inheritance while some others got their skills through apprenticeship They worked for their neighbours or relatives before they started to produce their own tiles

Karanggeneng roof tile industry was one of important sources of income generating activities outside agriculture for many households in the village During the 1970s roof tiles from this village were quite famous and had good demand in the market All producers made standardised tiles using simple technology However, the general improvement in Javanese standard of living in the 1980s [Booth and Damanik 1987] has led to demand for better quality tiles Better quality tiles are more expensive than the traditional ones but they carry with them a higher status and they last longer The shift in demand from traditional tiles to better quality tiles i e press tiles has declined the prospect of traditional tiles market As demand for traditional tiles became limited and they started to lose their leading roles to other regency producers in which the latter have been able to shift to demand for better quality tiles, some innovative producers tried to adopt press machine Due to lack of knowledge in the production it was a failure Characterised by the closing down of some production sites

At the end of 1987, twelve male producers were brought (on the initiative of the Faculty of Economics of Satya Wacana which have been actively involved in research in this regency since 1984) to visit clusters of press tiles producers in other regencies i e Kebumen and Jepara, and to make a comparative study whether the same technology can be used in their village These visits made it possible for them to gain knowledge concerning the use of press machine As soon as it was feasible, credits were given to them Assistance from outside was provided by a local NGO It offered cheap credit to be paid back at favourable instalments Here it can be said that access to information turned out to be a key factor to stimulate adoption of new technology In early 1988 the first press machine was brought into this village It marked the beginning of the new tile production era in this village

According to a 1987 survey, there were 174 households producing tiles [Sulanjari 1990] At that time all households produced traditional tiles, in which the production process is done by using a hand tool From the research done in 1993 on 104 households producing tiles, the pattern of tile producing households has changed considerably From 104 households, 54 households are involved in producing solely traditional tiles, 24 households produce both traditional and press tiles, and 25 produce press tiles only (Table 3) The table also shows the sexual composition of the producers From 104 producers only 24 or one-fourth are women, and they are all producing traditional tiles None of the female producers makes press tiles

None of the households researched own wet land They only have dry land and gardens The average dry land is 106 square metres, and 1 150 square metres for garden (Table 4) This finding is in accordance with one of the surveys done in 1987 on 34 households The average size of wet land-holding was 0 01 ha and dry land was 0 11 The small size of wet land shows that in this village farming is not the main source of income

Production Process

Before going to the methods of tile production it is worth describing the general process of tile production The main input for tiles is clay Some clay pits are communally owned by a group of tile producers, but there are also pits which are privately owned However, due to local government's plan to limit the number of clay pits (for several reasons such as environment protection, building housing complex), more and more producers buy clay from clay producer which cost Rp 15 000 per cubic metre (1 US $ = Rp 2,000) Firewood, which is needed for baking tiles, is usually purchased from traders It costs Rp 60 000 per small mini truck load and it can be used for one time baking only Usually for one time baking which means 5,000 tiles in average (one batch), the amount of clay needed is four cubic metres for traditional tiles, and five and a half cubic metres for press tiles The difference in the amount of clay needed is due to the compactness of tiles As press tiles are more compact, therefore they need more input of clay per unit

Table 1 Occupational Situation of People above 10 in 1987

Occupation	Number in Absolute	Number in Percenta[ge]
Farmers	527	19
Farm labour	473	17
Entrepreneurs	87	3
Industrial labour	390	14
Construction labour	456	16
Traders	340	12
Transportation	244	9
Civil servants	139	1
Retired	27	1
Miscellaneous	105	4
Total	2792	100

Source Monograph of Karanggeneg, Dece[m]ber 1987

There are two production processes of tiles in Karanggeneng The first one is using very simple technology which mainly comprises two printing tools made of wood a piece of wood to rub and smooth the surface of the wet tiles a piece of cord to clean the wet tile from its remaining clay a kiln and the human power The tiles produced by using this technology are called traditional tiles which are different from the other tiles produced by using more advanced technology

The basic ingredients of the two production processes are almost the same They consist of clay and fire wood For traditional tiles, sand and water are needed which are not needed for press tiles production but peanut oil and paraffin instead Traditional tiles' production involves several stages

Stage 1 The clay which is usually still in the form of a big clump is cut by using a cord This smaller clump of clay is then put on a piece of printing tool with the person stamping her feet on it so that the clay will be printed on the printing tool The longer the person stamps the clay and the heavier she is, the better the result is as good tiles are those which are compact

Stage 2 After the clay has been printed and becomes sheet clay piece by piece is then put on another printing tool (this is different from the first one The printing tool here is the one which has the shape of a tile) By using a piece of blunt wood the clay is rubbed and smoothed

Stage 3 Another piece of cord is used to clean the printed tile from its remaining clay

Stage 4 This new wet tile is then put on the ground by standing it so that it gets aired At this stage, the tiles remain in that position for one day so that they are hard enough

Stage 5 The following day, the tiles are put on the sun for two days before they are ready to be baked At this stage if there are cracked tiles then they are mended first

Stage 6 The sun-dried tiles are then put in the kiln The baking process of tiles takes nine hours

The making of press tiles also involves several stages The difference is that here, stage 1, 2, and 3 of traditional tiles production are combined all together so that it becomes 2 stages To make it clearer all stages in the press tiles production processes are described as follows

Stage 1 A clump of clay which has been mixed by using a clay mixer is taken from a big one and then hit by a big hammer so that it becomes a sheet of clay

Stage 2 This sheet clay is then put at the press machine and then pressed

Stage 3 The wet press tile is then put on shelves to get aired

Stage 4. As the tiles harden enough, they are then cleaned from its remaining clay (scraping).

Stage 5 The following day, the tiles are put on the sun for three days to get hard

Stage 6 As they get hard they are then put in the kiln to be baked Like traditional tiles, the baking takes nine hours

The production of one batch which consists of 5000 tiles, normally takes 10 working days However the working days needed can vary among producers as well as the type of tiles, i e traditional or press One factor is the use of workers If more workers are used then the amount of 5,000 can be reached in fewer days Another factor is the type of tiles If press machine is used then the amount of working hours and days needed is less than if press machine is not used Besides press tile producers also make use of more labour especially paid labour and they use it more intensively As a consequence the standard amount of 5 000 tiles can be produced in 156 working hours while the same amount of traditional tiles needs 200 working hours [Sulanjari 1990] The unit price of tiles goes up from traditional to press and (recently) to cement tiles [5] Traditional tiles' price ranges from Rp 40 to Rp 55 per unit while for press tiles it is Rp 60 the cheapest up to Rp 90 the highest per unit

In traditional tiles production all stages but the last one are done by women In all households which produce tiles women are always doing the traditional tiles production The characteristics of women who work in traditional production vary Age for instance ranges from 12 years up to 80 years with the average age is 44 4 years Whilst in press production, the average age of women workers is 36 years with the youngest being 20 years old and the oldest 48 years old

The situation in press tiles production is quite different Here the labour used is usually male labour Of course there are households producing press tiles which employ women, however, their number is limited Furthermore the women workers employed here usually only do the scraping, i e, cleaning the dried tiles from the remaining clay and sometimes do stage 1, i e hitting a clump of clay so that it becomes a sheet clay The rest is done by male labour Therefore, the number of women workers here is small compared to their male counterparts The average female workers used in press tile production is 0 92 compared to their male counterparts which is 3 27 (Table 5)

The use of workers, either family or wage workers or both show the scale of production The average use of workers between female and male producers is different Female producers usually use more of family labour and less wage labour The use of family labour amounted for 2 08 and wage labour 0 6 respectively Female producers also use less wage workers than the male producers from either traditional press, or combination producers The average use of wage workers is 0 6, 1, 4 25, and 3 8 respectively In general female producers use less labour than their male counterparts It means that the scale of production of female producers is smaller than that of men In other words female producers only operate at a small level of production of scale

Roofing tiles are the dominant roofing material for housing in urban as well as rural areas in Java The market for roof tiles is part of the larger market for construction materials The consumers for traditional tiles are different from press tiles The buyers for traditional tiles are usually neighbouring villagers For them the quality is not that important, for they are constrained by their income Whereas the buyers for press tiles are more varied They come from rural as well as urban areas

There are three distribution channels used in tile marketing The first is by the use of out contractors juragan In this case the out contractors provide the inputs including the machinery As producers (to be more exact wage workers) do not provide anything except their labour power they depend entirely on the out contractors The out contractors can decide the price of tiles to be bought from the producers Therefore, the price of tiles in cases like this is the lowest The second one is the use of middlemen makelar' A middleman does not have the right upon the tiles He functions only as a mediator between the buyer and the producer He makes profits by marking up a certain percentage of the price of tiles at the market price However, due to the easier access to the production sites in this village in which final buyers can buy directly from the producers, the service of middlemen has

TABLE 2 HOUSEHOLDS IN KARANGGENENG 1988

Household Category	Number	Average Education of the Head of Household (Years)	Landholding' (Wet and Dry Land Ha)	Total Household Income/Year (Rp 1000)	Per Cent of Tiles
Tile households	12	5 3	0 33	1950	66
Other households	38	6 1	0 23	2003	0
All households	50	5 9	0 26	1991	28

Source Sandee and Weijland 1989

become less significant Lastly is direct distribution, which means that producers have a direct transaction deal with the consumers This kind of marketing is most popular because producers can get the optimal price so that the profits are also high From a study done in 1991 on 34 producers, 15 per cent used the service of out contractors 34 5 per cent used the service of brokers 26 5 per cent used direct distribution and 14 per cent for others such as material shops [Timotius 1991 25]

Tile making is of significance as a source of income for the villagers It is apparent from the contribution of this activity to the household's annual income compared to other activities The data also shows that differentiation among producers has taken place While in the past all producers made traditional tiles after the introduction of hand operated press machine they have produced either traditional or press or traditional and press tiles The adoption of the new technology has also led to specialisation of tasks between men and women Women are specialised in the making of traditional tiles while men are in press tiles production

VI
Women as Entrepreneurs, Wage Workers, and Family Workers

There are three kinds of women's involvement in tile production Some women are involved in the production as independent producers which means that they manage their enterprise or they have relatively high control over the production compared to their husbands There are also women who work under certain employment relations such as wage workers and family workers

Female producers usually produce tiles on the backyard of their compound They start to work after finishing the daily chores such as cooking washing and fetching water Usually they start between seven and eight in the morning They do not go to the market for food and other daily household necessities as there are vendors who come to visit their compound They work until three to four in the afternoon Their working times are not so rigid as they can stop for a while to rest or to tend their children This is the normal pattern of their work

With regard to the adoption of hand press machine in this village their working pattern has not been disrupted as they do not shift production They remain producing the traditional tiles Their working load is more or less the same after and before the adoption

As independent producers, they have control over their own enterprise They can decide when they want to produce, at what rate, and how many workers they will employ The more important thing is that they also have access to the profits they obtain from their business Included in this category of women are women-headed households who produce tiles and control and manage their own business As can be seen from Table 6, all of female entrepreneurs produce traditional tiles Moreover they produce tiles on a small scale as it is apparent from the number of workers used (Table 5)

Why has there not been any female entrepreneur who has adopted the hand press machine? The explanation has to do with obstacles the women face Obstacles here can be norms the notion of appropriate roles about what a woman is supposed to and should do As has been mentioned earlier even though a Javanese woman is supposed to be active in income earning she should not exceed her husband in many ways income, or social status New technology does not only carry a high status but it also carries male's prejudiced view that only men are capable of dealing with new technology

Many female producers did not adopt this technology because they do not want to be viewed as wanting to overstep the men' or they would be considered as women who could not accept their karma kodrat' They keep producing traditional tiles on a small scale because for them it is more than enough On the one hand they can contribute to the family purse on the other they do not threaten their husband s standing Such a view is also in accordance with the answers given by the women when they were asked about the characteristics of a good woman Many of them said that a good woman should be able to work hand-in-hand with her husband, submissive and acquiescent 'nrimo' Conversely their husbands also do not encourage them to undertake hand press production

> Ibu Darini is a traditional tile producer She has been in this business for 15 years Her husband works as a tile middleman When asked why she did not use hand press machine while many of the producers have been using it, this is her answer
>
> press machine what for? it is not necessary for me (mboten usah) Making traditional tiles is enough and convenient Besides to make press tiles, one needs a large amount of capital "

Indicative from the above answer of the female producer is the obstacle which has to do with capital To adopt this new technology, one needs a large amount of capital for their standard The machine plus the installation will cost them Rp 1,000,000 to Rp 1,500,000 For women this large amount of capital is impossible to finance by themselves They cannot ask for the capital from their husbands due to what has been mentioned above The only way to finance it is through loans Loans can be from legal institutions such as banks and from nonformal ones such as non-government organisations (NGOs) moneylenders, and bengkel '

Although there is officially no discrimination against women who will ask for loans or credits from banks, the fact is that most women never visit banks let alone borrow money from them The male bias in lending money to women prevails everywhere This is also the case found in this industry The NGOs agents as well as the bengkel producers only give credits to the male head of households

Cultural norms have become a barrier in the adoption of new technology by females Cultural norms about the appropriate roles of men and women have resulted in male bias in disseminating the information of the new technology in the first place Only the men who got access to the hand press machine In addition, the same norms also hinder women from getting access to capital Access to capital as well as access to information are the immediate hindrances that one can immediately recognise, but what lays under it is of most important, in this case cultural norms and ideology

Technically women are able to handle the press machine as it is not something difficult This has been proven elsewhere in rural Java However, the prevailing norms as well as the prejudices exist with regard to new technology have hindered them from adopting the new machine

Another tentative explanation, which still needs to be further verified, regarding the absence of female entrepreneurs who produce press tiles is that there might have been traditional female entrepreneurs who adopted the new technology, i e, hand press machine, but as soon as tiles had become commercialised, the husband took over the control of the enterprise, therefore, the status in the production was no longer a

TABLE 3 NUMBER OF TILE PRODUCING HOUSEHOLDS BY SEX AND CATEGORY, 1993

	Number of Female Producers	Number of Male Producers
Traditional	24	31
Press	–	25
Combination	–	24
Total	24	80

TABLE 4 AVERAGE SIZE OF LANDHOLDINGS OF DIFFERENT CATEGORIES

	Dry Land (m2)	Gard (m2)
Traditional, female	43 47	110
Traditional, male	238 71	1232
Press	158 00	1149
Combination	92 96	1139
Total	106 00	1150

Source Own data, August 1993.

independent producers but family labour There have been some pointers this lead to that occurrence First is that the cultural norms as has been previously mentioned imply that a woman's standing is supposed to be lower than her husband As new technology conveys high status then it is supposed to be the man in the household who takes command of it Secondly are the prejudices concerning women's capability in dealing with machine Third the fact that there are no female entrepreneurs who produce press tiles and the last one is the fact that female entrepreneurs only operate with traditional technology

Similar to the daily pattern of other women in the village the women who work as wage workers[7] in tile making also start their day before dawn They then go to the river to wash clothing and fetch water and then they go home to prepare the meal for the family for the whole day They also have to get the children ready for school If they have non school age children then it is very common that they will bring them to their working place Their husbands occasionally help out but the women bear the responsibility

There are two types of female wage workers in tile production those who work in traditional tile production, and those in press tile production As has been mentioned in the previous chapter their tasks are different in the two production processes In traditional production they are involved in the whole process except baking while in press tile production they are only involved in a few tasks such as scraping and making sheets clay

Two kinds of payment are applied The first is payment on a piece rate basis The amount of income a worker can get depends on the number of tiles they produce The more they produce the more income they get The second type of payment is based on daily basis Thus the number of tiles they produce does not influence the amount of wage they get

Both payments are applied in traditional as well as press production In traditional tiles production, although many use a piece rate basis but a considerable number of workers are still paid daily From 33 producers who employ wage workers 12 or more than one-third pay their workers daily (Table 6) From the table, it is apparent that more female wage workers are employed in this traditional tile production (36 people) compared to male workers (15 people)

In press production almost all workers are paid based on a piece rate basis From 27 press producers, 21 or 77 per cent apply piece rate basis The use of male workers here is more prevalent than female workers The number is 82 and 23 respectively It means that in press production for every three male wage workers there is one female wage worker employed Besides, the women workers who are employed in this production are usually those who are still young (the average age is 36 years old) The wide use of this kind of payment and the employment of young women are intended for more intensive use of labour in the production of tiles This is in accordance with the purpose of the introduction of new technology that is to increase labour productivity

There is also a wage differential between producing press and traditional tiles although they are paid based on the same category For press tiles the average payment per unit is Rp 9 35 for men and Rp 6 for women The average unit a worker can produce in one day is around 600 700 unit tiles Thus in one day a male worker can get about Rp 6,000 (US $ 3) and a female worker Rp 4,000 (US $ 2) As for daily basis, a male worker will get Rp 4 000 per day and Rp 2 400 for a female worker The wage differential between piece rate and daily basis has made workers choose the first one, but as a consequence they have to work intensively There are only a few male workers paid on daily basis and they are usually those who are quite old For those who are young and able they prefer to be paid on a piece rate basis

In traditional tiles production the average payment for a piece rate basis is Rp 4 15 In one day, a worker can make about 250-350 units Thus she can get an average of Rp 1 350 per day A daily paid worker will get Rp 1 450 In traditional tiles production there is hardly any paid male workers except in baking For baking which lasts for nine hours, a male worker will get Rp 5000 All of the payment mentioned does not include the meal Meals are usually brought from home or in some cases, the employers provide it but then they have to pay for it

The relatively high wages in this village is to some extent caused by its nearness to towns and centres The wage rate here is influenced by the wage rate in towns or cities In order to attract people to work, the wages must be high otherwise they will seek employment in towns

It is clear that there is a wage differential between men and women The wages for press tiles production are higher for both men and women compared to wages in traditional tiles production, but wages for women are always lower than those for men in both traditional and press tile production Overall the wages for men are always higher than the wages for women no matter the workers are paid on piece rate or daily basis If we also consider 'additional wage like cigarettes, then the wage differential will be much greater Some employers also give cigarettes to their male workers ranges from one to five cigarettes a day A packet of cigarettes (12 cigarettes) costs Rp 600 then the additional wage per day will be about Rp 50 to Rp 250 which for them is quite a significant amount

The use of press machine has resulted in increasing demand for both male and female wage workers even though the rate of labour absorption is different The average use of female wage labour in press production amounted for 0 92 and 3 27 for male labour while in the traditional production the average use of female and male wage workers are 0 72 and 0 25 respectively (Table 6) Although press tile production has opened up jobs for both men and women seemingly it creates more employment opportunities for the former than the latter

Regarding the remuneration press producers pay more to the female wage workers compared to traditional ones However, de

TABLE 5 AVERAGE NUMBER OF FAMILY WORKERS AND WAGE WORKERS BY DIFFERENT CATEGORIES OF PRODUCERS

	Family Workers			Wage Workers		
	Female	Male	Average	Female	Male	Average
Traditional female	1.36	0.71	2.08	0.79	0.17	0.6
Traditional male	1.22	1.20	2.40	0.71	0.32	0.8
Press	1.06	1.43	2.48	0.92	3.27	4.2
Combination	1.45	1.78	3.43	1.12	1.81	2.9

TABLE 6 AVERAGE WAGES IN DIFFERENT TYPES OF TILES PRODUCTION

(Rp)

	Piece Rate			Daily Wage		
	Female	Male	Total	Male	Female	Total
Traditional female	4.15	—	4.15	—	1450	1450
	(10)		(10)		(4)	(4)
Traditional male	5.10	6.25	5.41	3300	1560	2212
	(8)	(3)	(11)	(3)	(5)	(8)
Press	6.0	9.35	8.55	4000	2400	2933
	(5)	(16)	(21)	(2)	(4)	(6)
Combination	5.5	8.2	7.49	3200	1800	2400
	(5)	(14)	(19)	(3)	(4)	(7)

mand for their labour is selective They only welcome female workers who are relatively young so that they can use their labour more effectively Moreover, the employment of these females is limited to specific tasks only

With regard to the way they spend their income, a study done in 1991 on 34 tile wage workers showed that on average 62 06 per cent goes to food, 4 24 per cent goes to education, 5 67 per cent goes to housing, 8 58 per cent for social matters ('pirukun') and 10 45 for miscellaneous [see study by Lidia 1991] The relatively high portion of income spent on social matters (with the exception of food) implies that social ties among the villagers are very strong This is in accordance with the Javanese way of living which view social harmony as very important

The same study also revealed that 71 9 per cent of the family income is controlled by the woman and 28 1 per cent controlled by the man However from these 34 households 81 25 per cent had encountered financial problems in which spending surpassed the income It can be concluded therefore, that the amount of income the women have at their disposal is constrained by the small amount of money they get from their spouses

Female family workers are also used both in traditional and press tile production In traditional tile production adult female labour is used at every stage of production For young female labour they usually do tasks which are considered as light such as carrying tiles from the production site to the yard Besides their task in production they also have to do the household chores As other women, they usually finish their household tasks first before going to work

Female labour in press households are also involved in tile production Compared to their counterpart in traditional tile production, their tasks here are limited Usually they do scraping, mending, carrying tiles from the stacks to the yard In cases when male workers are absent, then they also do the pressing However, this rarely happens since there is always at least one male labour, that is the husband In instances like this, the husband will do the pressing while the wife will do the preparing of clay bars

The use of press machine has according to the woman made them more 'relaxed' as they do not have to stamp clay anymore Besides the more use of wage workers in press production has also reduced their burden Their tasks here can now be combined with other daily tasks such as tending their children

With respect to the household's welfare, most of women from this group agree that their household's economic situation is better-off compared to when their households still produced traditional tiles Some of them said that income from this source is reliable The reliability of income from this source is due to the fact that markets for press tiles are wider Most producers do not have stocks

Ibu Siti Kotijah (33 years old) is the wife of Pak Bandi (35 years old) They started to make tiles in 1979 after they got married They have three children Since three years ago they have stopped making traditional tiles and are now producing press tiles There are two male wage labourers who help them in the production When Ibu Kotijah was asked about their family s welfare now I must admit that the earnings from press tiles are bigger than when we still produced old tiles Now finance is more easy (lancar) However we also need a lot of money for we have three children Our needs are many

Dynamics within Households

Women can also be categorised according to the kinds of household to which they belong In tile households they can be divided into four categories They are women headed households women of traditional tile households women of transition households and women of press tile (modern) households These categories may overlap with the three categories of women mentioned before It overlaps in the sense that some of the women mentioned in the first category like independent producers and family workers may belong to one of the four categorie of households However it is of importance to categorise these women in those two ways If we categorise them only according to their relations to means production (entrepreneurs, wage workers family workers) then we will lose insights of the dynamics within the households, how different category of households operate with regard to new technology Conversely if we group them according to only the four categories of households, we will lose one important group of women who are wage workers

Due to the adoption of new technology in the form of hand operated press machine production of tiles which used to be performed by using simple technology is now performed using press machine However the adoption of this new technology is not yet complete There are some producers who still produce tiles using the traditional technology This situation has led to the differentiation of tile producing households Four categories of tile producing households can be described as follows

Firstly, households headed by women In this type of households, the woman is also the sole entrepreneur This woman usually works with the help of the children and one or two female paid labourers The tasks of the female workers include all stages of traditional tiles production Only for certain tasks such as baking the tiles, a male labour is hired Since the woman is also the entrepreneur, all decisions concerning the pro duction and the marketing are taken solel by her The profits gained from this produc tion go to them They decide and control th use of their earnings In this sense, th woman is very independent However, th returns obtained from this activity is ver meagre as they only produce on a sma scale Thus their independence here is con strained by the limited access to strategi resources i e capital

The second category of households ar those which see tile making as the secondar source of income In this type of househol the husband who is considered as the head o household works outside on all kinds o work but tile making while the wife produc es tiles This kind of division is a househol strategy for facing the shortfall in incom from one source and avoiding risks

The interviews revealed that even thoug tile making is considered as the secondar source of income in fact many household rely on this source of income for their sur vival since the income gained from th source is quite reliable (despite the season for most households they produce tiles a the year round Of course during the we season the production is less than the dr season This is due to the lower availabilit of the space and the lack of sunshine fo drying tiles) Since only the woman is in volved in tile making it can be predicte that this household produces traditional tile None of these households interviewed pr duced press tiles Like the households head ed by women in this household the woma has a big authority to decide matters co cerning tiles from deciding the quantity tiles produced to marketing and negotiatin the price of tiles with the buyers The hu band s involvement in this business is lim ited to baking the tiles or even less sin many of them use hired male labour to do

Thirdly households produce press tiles well as traditional tiles A very comm phenomenon in this type of households that the man or the husband produces pre tiles using the hand operated press machi with the help of some paid male labo whereas the wife produces the traditio tiles with the help of their children a female paid labour

Production of these two types of tiles not separated completely in the sense labour using Sometimes if the demand press tiles is high and they have to meet deadline, the husband often uses the fem labour from traditional site to help in press tiles production but it is never reverse The female labour involvement press tiles production is limited to prepar the clay to become sheet clay before be printed by using the press machine mending the cracked tiles In some ca there are women who operate the pr machine but this very rarely happens Fr

the interviews the women themselves say that it is hard and heavy for them to operate the machine It needs a 'strong person to do it From two of the men interviewed they said that operating the press machine is not proper (mboten pantes) for women This is in accordance with the general view on women which sees women as weak, not suitable for dealing with technology

Usually both types of tiles are baked together using the same kiln The interviews revealed that in this kind of joint production the head of the household who is the husband takes all decisions not only concerning press tiles production but also the traditional one The husband decides the quantity of clay and wood bought negotiates the price of the material with the sellers as well as negotiates the price of tiles with the buyers and also arranges the transportation

The last category of households are those which mainly produce press tiles In these households the woman (wife) is used as unpaid family labour Their tasks vary from cooking food for the workers to helping in production such as drying and scraping As in the third category of households all decisions concerning the production market ing, paying the workers are taken by the husband What needs to be noted here is that the use of female labour in the press tile production is very limited Usually their tasks only comprise mending the cracked tiles and scraping the tiles

Compared to the use of female labour in the traditional production in which the women are involved in all stages of production, their task here is very specialised Their skill has been reduced This is what some writers say as deskilling' due to mechanisation Rarely have households producing press tile use female labour or if there are any, the number is very small compared to the use of male labour

As has been briefly indicated above patterns of decision making in the household concerning materials for production depends on the type of households For the first two categories, decisions about the use and allocation of resources for production are in the hands of the women In the other two categories of households, women do not have a say in deciding matters concerning the production In this sense, it can be said that the use of new technology (hand press machine) to some extent has limited women's access over control of resources and production In press tiles producing households a woman does not have control even over her own tiles production let alone over her husband's

Class and Gender

The type of households as well as the kinds of women's involvement in tiles production have a considerable bearing on the degree of authority they have in the family In households where the women work as the sole entrepreneurs, the women enjoy a greater authority compared to their counterparts in other category of households However, the degree of authority they have is limited because of the meagre income they get

For female entrepreneurs who come from the second type of households in which they produce tiles while their husbands work outside their authority is only as far as the use of family income Usually in this type of households the husband gives his earnings to the wife to be managed The money the wife gets from her husband together with her own income are used to run the family This joint income is just enough to run the family from day-to day If there is some money left the wife saves it for unexpected events In this sense, it appears as if the wife has control over the family income However, if the family goes through a crisis such as a sudden sickness for instance, it is always the wife who has to face it Therefore, the woman has to manage the income in such a way so that when something unexpected happens she is ready to handle it This kind of handing over the income is in fact the male's strategy to avoid responsibility in the family As long as the man gives his earnings to his wife (even if it is not enough), then he is free from the responsibility of running the family This is confirmed by the interviews

Ibu Subini is 30 years old, married and has three children Her husband works as a coolie in the neighbouring village Everyday after finishing washing, cooking and preparing the children for school, she goes to her mother s house located in a different village and makes tiles in the backside of her mother s house When asked about how she manages to run the family with regard to the earnings both she and her husband get, this is her explanation "My husband always gives his income to me It looks as if we are dumped with money, but if we are not clever enough we will be suffering We have to save for unexpected events, and clever enough to allocate which should go where (ngecak ngecak ake) Yes we get all the money but if there is a need big or small, we have to be able to manage it My husband is never involved in it If there is a big necessity, we are the one helter-skelter (pontang panting) "

Different from the above two categories of households, in households which produce press tiles, the family is better off in an economic sense The financial situation of the family is quite good as most of them possess a hand press machine At least every household which produces press tiles has one machine of its own The capital needed to buy one hand press machine is quite big It ranges from Rp 750,000 to Rp 1,000,000 ($ 1 = Rp 2,000). The installation cost requires in average Rp 250 000. Together they comprise between Rp 1,000,000 and Rp 1,250,000 Many of them financed the machine by partly using their own capital and partly financed from the local NGO Some others got credits from the bengkel owners The interviews with the women from these categories revealed that their family income situation is improving compared to before producing press tiles "Well at least we do not face the shortage of income now The profits we get from producing press tiles are quite good our financial situation is steady We save money to the bank every month It is not a large amount though" That was what Ibu Suyanti (30 years) the wife of Pak Suparno (a press tile producer) said about their family's economic situation

When it comes to education of their children parents (mostly the father) negotiate with their children about which school they should attend The woman (the mother) will be asked for her opinion but the final say is always that of the husband Bapak and Ibu Marjuki produce press tiles They have two children, the eldest, a girl is 15 and the youngest a boy is 11 The eldest quit from school before she finished the first grade of secondary school The reason was that she got headaches (mumet-mumet) when studying When Ibu Marjuki was asked about who decided that the girl should stop from school this is her answer "Bapak (=father) who decided that 'genduk' (a call for a young girl) had to quit" said Ibu Marjuki "You'd better stop from school since you have headaches all the time" said Ibu Marjuki repeating what her husband told the daughter 'I was also consulted"

Concerning the work load there are two different views on it The women who come from households which have stopped producing the traditional tiles and are now working as family labour in press tile making said that their work load now is lighter than before Ibu Ngatmi is the wife of Pak Bandi (42 years), a press tile producer They started to make press tiles three years ago Before they made traditional tiles This is her answer when she was asked about her work load now "Producing press tiles is more convenient than traditional ones Here, the work can be combined with other work tending children . cooking well when you make traditional tiles, you have to work on and on You can't stop Working in traditional tile production is heavier"

These women are no longer involved in printing the tiles since the press machine is considered to be heavy and to be men's work Their tasks are now to prepare food for the workers, to help mend the cracked tiles and to do the finishing touches before the tiles are baked They no longer have to do the printing by stamping the clay which they used to do when making traditional tiles. Stamping the feet on the clay until the

tiles are ready to be printed is considered to be the hardest work in making tiles, and nobody will deny it. Yet when the hand press machine took over and now instead of stamping one needs to use her hands, it is said that this task is heavy. Is not stamping as heavy as pressing the machine using hands? The role of ideology and normative depiction in this matter is very significant. The appropriation of roles based on gender identity about what women should and should not do, to a great extent, affect the way both women and men view technology – in this case the hand press machine.

Quite a different view comes from women who kept on producing traditional tiles, they said that their workload was the same after or before producing press tiles. This is easily explained since whether or not their household produces press tiles their working load will remain the same since they are not involved in press tiles making unless their household stops producing the traditional tiles.

Thus, even from the work load it can be seen that the adoption of hand press machine has resulted in different influences to the women's work load depending on their kind of involvement in the production as well as the category of household they are in. For some women the change of tiles production from traditional to press has reduced some of their burden. Yet for other category of women it does not bring any reduction whatsoever.

Can Gender Relations be Made More Equitable?

The technological innovation in tile production does not displace women in the sense of making them loose all employment opportunities like what usually happened when a new technology is introduced, rather it relegates women to manual, arduous type of production. They are confined in production using simple yet laborious technology whereas the men leap one step forward to get a more advanced technology. If this situation is not changed or if there is no effort to change then the women will be more and more left behind by the men. Efforts to change can be from within meaning from the women themselves or from outside forces. The government project planners and local NGOs can play a big part in making the position of women *vis-a-vis* technology more equal to men.

In the case of adoption of the press tile technology some classical mistakes have been made with regard to the role of women in traditional press tile production. The crucial factor for adoption of the press machine was getting access to information on how to operate this more productive technology. Right from the very beginning, only male producers were given the facility to have access to the hand press technology. The trip to visit clusters of press production organised by the village head (pak Lurah) and sponsored by the Faculty of Economics was only directed to them. This male bias in the adoption process is similar to what has happened in the adoption of new technology in agriculture, which has been discussed in the previous chapters. It seems that once there is a bias towards male producers it will be reinforced by further developments. Ideology and social relations for instance are all geared to the exclusive acceptance of new technology for men.

Credits and loans, another example, were given to the men in the households. The ideology of man the breadwinner and woman the maintainer operates in it. It was assumed that the men are the providers and the women are responsible for the home, therefore the men got all the facilities.

It is easy to pinpoint factors which caused the adoption of new technology in press production to be unfavourable for women compared with men. An important question that needs to be addressed is how to eliminate the negative factors and enhance the positive factors. In other words what can be done to make gender relations more equitable while retaining the positive impact of the new technology, i e higher productivity and higher incomes.

In the first place it is important to note that one cannot expect abrupt changes in the tile industry in Karanggeneng which will lead to more equitable gender relations. However it is still possible to do something at the Karanggeneng micro context.

VII
Conclusion

The impact of technological innovations on people is always mediated by the social relations. Implicit in them are the power relations between different parties in terms of classes as well as sexes. The relative power one has will determine the outcome of a new situation. However, social relations are also conditioned by a specific historical and cultural context.

The introduction of new technology in tile making in Java has disrupted the social relations among its people, in particular between men and women. The specific cultural setting of the Javanese society has had a considerable bearing in mediating the impact of such a change on women which in many cases is unfavourable to women.

Sexual division of labour gets reconstituted with shifts in production methods and technology, but at any given point of time acts to distribute power, resources, authority in ways that keep women subordinated. In this shift, a new sexual division of labour may become more disadvantageous to women. It is apparent in tile production that the shift from traditional to more advanced technology has also shifted the sexual division of labour. Sexual division of labour is not something rigid nor constant. It changes over time depending on social, political, and economic forces. The realms of what constitute male and female are manipulated depending on the situation. As sexual division of labour is a product of gender ideology which is culturally and socially constructed, a link can be drawn therefore that ideology too is not something static.

The intersection of class and gender based on the category of households in tile production can be described as follows. In the better off households the women become dependents whereas in the transition households the women manage the 'traditional' sector while the men move to 'modern' sector. In the poorer households the women are more autonomous but constrained by insufficient economic means. In other words, class formation enforces a greater degree of subordination in some areas i e power and authority though the women may be better-off (in terms of living standards, reduced work load). They do more invisible work than visible work and hence are likely to be undervalued and undercounted.

Women's position is not simply a matter of participating or not in 'production'. It has much to do with the precise definitions of tasks within production, their relative value as determined by a valuation process which is in itself discriminatory. Given a predetermined sexual division of labour that is accompanied by unequal power within the household, the introduction of new technology tends to have effects that re-enforce subordination in one form or another. Women are more vulnerable to the introduction of technology because it invariably transforms the processes they are engaged in, into 'redundant' tasks. If for instance women had authority or power in conditions of production before the introduction of technology, the negative effect of being 'left behind' could be avoided.

In order to enhance women's position in the face of technological change great efforts are needed from many parties. Women should be given equal access to information, technology and capital. This means the need for institutional changes, but the more important thing is that changes in the attitude towards women. Technical change must be accompanied with conducive social change in respect to women.

Notes

[This is a revised version of the research paper submitted to the ISS, The Hague as part of MA in Women and Development.

I am very grateful to Mathievi Krishnaraj, my supervisor for her patience, understanding and intellectual wisdom in guiding me through the process of writing this paper. I wish t

acknowledge Benjamin White, my second supervisor, for challenging me to deepen my insights on the issues of technological change especially in the context of Java. To Denise, my mother-friend, for her encouragements and support, my deepest gratitude to her. I also thank the eleven students of the Faculty of Economics, Satya Wacana Christian University Salatiga, who helped me in gathering data in the field and Imajati, my mentor in conducting interviews with the rural women, to Philomen, for help with the language and my gratitude to Henry for allowing me the space to pursue these studies.]

1 See among others R Islam (1987), R Rothwell and W Zegveld (1985), M S Gamser et al (1990).
2 Some feminist scholars in their analyses have tried to include the complexity of relationship of women to production and technological change. See among others Palmer (1978), Bryceson (1985), Sen (1985), Stamp (1989).
3 The objective of new technology in the form of HYV is to increase yields. To achieve that some requirements with regard to the cultivation practices are necessary. For instance, a more careful land preparation; preparing the land more frequently; transplanting seedlings in straight rows; more weeding time; applying chemicals; harvesting thicker crop; processing greater crop. Land preparation, harvesting, and some processing are the easiest to mechanise, and they are often seasonal labour bottlenecks. Therefore, they are the first to be mechanised. While tasks like transplanting and weeding which are performed by mostly female family labour do not represent seasonal labour bottlenecks, therefore, the urgency to upgrade them has not appeared so great. For women who do these tasks it means that they have to work more hours in the fields on days they go into the field and more days in the week they go to the field. This is what Palmer meant by the more intensive use of female family labour.
4 A copper tool (with wooden handle) used for applying hot wax to the cloth.
5 Cement tiles are generally produced in urban areas. They are not made in this village.
6 Bengkel is the press machine producers who make and sell the press machine. In some cases they also give credits of the machine.
7 Wage workers here mean people who are employed on a continuous basis. Workers who work intermittently or those who are employed once in a while do not belong to this category.

References

Agarwal, B (1985): 'Women and Technological Change in Agriculture: The Asian and African Experience' in I Ahmed (ed) *Technology and Rural Women: Conceptual and Empirical Issues*. George Allen and Unwin, London, pp 67-114.

Alexander, J (1987): *Trade, Traders and Trading in Rural Java*, Oxford University Press, Oxford.

Berninghausen, J and B Kerstan (1992): *Forging New Paths. Feminist Social Methodology and Rural Women in Java*, Zed Books, London and New Jersey.

Booth, A and K Damanik (1987): 'A Regional Survey of Central Java and D I Yogyakarta', Paper presented at a seminar on the Indonesian Regional Economy, ANU, Canberra.

Boserup, E (1970): *Women's Role in Economic Development*, St Martin Press, New York.

Brown, L A (1981): *Adoption and Diffusion: A New Perspective*. Methuen, London.

Bryceson, D F (1985): *Women and Technology in Developing Countries, Technological Change and Women's Capabilities and Bargaining Positions*, United Nations International Research and Training for the Advancement of Women (INSTRAW), Santo Domingo.

Cain, M L (1981): 'Java, Indonesia: The Introduction of Rice Processing Technology' in R Dauber and M L Cain (eds) *Women and Technological Change in Developing Countries*, Westview Press, Boulder, Colorado, pp 127-38.

Carr, M (1982): *Women and Appropriate Technology: Two Essays*, Occasional Papers No 5, Intermediate Technology Development Group.

Chatterjee, M (1989): 'Competence and Care for Women. Health Policy Perspectives in the Household Context' in M Krishnaraj and K Chanana (eds), *Gender and the Household Domain: Social and Cultural Dimensions*, Sage Publications, New Delhi, pp 165-90.

Cooley, L (1987): 'Gendered Processes at Work: Women's Mediation in Java and Indonesian Development Planning of the 'New Order''. Thesis for Master of Arts degree, University of Essex.

D'Onofrio-Flores, P M (1982): 'Technology, Economic Development, and the Division of Labour by Sex' in D'Onofrio-Flores and S M Pfafflin (eds), *Scientific Technological Change and the Role of Women in Development*, Westview Press, Boulder, Colorado, pp 13-28.

Djajadiningrat-Nieuwenhuis, M (1987) 'Ibuism and Priyayization: Path to Power?' in E Locher-Scholten and A Niehof (eds), *Indonesian Women in Focus. Past and Present Notions*, Foris Publications, Dordrecht-Holland/Providence, USA.

Gamser, M S and H Appleton and N Carter (1990) *Tinker, Tiller, Technical Change*, The Bootstrap Press, New York
Geertz, H (1961) *The Javanese Family A Study of Kinship and Socialisation*, The Free Press of Glencoe, Glencoe
Goodman, S (1987) 'The Implications of Computerization and Microelectronics on Women's Employment in South-east Asia' in C Ng (ed) *Technology and Gender*, Women's Studies Unit, Department of Extension Education, Center for Extension and Continuing Education, Universiti Pertanian Malaysia, Selangor, pp 64 83
Grijns, M (1987) 'Tea-Pickers in West Java as Mothers and Workers, Female Work and Women's Job' in E Locher Scholten and A Niehof (eds), *Indonesian Women in Focus Past and Present Notions*, Foris Publications, Dordrecht Holland/Providence, USA
Grijns M S Machlud, P Sayogya, I Smyth, A van Velzen (1992) *Gender, Marginalisation and Rural Industries Female Entrepreneurs Wage Workers and Family Workers in West Java* Project Research Report Series No RB 7 M Akatiga Foundation, Bandung
Hull V I (1982) 'Women in Java's Rural Middle Class Progress or Regress' in P van Esterik (ed), *Women of Southeast Asia*, Occasional Paper No 9 Center for South east Asian Studies, Northern Illinois University
Islam, R (1987) *Rural Industrialisation and Employment in Asia* International Labour Organisation, Asian Employment Programme (ARTEP) New Delhi
Joseph R (1987) *Worker Middlewomen Entrepreneur Women in the Indonesian Batik Industry* The Population Council Bangkok, Thailand
Kantor Statistik Kabupaten Boyolali (1991) *Kabupaten Boyolali Dalam Angka 1991*
Karl M (1983) 'Women and Rural Development' in *Women in Development A Resource Guide for Organisation and Action*, International Women Information and Communication Service (ISIS)
Lembaga Studi Realino (1992) *Citra Wanita dan Kekuasaan (Jawa)* (Image of Javanese Women and Power), Kanisius, Yogyakarta
Lidia A (1991) *Pola Pengelolaan Anggaran Pendapatan dan Belanja Rumah Tangga Pekerja Industri Genting di Desa Karanggeneng, Kecamatan Boyolali*, (Household Expenditure Pattern in Tile Workers' households in Karanggeneg Village), Thesis for Master of Economics degree, Faculty of Economics, Satya Wacana Christian University, Salatiga
Manning, C (1992) 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies*, Vol 28, No 1, April, pp 1 38
Moser, C and K Young (1981) 'Women of the Working Poor', *Institute of Development Studies Bulletin*, Vol 12, No 3, Sussex, pp 48-54
Ngandji, K and E Wilanjari and P Rietveld (1985) *Penelitian Ekonomi Rumah Tangga di Kabupaten Boyolali Sumber dan Pola Pendapatan*, (Research on Household Economy in Boyolali Household Expenditure Pattern), Research Series No 13, Unit Pengkajian dan Pengembangan Wilayah (UPPW), Faculty of Economics, Satya Wacana Christian University, Salatiga
Palmer, I (1978) 'Women and 'Green Revolutions'', Paper presented for a conference 133, Workshop No 8, University of Leiden
Papanek, H and L Schwede (1988) 'Women are Good with Money Earning and Managing in an Indonesian City' in D Dwyer and J Bruce (eds), *A Home Divided Women and Income in the Third World*, Stanford University Press, Stanford, California, pp 71-98
Rietveld, P and K M Salangka and J Dongoran (1984) *Deskripsi Kegiatan Sektor Non Pertanian di Kabupaten Boyolali*, (Description of Non Agricultural Activities in Boyolali Regency), Research Series No 4, Unit Pengkajian dan Pengembangan Wilayah (UPPW), Faculty of Economics, Satya Wacana Christian University, Salatiga
Rothwell R and W Zegveld (1985) *Reindustrialisation and Technology*, Longman, Essex
Sandee, H and H Weijland (1989) *Rural Cottage Industry in Transition Roof Tiles Industry in the Regency Boyolali Central Java*, Research Series No 23, Unit Pengkajian dan Pengembangan Wilayah (UPPW), Faculty of Economics, Satya Wacana Christian University Salatiga
Sandee, H (1993) *Networks and Innovation in Clustered Roof Tiles Industry in Central Java* Paper presented at a CERES seminar on Industrialisation, Vrije Universiteit, Amsterdam
Schumacher, I and J Sebstad and M Buvinic (1980) 'Limits to Productivity Improving Women's Access to Technology and Credit' in L van der Wel (ed), *Tell me of a place where you can mine money from the ground Women Money and Development*, Research and Documentation Centre, Women and Autonomy University of Leiden, pp 116 29
Sen, A (1985) *Women Technology and Sexual Divisions*, United Nations International Research and Training for the Advancement of Women (INSTRAW), Santo Domingo
- (1987) *Gender and Cooperative Conflicts*, Wider Publications, Helsinki
Smyth, I (1990) *Differentiation among Petty Commodity Producers The Effects of A Development Project on Handicrafts Production in A Sundanese Village*, Project Working Paper Series No B-1, Institute of Social Studies, The Hague
Stamp, P (1989) *Technology, Gender and Power in Africa*, Technical Study, IDRC, Ottawa
Stoler, A (1977) *Class Structure and Female Autonomy in Rural Java*, Department of Anthropology, Columbia University, New York
Sulanjari, S and I S Kawuryan and L Suharti (1988) *Profil Industri Genteng Desa Karanggeneg, Kecamatan Boyolali, Kabupaten Boyolali, Jawa Tengah*, (Profile of Karanggeneg Tile Industry, Boyolali, Central Java), Research Series No 20, Unit Pengkajian dan Pengembangan Wilayah (UPPW), Faculty of Economics, Satya Wacana Christian University, Salatiga
Tabor, R Steven (1992) 'Agriculture in Transition' in A Booth (ed), *The Oil Boom and After Indonesian Economic Policy and Performance in the Soeharto Era*, Oxford University Press, Singapore, pp 161-203
Tadesse, Z (1982) 'Women and Technology in Peripheral Countries An Overview' in P M D'Onofrio Flores and S M Pfafflin (eds), *Scientific Technological Change and the Role of Women in Development*, Westview Press, Boulder, Colorado, pp 77-112
Timotius, R (1991) *Profil Pemasaran Genteng di Desa Karanggeneng Kecamatan Boyolali Kabupaten Boyolali*, (Profile of Tile Marketing in Karanggeneg Village), Research Series No 28, Unit Pengkajian dan Pengembangan Wilayah (UPPW), Faculty of Economics, Satya Wacana Christian University, Salatiga
Utrecht A (1989) *Women's Role in Rural Industrialisation The Case of Java*, Working Paper Series No 54, Institute of Social Studies, The Hague
Ventura Dias, V (1985) 'Modernisation, Production Organisation and Rural Women in Kenya in I Ahmed (ed), *Technology and Rural Women Conceptual and Empirical Issues* George Allen and Unwin, London, pp 157 210
Whitehead, A (1985) 'Effects of Technological Change on Rural Women A Review of Analysis and Concepts' in I Ahmed (ed), *Technology and Rural Women Conceptual and Empirical Issues*, George Allen & Unwin, London, pp 27 66
Whyte, R O and P Whyte (1982) *The Women of Rural Asia*, Westview Press, Boulder Colorado
Wieringa, S (1981) 'And Everywhere She Leaves Traces of Blood Behind The Ideology of Batik Labour in Central Java', (Translation of En overal laat zij bloedsporen achter, Macht, Sekse, en Klasse in de batikindustrie van Midden Java) *in Socialities Feministiese Teksten 5* Feminisme en Antropologie, red Vrouwengroep Antropologie Amsterdam, Feministiese Uitgevery SARA, Amsterdam
(1989) *Germani and the PKK Brokers on Behalf of Whom?*, Working Paper Series No 9, Publications Office, Institute of Social Studies, The Hague
Wolf, D L (1988) Female Autonomy, the Family, and Industrialisation in Java, *Journal of Family Issues*, Vol 9, No 1, Sage Publications, pp 85 107
— (1992) *Factory Daughters Gender, Household Dynamics, and Rural Industrialisation in Java*, University of California Press, Los Angeles

Technology and Feminisation of Work

Iftikhar Ahmed

As a response to the twin challenges of feminisation of work and the feminisation of poverty, a combination of multiple policy strategies have been suggested for boosting women's productivity, expanding women's employment opportunities, raising income levels in women's jobs and mobilising women into participatory groups. What is the role of technology in this context?

OVER the past two decades there is a continued trend towards feminisation of employment both in developed and developing countries. In addition, if one takes into account women's unpaid work, particularly in developing countries, women in poorer households work much longer hours and have much less leisure time than the males [Buvinic 1993]. It is a little surprising that the trend in the feminisation of work has been accompanied by the feminisation of poverty in third world countries (Table 2). While jobless growth has characterised virtually every region of the world, women had to bear a much larger burden of unemployment over the past two decades (Table 3).

As a response to the twin challenges of feminisation of work and feminisation of poverty it has been suggested that a combination of multiple policy strategies for (a) the boosting of productivity in women's paid and unpaid work, (b) the expansion of women's employment opportunities, (c) the raising of income levels in women's jobs, and (d) the mobilisation of women into participatory groups be pursued as these together constitute the basic foundations of women's empowerment [Buvinic 1993].

Therefore, the purpose of this article is to review the role of technology in the empowerment of women in the context of rapid feminisation of work. The article deals with numerous new and conventional technologies and related policy issues. It begins with microelectronics and touches on biotechnology, technologies for sustainable livelihoods, energy technology choices, institutionalisation of gender biases and the scope for empowering women with technology.

Microelectronics: Reskill or Perish

A major reason for the feminisation of employment is the structural shift of employment from manufacturing to services in the advanced countries. For instance, there are as many women employed as men in the British economy now as compared to the 1960s when the number of women employed was only half that of the men [*The Economist*, December 11, 1993]. Overall, women account for 50 to 60 per cent of total employment in the financial services of advanced countries, yet they occupy only 5 per cent of the higher occupations [Rajan 1990]. In developing countries like India and Tunisia women account for one quarter to one third of total employment in this sector [Chopra 1991 and Ferchiou 1991]. Despite the inherent labour displacing effect of microelectronics application, women's share in overall financial services employment is, over the years, on the increase. Clerical work accounts for 70 per cent of the financial service jobs where the bulk of the women workers are concentrated (as high as 90 per cent in the UK) [Rajan 1991]. This is precisely the single most significant occupational group vulnerable to automation. In this occupational category, particularly the non-career clerical staff hold part-time jobs with low skills and less job security.

Evidence from industrialised countries suggests that the trend of the feminisation of clerical tasks in financial services has been accompanied by the deskilling of such tasks and/or the creation of part-time work opportunities for women following the application of microelectronics [Rajan 1991].

Evidence from Tunisia suggests that during 1983-87 women's employment in the financial services lagged behind the men's. Female employment grew at 4.6 per cent per annum as compared to 5.1 per cent for the males while the women's share in total financial services employment remained virtually unchanged during that period [Ferchiou 1991]. The financial services sector accounted for nearly 80 per cent of the microelectronics-use in Tunisia. The increasing share of employment of executive and managerial staff and technicians (computer programmers and systems analysts) has led to a higher growth in employment of males than females despite the availability of a higher proportion of fresh better qualified women graduates in computer sciences and business administration.

Microelectronics applications in the financial services appear to have regrouped several tasks under one job to hold on to which multiple skills have to be acquired by the worker. This could take two forms: (a) horizontal loading, i e, regrouping of unrelated tasks under one job, and (b) vertical loading, i e, regrouping sequentially related tasks under one job

TABLE 2: RURAL POPULATION BELOW POVERTY LINE IN THIRD WORLD BY SEX, 1965-70 AND 1980

(*in millions*)

	1965-70	1988	Per cent change
Women	383.673	564.000	47.0
Men	288.832	375.481	30.0
Total	672.505	939.481	39.7

Source: Compiled by Buvinic (1993) from data in Jaziry, Alamgir and Panuccio (1992).

TABLE 3: GROWTH IN EMPLOYMENT BY REGION AND BY GENDER, 1970-1990 (AVERAGE ANNUAL GROWTH IN PERCENTAGES)

Region*	1970-1980			1980-1990		
	Total	Male	Female	Total	Male	Female
South Asia						
Bangladesh				4.56	3.68	13.78
India	2.71	2.59	3.67	1.73	1.54	3.09
Pakistan	3.07	—		2.46	2.26	7.73
East and south east Asia	1.58	0.80	0.83	1.54	1.35	1.41
Latin America	1.98	1.15	2.41	2.35	1.59	2.48
East and central Europe	2.13			0.64	—	—
Sub Saharan Africa	1.51	0.64	0.35	1.66	0.64	0.72
OECD	0.98	0.53	1.51	1.12	0.62	1.83
Middle and near east						
Algeria	7.87	4.89	3.73	4.31	12.47	15.10
Egypt	2.28	2.76	2.82	4.43	1.74	34.97

* Selected country figures are provided wherever regional statistics are not available.

Source: *Yearbook of Labour Statistics*, various years, ILO, Geneva.

[Rajan 1991] Women workers respond enthusiastically to opportunities for reskilling obviously recognising that it is vital for saving their jobs. For example, when a bank in India offered the opportunity for computerised operations to its entire workforce, 12 per cent of the electronic data processing activities were taken up by women. This contrasts with the largest bank in India where exposure of only 2.5 per cent of its total employees to microelectronics led to 95 per cent of the electronic data processing jobs being captured by the males. As noted earlier, despite women accounting for a quarter of the financial services workforce in India, a very low proportion of them are engaged in electronic data processing [Chopra 1991].

Therefore, women threatened with deskilling by microelectronics applications in the financial services need to be included in an aggressive retraining programme for both 'reskilling' and 'multiple' skilling if the newly emerging jobs and occupations are not to be cornered by the males. New occupational structures are emerging. For instance, in one financial firm in Kenya nearly one third of the openings in the data processing department remain unfilled [Mureithi and Ndiritu 1991].

In the printing and publishing industry the proportion of female employment increased in both the US and Denmark due to the introduction of microelectronics. In the US the share of women workers increased from 25 per cent in the 1960s to 33 per cent in the 1980s. In absolute terms, the increase was 56 per cent. The gain in women's employment was accompanied by a fall in male employment. Therefore, it is concluded that women's employment was enhanced due to the replacement of traditional male craft skilled jobs such as linotype setting by office type skills possessed by women, such as input of text on phototypesetting visual display units (VDUs). Similar increases in the proportion of women's employment in the composing and printing work has been observed in Denmark [ILO 1990a].

It has been estimated that by the turn of the century more than 60 per cent of the North American workforce will be using VDUs. In Japan, 70 per cent of all enterprises already use VDUs [ILO 1989]. The bulk of these VDU users are obviously women workers. There is ample evidence from a wide range of countries on the adverse health effects on VDU users such as visual and musculo-skeletal complaints, as well as symptoms of stress [ILO 1989 and 1990a]. The ILO has produced guidelines on the safety and health aspects related to the use of VDUs. These include ways and means to improve the physical environment and ensure that the equipment is ergonomically sound, design jobs and organise work with VDUs so as to minimise any negative effects on health [ILO 1989].

Women account for the bulk of the workforce engaged in telework, which has been facilitated by new technologies like the availability of microelectronics.[1] While many women are engaged in telework because of the advantage it offers to combine such work with child care and household responsibilities, financial motivation and the advantage of flexibility were no less important. However, telework could lead to isolation, marginalisation and exploitation of women workers [Di Martino 1992].

Biotechnology's Double Edge

Women's work is relevant to both the application and generation of biotechnology. It has been noted that advanced agricultural biotechnologies contain both pro-poor and anti-poor potentials [Ahmed 1992]. For instance, reduced costs of agricultural production and greater scale-neutrality associated with the new biotechnologies could benefit the small farmers,

Table 4 Benefit/Cost Ratios of Alternative Energy Technologies by Farm Size and Socio Economic Status and Seasons India 1990

	Agro Waste	Dung Cakes	Firewood	Kerosene	Biogas
Socio economic status					
Low	1.22	1.14	1.41	1.14	4.60
Medium	1.43	1.22	1.66	1.24	5.54
High	2.38	1.46	1.76	1.30	5.84
Average	1.45	1.18	1.60	1.28	5.33
Farm size					
Landless	1.03	1.18	0.74	1.10	4.14
Small	1.18	1.21	1.09	1.25	6.43
Medium	1.32	1.37	1.11	1.26	6.76
Large	1.47	1.46	1.36	1.34	6.77
Average	1.21	1.72	1.44	1.27	6.42
Season					
Summer	1.79	1.14	1.19	1.01	5.47
Winter	1.47	1.12	1.16	1.08	5.24
Rainy	1.46	0.73	1.09	1.12	5.12
Average	1.54	0.01	1.15	1.06	5.28

Source: Yadav, Gandhi and Nagpal (1993)

Table 3 Unemployment by Region and by Gender 1970-1992

(percentages of the respective labour force)

Region	1970		1980		1985		1990		1991		1992	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
South Asia*												
Pakistan	—	—	3.0	6.0	4.0	1.5	3.4	0.9	4.5	16.8	4.5	16.4
Sri Lanka	–	—	–	—	–	—	9.1	23.5	10.0	21.2	10.6	21.0
East and south east Asia	—	—	4.3	5.4	3.7	4.8	2.9	3.4	3.4	3.8	3.5	4.9
Latin America	–	–	9.5	14.6	[illegible]	16.4	9.8	13.6	9.7	12.6	9.0	13.0
Eastern and central Europe	–	—	–		—	—	4.4	2.1	6.3	8.9	9.2	10.3
Sub Saharan Africa*												
Ghana	0.8	-	1.5	—	0.7	—	—		–	—	—	—
South Africa	–	—	4.7	9.8	7.9	8.5	7.9	7.8	8.0	9.3	—	—
OECD	2.5	3.6	5.1	5.9	8.3	9.0	6.0	7.4	7.0	8.0	8.7	8.5

* Selected country figures are provided wherever regional statistics are not available

Source: *Yearbook of Labour Statistics*, various years, ILO, Geneva

who were left out by the green revolution The green revolution technology increased the employment and income earning opportunities for women workers from landless households particularly in densely populated Asia However, the rapid commercialisation and worldwide distribution of the genetically engineered herbicide-resistant plant varieties will lead to a substitution of chemical herbicides for manual weeding largely performed by female wage labour Thus the genetically engineered herbicide resistant plant varieties will, on the one hand introduce a new fixed cost for farmers by compelling them to purchase the herbicide genetically tied to the seed supplied by the same multinational company On the other hand it will contribute to the massive displacement of female labour on whose earnings the poorest households depend for their survival

While the widespread application of the green revolution technology in general brought about significantly increased labour absorption it had a differential impact on female labour use Existence of factor price distortions led to the mechanisation of tasks previously performed by women e g in post harvest processing which massively displaced casual women wage workers [Ahmed 1985] However the increased labour demand in peasant households was met by employing unpaid female family members due to the ability of patriarchal authority in the peasant household to expropriate more work from such family members [Whitehead 1985] Biotechnology applications are expected to lead to a growth in agricultural output requiring even greater use of unpaid female labour particularly in peasant households The experience from the green revolution clearly suggests that the expropriation of unpaid female family labour will take place on a much larger scale than before simply because unlike the green revolution technology, biotechnology will be much more accessible to smaller farms and peasant households who depend largely on the pool of unpaid female family members for the extra farm work that will be needed

While the application of some of the newly emerging biotechnologies tend to threaten women's employment and make them vulnerable to exploitation women scientists could play a crucial role in generating biotechnologies targeted to meet the needs of the poor Women dominate the micropropagation laboratories in both the Philippines and Mexico For instance women constitute 80 per cent, 74 per cent and 85 per cent of the Philippine Society for Microbiology, Cell/Molecular Biology and Biotechnology Societies respectively [Halos 1992] One reason for such a concentration of women scientists in this profession is that it was considered a lowly paid job (shunned by the male scientists) concerned with basic science with limited linkage to industry in the past Another reason why the males were not interested is that work in the tissue culture laboratories is tedious requiring patience and perseverance

The little scientific capacity for biotechnology that developing countries possess is currently being channelled to cover non food crops and to meet the needs of the commercial and large farm sector Therefore it is clear from the above that women scientists could help launch a planned assault to solve location specific technical and socio economic problems by targeting the limited national scientific capabilities to fulfil the needs of both poor producers and consumers However since the rapid commercialisation of patented biotechnologies would bring in wind fall profits to the private corporate sector it offers the opportunity of raising the remuneration levels of poorly-paid women scientists

Women with the help of environmentally sound technologies could provide the crucial bridge between socio-economic sustainability and environmental sustainability It is often assumed that women are likely to be more motivated than the men to conserve the environment as they are more critically dependent on it for their survival However, not much concrete evidence has been furnished to demonstrate the validity of this hypothesis

An ILO survey of women in rural Kenya reveals that socio economic sustainability and environmental sustainability are not only interrelated but also mutually supportive [Omang'o and Mukudi 1993] The principal attributes of the household s socio economic sustainability are as follows (a) ownership of land, (b) more equitable farm size distribution, (c) stability of income and employment (d) diversification of cropping patterns, (e) greater food security, (f) satisfaction of basic needs (access to water sanitation and housing), and (g) application of productivity enhancing agricultural technologies

Farm labour is provided by 93 per cent of the women It is mostly (83 per cent) women who are seeking off-farm employment Half the women are aware of the adverse health effects of handling agricultural chemicals and nearly as many women report the use of protective gear by the households

Women who bear the responsibility for household water supply are most knowledgeable about water treatment technology and the majority (64-67 per cent) also have knowledge of improved sanitation technology Adoption rate of improved sanitation technology is low (36-40 per cent of the households) Lack of owner

Table 5 Labour Intensity for Alternative Energy Technologies by Socio Economic Status Farm Size and Seasons India 1990

Household Category	Agro waste		Dung Cakes		Firewood		Kerosene		Biogas	
	Work Hours	Labour Costs (Rs)	Work Hours	Labour Costs (Rs)	Work Hours	Labour Costs (Rs)	Work Hours	Labour Costs (Rs)	Work Hours	Labour Costs (Rs)
Socio economic status										
Low	172	22 50	220	30 70	90	11 80	6	—	35 3	2 70
Medium	138	18 08	120	15 60	102	13 30	18	—	66 3	8 60
High	22	2 80	24	3 11	68	8 90	12 30	—	64 3	8 40
Farm size										
Landless	102	13 30	165	21 50	124	9 51	6	0 70	16 3	2 16
Small	66	8 50	55	7 20	72	9 40	7	0 90	35 0	4 50
Medium	115	15 00	69	5 40	68	8 90	8 30	0 60	39 3	5 10
Large	45	5 90	55	7 20	90	11 80	14	1 80	77 3	10 10
Season										
Summer	335	43 90	375	58 20	300	39 30	47	6 10	165 9	21 70
Winter	340	14 50	400	62 20	313	41 00	45	6 50	175	22 90
Rainy	332	43 50	349	45 70	280	26 20	52	6 81	180	23 60

Source Yadav Gandhi and Nagpal (1993) Tables 1 5

ship of housing (60 per cent of urban slum dwellers) and excessive costs (40 per cent of rural households) are considered as constraints to adoption of improved sanitation technology. The extension services played a very insignificant role in providing information on both technologies.

It is remarkable that hardly anyone (87 per cent) depends on forestry for employment, despite residing in close proximity of the forests. The vast majority (93 per cent) are not only aware of official restrictions on forest exploitation but also support (82 per cent) its conservation. The reason given by the majority of the women further confirm their high sense of responsibility as 72 per cent wish the forest to be saved and 50 per cent see forests as a way of avoiding drought. Tree planting is practised by virtually all (97 per cent) households. It is remarkable that 35 per cent of the women participate in tree planting despite not having any ownership rights over the trees. Women are not only aware of alternative soil conservation technologies but the vast majority of them are engaged in soil conservation. Virtually all (93 per cent) of them recognise the positive ecological value of such techniques. Extension services have been a significant source (65 per cent of households) of information on alternative soil conservation technologies.

The impact of proprietary rights and dependence on natural resources on waste management is most dramatically brought out by the behaviour of two contrasting populations. In rural Kenya, the majority (67 per cent) of households convert animal waste into manure and use household waste in the farm. In contrast most urban slum dwellers dumped their household waste into garbage pits. In rural Kenya hardly any industrial effluent from tea/coffee processing plants were drained into the river.

The benefit cost ratios of biogas energy are systematically the highest for all farm sizes, socio-economic status and seasons in India (Table 4).[2] However, labour intensity varies by type of technology and socio-economic status and farm size (Table 5). Households dependent on unpaid female family labour might choose technologies on the basis of higher labour intensity.

Organisational bottlenecks may deprive the poor from exploiting the high benefit-cost ratios of biogas plants. As many as 63 million (out of a nationwide total of 75 million) of family-scale biogas plants in India do not possess the 3-5 cattle needed to supply enough dung to operate a family-scale digester [Bhatia et al 1994]. As regards the larger community/village scale biogas plants, sustainable use is feasible when there is a convergence between the individual self-interest and collective need of the community [Krishnaswamy and Reddy 1994]. The use of biogas plant energy for running submersible pump to lift borewell water for distribution to the community by pipes satisfies urgent individual requirements as well as high community collective priority. Drinking water supply is a higher priority over energy for cooking. The sustainability arose from the villagers understanding of the connection between the steady water supply with the need for prompt dung delivery by the beneficiaries.

A survey of the impact of technological change on rural women has revealed that technological change, particularly in rural areas, have for the most part led to the concentration of women in domestic and non-market roles and labour intensive activities. It has also been observed that technological innovations introduced in women's activities result in the men taking over women's jobs simply because the corresponding skills development training knowledge and working capital aimed at women are excluded from the new opportunities created often owing to institutionalised gender biases [Ahmed 1985].

It has been noted that rural factor market imperfections which contributed to class based inequalities could well deny the women access to technology and resources leaving them in occupations marked by low incomes and low productivity thereby creating and accentuating gender based inequalities. Factor price distortions have also led to the massive displacement of women workers from the poorest households by promoting technologies which are capital-intensive, e g, in post-harvest processing activities.

On a positive note, field-based ILO technical co operation projects for women from three developing sub regions (south Asia and western and southern Africa) indicate that it is feasible to widen and diversify women's income earning opportunities through the introduction of improved technologies. The application of improved technologies could generate women's employment in non traditional areas while upgrading technologies in women's traditional occupations could simultaneously raise their labour productivity and reduce the drudgery of work. Channelling of improved technologies through participatory organisations of rural women contribute significantly to women's empowerment. Fostering of linkages to commercial suppliers of technology and training institutes and marketing channels was a key element in the strategy for women's empowerment.

Notes

[This article is based on a paper presented to the Expert Group Meeting organised by UNIFEM on Women Science and Technology. A New Vision for the 21st Century in preparation for the 1995 Fourth World Conference on Women and the meeting of the Sub Working Group on Gender of the UN Commission on Science and Technology for Development New York December 14 18 1993. The author is grateful to Priya Basu and Steve Lautizar for the compilation of Tables 1 and 3.]

1 The term telework is also described as telecommuting, remote work and distance work and is ideally suited for part time work. 90 per cent of those engaged in part-time work consists of women workers.

2 Based on a survey of selected villages of Hisar district of Haryana in India. The costs were calculated on the basis of time used from procurement to utilisation market price of inputs and actual labour costs per day. The benefits consist of energy obtained and the energy value of the amount of fuel used (converted into mandays equivalent and priced at the prevailing market price).

References

Amin Rajan (1990): Information Technology in the Finance Sector: An International Perspective, WEP Research Working Paper No 210, ILO, Geneva.

Chopra O P (1991): 'New Information Technologies and Employment in India's Finance Sector', WEP Research Working Paper No 218, ILO, Geneva.

Iftikhar Ahmed (ed) (1985): *Technology and Rural Women: Conceptual and Empirical Issues*, George Allen and Unwin, London.

— (1992): *Biotechnology: A Hope or a Threat*, Macmillan, London.

ILO (1987): *Control and Management of Technology by Rural Women of Ghana*, Report of the joint ILO/the Netherlands/Ghana National Council on Women and Development Project.

— (1989): *Working with Visual Display Units*, Occupational Safety and Health Series No 61, ILO, Geneva.

— (1990a): *Security of Employment and Income in the Light of Structural and Technological Change in the Printing and Allied Trades Having Regard to Other Media*, Report, Third Tripartite Technical Meeting for the Printing and Allied Trades, Geneva.

— (1990b): *Conditions of Work Digest: Telework*, Vol 9, No 1.

— (1991): 'The Impact of Technological Change on Work and Training', Tripartite European Meeting on Technological Change on Work and Training, TRITEC/1991/1, Geneva.

— (1991): *Empowering Women: The Technological Challenge*, Annual Report of joint ILO, Women's Affairs Department

Government of Bangladesh/Government of Norway Project on Technologies for Rural Employment with Special Reference to Women Bangladesh (BGD/89/M03/NOR)
—(1992) *Technologies for Rural Women The Dilemmas of Landlessness* Report of the joint ILO Women's Affairs Department Government of Bangladesh Government of Norway Project on Technologies for Rural Employment with Special Reference to Women Bangladesh (BGD/89/M03/NOR)
Baziry I, M Alamgir and T Panuccio (1992) *The State of World Rural Poverty An Inquiry into Its Causes and Consequences* New York University Press New York
John Bessant (1989) *Microelectronics and Change at Work*, ILO, Geneva
Mayra Buvinic (1993) 'The Feminisation of Poverty? Research and Policy Needs', paper presented to Poverty New Approaches to Analysis and Policy A Symposium, International Institute for Labour Studies (ILO), November 22-24, Geneva
Mureithi I P and S K Ndiritu (1991) Information Technology in Kenya's Financial Sector', WEP Research Working Paper No 217 ILO, Geneva
Omang'o R and E Mukudi (1993) *Environment Technology and Poverty Linkages in Kenya* ILO Geneva (preliminary draft)
Ridha Ferchiou (1991) 'New Information Technologies and Employment in Financial Institutions in Tunisia', WEP Research Working Paper No 214, ILO, Geneva
Saturnina C Halos (1992) 'Biotechnology Trends A Threat to Philippine Agriculture' in Iftikhar Ahmed (ed) *Biotechnology A Hope or a Threat?* Macmillan, London
Vittorio Di Martino (1992) Occupational Stress A Preventive Approach' in *Conditions of Work Digest Preventing Stress at Work* Vol 11, No 2 ILO, Geneva
Whitehead, A (1985) Effects of Technical Change on Rural Women A Review of Analysis and Concepts' in I Ahmed (ed) *Technology and Rural Women* George Allen and Unwin London

Structural Adjustment, Feminisation of Labour Force and Organisational Strategies

Nandita Shah
Sujata Gothoskar
Nandita Gandhi
Amrita Chhachhi

The argument that SAP will lead to feminisation of labour and the availability of jobs for women needs to be examined critically in the Indian context. Based on a sound grasp of the impact of SAP organisational strategies which will strengthen women's resources in confronting the economic pressures need to be evolved.

THIS article is a contribution to the ongoing debate on the possible positive and negative impact of the newly introduced new economic policies (NEP) and structural adjustment programme (SAP) on women workers. The article attempts to link the political and social implications of these economic policies on women's lives and work with the development of strategies for survival and empowerment focusing on urban working women. Firstly we would like to state that these policies are not really 'new' in the sense that industrial restructuring since the 1980s had already started affecting industrial workers and these trends have intensified with the commencement of the IMF dictated SAP. The second part of the article focuses on the debate on feminisation of the labour force under SAP. The final section of the article presents some alternative perspectives and suggests organisational strategies in relation to women's paid and unpaid labour to improve the quality of their lives and lay the basis for empowering them towards transformation of the structures of their subordination.

Different reactions to the NEP and the SAP in India have emerged ranging from supporters, critical of Nehruvian policies to opponents who see it as a surrender of our sovereignty to foreign institutions and countries to the 'we have no choice' pragmatics. Political parties especially the Left parties have voiced their concern for different sections such as the working class, petty traders and entrepreneurs and indigenous industry through rallies, anti-price rise morchas and swadeshi campaigns. Women's groups have joined other progressive and voluntary organisations to express their fear of the possibility of a severe negative impact especially on the lives of working women.

These reservations and suspicions about NEP have some basis in our past history as well as the experiences of many other countries which have implemented them. With the acceptance of the IMF loan and its conditionalities, it is clear that India has now joined other Latin American, African and Asian countries which had accepted the terms for the IMF-World Bank loans.

However it should be noted that India had begun a process of 'adjustment' quietly since the beginning of the 1980s. Multinational corporations were encouraged to invest by the Indira Gandhi government and even by the Janata Party government. Rajiv Gandhi gave a glimpse of this process when he spoke of moving into the 21st century and brought in indiscriminate computerisation.

All three governments continued huge foreign borrowings, deficit financing and indirect taxation. By the time the National Front government came to power, the coffers of the country were more or less empty. Even though failure of their economic approach and the oncoming economic crisis were obvious to all three governments not one had the political will for making any real radical changes to turn the situation around. They continued with the facade of a mixed welfarist perspective whilst opening up a little now and then to the multinationals and the world market. It fell on the Rao government to take this policy forward by publicly announcing liberalisation. Its 1991 policy announcements can thus be seen not as a beginning of economic liberalisation but its inevitable consolidation.

It is argued that the Indian economy needs to be 'stabilised' by introducing fiscal and monetary restraint (deflation) and devaluation of currency. This, it is hoped, will reduce demand for imported goods and encourage exports and therefore bring down expenditure. SAP is meant to deal with the supply side by increasing production and efficiency in the production process. Incentives for private sector, privatisation of government owned units, delicensing, deregulation and disciplining labour are some of the means of 'adjustment'. In effect adjustment meant jettisoning the older model of the economy and opening up to what has been called the 'magic of the market' or a form of neo liberalism.

There are several theories on the failure of 'developmentalism' but the alternative posed seems to be worse than the problem. It is feared that the real costs of adjustment will be borne primarily by the most disadvantaged and vulnerable sections of society while the benefits would be limited to a small section. Numerous case studies on the effects of SAP in developing countries have pointed out that even where SAP leads to growth it does not necessarily imply development. For instance, in 1985 the Bolivian economy collapsed and had to be bailed out by a $ 50 million loan by the IMF. Rather than improvement the economy shrank by 3 per cent in just one year, real wages fell by half, food consumption went down by 40 per cent, number of factories were reduced by 55 per cent. There was a massive march of 7,000 people in La Paz for Life and Bread in 1986. These were explained away as teething troubles of the painful aspects of adjustment. But things did not improve in 1988 as inflation doubled, real wages continued to decline and one out of every four Bolivians was out of work. There was mass migration as government departments shut, miners lost their jobs and their wives took up agricultural work [Bank Information Centre undated].

Even success stories have tragic subplots within them. Ghanaian cocoa production had increased and the income of producers had jumped by 700 per cent in some cases. However the increase was uneven amongst agriculturists. Amongst the cocoa farmers only 18 per cent in the south were favoured versus the poorer ones in the north of Ghana while the majority of non cocoa producing farmers' per capita income stagnated. There were other more disastrous side effects. The emphasis on cocoa has led to a decline in food sufficiency, deforestation, which might mean the disappearance of timber, and a drop in fishing and high prices which have effected the nutritional levels of people. As new crises surface the Fund blames the government for mismanagement and extends more money for even more 'adjustment' (ibid).

There are numerous other studies by the ILO and independent scholars which show that SAP in many countries has on the whole failed to generate growth of income and employment. The balance of payments situation may improve, exports may rise given a good world demand but the majority

the people, especially the poor are no better than what they were before the introduction of these policies.

Where do women feature in the faceless, neutral rows of figures and general indicators of a nation's well-being? Are they affected by SAP in the same way as men? The evidence from a dozen case studies carried out by UNICEF showed that, "with a few exceptions, children and women of poorer families were the hardest hit by recession". Apart from the effects on nutrition, workload, mortality, etc, studies have shown how traditional industries which employed a large percentage of women were being closed after introduction of SAP. In Mexico, the 'maquiladoras' industry introduced changes in the labour process which transferred women working in the plant to self-employed work performed at home. According to a document by DAWN, "throughout different countries there is a growth of the intermittent activities, uncovered by labour contracts or social security". In Argentina unemployed women who are heads of households find it more difficult to enter the labour market than men [Antrobus 1990].

Structural adjustment programmes affect sections of working women differentially but the evidence from studies shows that it tends to shrink women's employment opportunities in the organised sector.[1] New employment opportunities are primarily in a small segment of export industries with low wages and extremely adverse working conditions. Under SAP real wages have declined for labour as a whole and again women have been particularly hard hit. In Brazil, women faced wage reductions ranging from 10 to 30 per cent depending on the sector they were working in [Kriti 1992]. There are many similar examples from other countries in Africa, Latin America, the Caribbean and Asia.

Indian women form a vulnerable and exploited group of people. India has one of the lowest sex ratios in the world of 1,000 males to 923 females. It is a further drop from the 1981 figure of 1,000 males: 934 females. Only 39.4 per cent of women are literate. Less women than men work for a living and for every three men only one woman uses health facilities [Batlivala 1984]. There are depressing figures on the number of rapes, dowry murders, sexual harassment and assaults on women. Some of the basic institutions of society have a shocking record of discriminating against women. For example, banks are reluctant to have women open accounts for their minor children in their names or extend credit for their minor children in their names or extend credit for their independent work. Courts, in spite of amendments in the rape and dowry laws, have convicted very few offenders or let them off lightly. In the labour market, the private sector has not been a major employer of women. The government is the largest employer of women but only in 'women-oriented' types of jobs as typists, nurses, teachers, etc. Whatever women require for an independent livelihood and existence such as work, housing, and other resources, are systematically denied to them by the norms of the patriarchal family and society.

Given the existing structure of discrimination against women, the introduction SAP via the NEP with its attendant problems of inflation, recession, restructuring of industry, fall in real wages, etc, will intensify and worsen conditions particularly for poor women. Many scholars and activists have pointed out that there will be a fall in working women's standard of living, poor nutritional and health level, an increase in the double burden of work and a brake to any improvement of their status in society.

So towards the middle of the 1980s, international agencies such as UNICEF began to express concern at the detrimental effects of SAP on women and children and put forward the proposal 'for adjustment with a human face. The World Bank too has been forced to respond to the criticisms of the impact of structural adjustment programmes on poor households but the 'compensatory programmes' adopted by it and other agencies to 'alleviate' poverty and inequality intensified by SAP have been shown to be inadequate and limited. Although the proposal for 'adjustment with a human face' highlights the disastrous effects of SAP and suggests protective policies, it does not question the macro-economic policy itself. It suggests improved policies with the expectation that 'enlightened governments' will act on these policies. In practice, governments have tended to ignore or adopt these policies in an indifferent manner. The overall framework within which these ameliorative measures are proposed are paternalistic, treating women only as victims and lack the potential to change the subordination that women face in the economy and society [Elson 1989]. By the end of the 1980s a more systematic effort was made to identify the specific consequences of SAP on women and suggest proposals to protect the position of women as well as incorporate their concerns into the process of adjustment as for instance by the report by the Commonwealth Secretariat, 1989. However, this report also tends to treat women only as victims and focuses on harnessing their 'productive potential' through policy changes rather than through empowering the women themselves.

A major assumption that informs such policy prescriptions is that if women are engaged in employment, i e, income earning linked to the market, there will be an improvement in their status. Based on this assumption there are a few economists who see the SAP as a ray of hope especially in the context of women's work. They argue that the SAP will introduce flexibility in the organisation of industry, in the production process and in the labour market. It will therefore generate low paying jobs which will go to women, thus increasing their work participation rates and generally helping in the alleviation of poverty. It is important for us as researchers and activists to critically look at these arguments as thay have a direct bearing on the development of strategies and the empowerment of poor women in their struggle for a better life.

Feminisation Debate

Analysts of present trends in industrialisation in developed and developing countries have argued that the characteristic feature of this phase of capital accumulation is 'flexibility', accompanied by a process of 'global feminisation' of the labour force. Flexible specialisation is based on the diffusion of microelectronic systems in production which overcome the inflexibility of Fordist production systems which were characterised by the assembly line with a high degree of division of labour in which workers were reduced to adjuncts of the machine. Fordist production required long runs of standardised products, large units and the maintenance of large inventories on a 'just in case' basis which increased costs. Post-Fordist or flexible production is based on decentralised small units of production, with subcontracting arrangements, minimum inventories similar to the Japanese 'kanban' or 'just in time' system, with flexible labour deployed over a variety of production tasks. The labour force is used only when required which means workers do not have permanent status, are paid low wages and deprived of statutory rights. The argument for global feminisation of the labour force has been put forward by Guy Standing (1989) who notes that the decade of the 1980s is both the decade of 'labour deregularisation' as well as a period marked by a "renewed surge of feminisation of labour activity". This is the period in which "labour and social rights became perceived increasingly as costs and rigidities"and the growth of very low wage employment. He argues that "when low wage jobs spread, it is women whose employment in them increases". Guy Standing uses the term 'feminisation' to refer to two processes: a rise in female labour force participation in the face of a fall in male participation rates and the feminisation of certain jobs that were traditionally performed by men, i e, the substitution of men by women.

Applying this thesis to India, Sudha and L K Deshpande (1992) state that this tendency towards feminisation of the workforce has been observed in official data at natio..al level as well as in the city of Bombay. They

argue that feminisation through flexible labour practices in urban labour markets over the 80s increased employment opportunities for women

In elaborating on the direction of female manufacturing employment, they note that employers in Bombay responded to liberalisation by employing women or retrenching fewer women than men Given that trade liberalisation is a major plank of the NEP, they estimate that production for exports will increase and since export industries are more labour intensive the total demand for labour will also increase In this context, they argue that the employment for women will increase faster than that of men, since women constitute a cheap and docile labour force

Sudha Deshpande (1993) goes further to say that "to the extent that it [NEP] is likely to increase the demand for labour in general and that for female labour faster than in the past, offer wider choice of occupation to women entering the labour market in the near future, and reduce the extent of poverty among families of these working women the change to NEP should be regarded as a positive change We must remember for the present that to be exploited in the labour market is bad but not to be exploited is worse

The assessment elaborated above is based on data gathered from different sources which show the trend towards feminisation particularly in the manufacturing sector However a number of questions and problems surface in the utilisation of statistical data which show general trends, especially when they are juxtaposed with specific case studies or with the experience of unionists, activists and researchers engaged in micro studies

In response to the thesis of global feminisation projected by G Standing Diane Elson has pointed out that although the data in the ILO *Yearbook of Labour Statistics* does indeed show the increase in women's share of total employment in a large number of countries, this need not necessarily imply feminisation It could in fact be quite compatible with the disappearance of many jobs of the type traditionally dominated by men, and the expansion of jobs of the type traditionally dominated by women' [Elson 1991]

To establish the case for feminisation of the labour force in India, the Deshpandes use the Annual Survey of Industries for India which puts out a fairly detailed break-up of industrywise percentage share of female workdays in total workdays in India, 1971 and 1983-84 (Table 5, p 2250) Based on this they conclude that " industries in India used proportionately more female labour in the early 80s than in the early 70s" Whilst this is true in some industries, their table also shows that in silk synthetics, the percentage of women employees declined from 5-10 to 1-5, in the food industry it declined from 21+ to 5-10, in wood products it increased form 5-10 to 10-15, in the chemical industry it increased from 5 10 to 10 15 in food products from 5 10 to 21+ Out of 19 industries, 10 have remained stagnant, two have reduced the employment of women and seven of them register an increase The data therefore suggests a more mixed picture rather than a definite trend It also raises the issue of examining such data along with the weight of each sector of production

A similar problem arises in relation to the next set of data used as evidence which was compiled from the records of the chief inspector of factories, Bombay (Table 7 p 2251) It indicates that industries employing more than 50 per cent women have increased from 0 6 per cent in 1975 to 2 5 per cent in 1981 to 3 1 per cent in 1989 The article unfortunately does not go into any details as to which industries employ such large numbers of women Without this information the data can be deceptive For example there are several units in SEEPZ employing not more than 30 40 employees Some of these are 90 95 per cent female dominated However, just down the road Larsen and Toubro and Mahindras employ more than 6 000 8 000 workers with hardly any women workers among them It is therefore important to know specifically which industries have increased the recruitment of women

The work participation rate of women in relation to men in manufacturing industry is abysmally low When assessments are made in terms of percentages it is important to keep in mind that the relative position of male workers remains high and the increase in female workers in actual numbers is quite low The interpretation of NSSO and census data for Bombay is indicative of a major increase in women's employment and thereby reflecting a trend towards feminisation could be questioned The Deshpandes argue for instance that male employment during the decade 1981 and 1991 increased at 1 6 per cent per annum while that for females increased at 5 9 per cent per annum [Deshpande and Deshpande 1992 2249] This means that between 1981 and 1982, the employment of men increased from 1 000 to only 1,016 and in the case of women it increased 'substantially' from only 125 to 132 women

At first glance, it does appear that the number of women employed has risen over the last few decades The proportion of women in total employment, which includes agriculture, manufacturing, the service sector and informal sector, has shown an increase The total work participation rate for the male workforce at an all India level fell from 52 65 in 1981 to 51 52 in 1991 The female rate on the other hand rose from 19 77 to 22 69 in the same period [Provisional Census 1991] However, it is necessary to look beyond these broad trends based on aggregate data and examine complementary data sources in order to qualify and reinforce this generalisation

The Provisional Census categorically states that the higher female work participation rates could be due to the fact that more women were netted This could have been the result of conscientising and training census officials and field workers In addition the increase in women workers is more in rural areas from 23 18 in 1981 to 27 06 in 1991 while in urban areas it is only from 8 32 in 1981 to 9 73 in 1991 [Provisional Census 1991] It is also necessary to specify what kinds of jobs are being done by women or are being taken over by them from men Nirmala Banerjee (1989) points out that while the 1971 81 decadal growth of women in manufacturing (an increase of 60 per cent) could imply a reversal in the earlier trend towards a decline in women's employment as well as entry into new industries, however the overall proportion of women workers in urban modern industries was still below 12 per cent in 1981 She points out further that far from a breakdown in the sexual division of labour All that happened was that either woman type occupations had expanded or some occupations had become more identified with women" [Banerjee 1989]

Qualification of statistical data is also necessary to ward off the problems of contradictory sets of data especially from gov-

APPENDIX TABLE 1 WOMEN'S EMPLOYMENT IN FACTORIES MINES AND PLANTATIONS IN THE 1960S 70S AND 80S

('000)

Year	Women in Factories	
	Numbers	Percentages
1989	461	(9)
1988	454	(9)
1987	512	(10)
1986	471	(9)
1985	489	(10)
1984	540	(10)
1983	521	(10)
1982	480	(9)
1981	477	(9)
1980	473	(9)
1979	489	(10)
1978	495	(10)
1977	498	(10)
1976	511	(10)
1975	453	(10)
1974	441	(9)
1973	451	(10)
1971	370	(9)
1970	394	(9)
1966	365	(9)
1961	372	(11)

Source *Statistical Pocket Year Book* Department of Labour Government of India Simla years 1961 to 1989

ernment sources For instance, how does one explain that the figures from the Statistical Pocket Year book of the Government of India (Appendix Table 1) shows that women's employment in the manufacturing sector has increased from 372 000 in 1961 to 461,000 in 1989 but their proportion in total manufacturing has declined from 11 per cent to 9 per cent or is almost stagnant from 1966 to 1989 at 9 per cent

Disturbing Observations

So far numerous micro level studies have shown decline in the employment of women Renana Jhabvala (1985) and Mira Savara (1982) have documented the decline of female employment in the textile mill sector in Ahmedabad and Bombay over the past few decades due to automation Other case studies in the city of Bombay show how many large scale industries which employ women in large numbers have replaced their women workers by either men or machines or both [Gothoskar and Banaji 1984] If there has been a reversal to this trend, it is necessary to specify in which industries this has occurred

Case studies of particular companies indicate that expansion of production facilities in the 1980s have not resulted in an increase in the employment of women For example Hindustan Lever had only two large plants in Bombay and Calcutta for over 60 years From 1982, Levers decentralised itself to have 20 other plants, besides a network of smaller units which were subcontracted In the 1960s the Bombay plant employed a substantial proportion of women employees, about 600 women out of a workforce of 1,500 However in 1990 there were only 3 women left None of Lever's other plants employ women in any substantial numbers except the garment's plant at the Export Promoting Zone in Kandla, Gujarat [Gothoskar 1992]

A similar process has been witnessed in the mining sector [Sen 1990], the chemical sector and in various sectors in engineering, toiletries, particularly affecting jobs such as packing where women are employed [Gothoskar 1992] A study done by Sharma and Sengputa (1984) in SEEPZ the export promotion zone in Bombay showed that 98 per cent of its workers were women However in a recent interview, the Labour Commissioner said that this proportion has been reduced to about 60 per cent in 1991

In 'complementary' units or subsidiaries to large industries such as the powerloom industry in Bhiwandi and Surat, women are completely absent According to a comprehensive study of the powerloom sector conducted at an all-India level by the Ministry of Labour, government of India, women constituted a mere 5 per cent of the labour force in 1988 In the handloom sector however, where the wage levels are much lower, women constituted 44 per cent of the workforce Here women were invariably paid piece rates which were very low [GOI 1986 87] Whereas in the large and organised industries even contract workers are mostly always men

It has often been argued that when large plants are closed or reduce their operations the employment is diverted to the small scale sector so there is a net increase in employment This is not always the case because the small units, usually ancillary ones of the parent company are automated and require few workers For example, the Pantham plant of Rhone Polec (earlier May and Baker) employs 55 workers, mostly men who do the work which in Bombay was done by 300 workers However smaller units which are exempt from labour regulations do tend to employ women as studies of chemical industrial estates in Ambernath and Kalyan have indicated although the recruitment of women in comparison with men is low [Gothoskar 1992] Within the completely unorganised sector women are employed only in jobs which are seen as women oriented such as garments or food processing Small scale plastic units prefer men giving the usual rationale that hard manual work and night shifts disqualify women from these jobs [Gandhi and Shah 1992] It is therefore important not to assume an automatic relation between decentralisation and increase in female employment

In examining the data for feminisation of the labour force it is useful to make a distinction between different referents of feminisation since these are often conflated Feminisation of the labour force has been used to refer to one or all of the following

(1) Increase in the female participation rate relative to men

(2) The substitution of men by women who take over jobs traditionally handled by men

(3) The increase in women's involvement in 'invisible' work, i e, family labour and homeworking and

(4) The changing character of industrial work on the basis of new technology and managerial strategies whereby work is decentralised, low paid, irregular, with part time or temporary labour contracts, i e, increasingly like 'women's work' (but which is not necessarily done by women) [Chhachhi and Pittin, forthcoming]

An analysis of trends depends on which aspect/s we refer to in identifying 'feminisation' Looking at the shift to export led growth in large-scale manufacturing in Turkey in the context of structural adjustment policies, Cagatay and Berik (1990) conclude that "the shift to export-led growth has been achieved without an accompanying or subsequent feminisation of employment" However they do document an increase in homeworking The role of the state is significant in the discussion on feminisation or defeminisation Lack of feminisation could be due to gender typing of industries in the context of labour repression, which reduces the labour cost advantage of women workers *vis-a vis* men

A major recommendation of SAP is privatisation to make industry more efficient and profitable Privatisation would have significant implications for women's employment An examination of figures for 1974 and 1988 of women's employment in the public and private sector shows that women s employment has risen more in the public sector rather than the private sector i e in sectors such as electricity, construction trade transport communication finance and insurance and community services In the mining sector, women's employment increased in the public sector by 149 8 per cent and declined by 86 27 per cent in the private sector In the finance and insurance sector women's employment increased in both the public and private sector by 352 8 per cent in the public sector and by 273 per cent in the private sector Generally speaking the manufacturing sector is largely privatised Here too women s employment increased by 205 per cent in the public sector and 108 8 per cent in the private sector (refer to Appendix Table 2)

State owned units are now under pressure to re organise Nationalised banks, in which 20 per cent employees are women, have declared 4 lakh people as surplus Railways have stopped recruitment The Post and Telegraph Department intends to retrench ing 2,00,000 workers [Patel 1992] Privatisation when it does take place will result in a drastic cut in the workforce and women will be the most potential targets

The issue of women's employment in the context of the NEP has to be seen in the broader context of the rise in general unemployment Projections on the effects of the economic reforms on the employment situation by economists state that even under the most favourable conditions of growth, unemployment as a result of the present policies of the government "will rise from less than 3 per cent in 1990-91 to about 5 per cent in 1993-94 This implies total open unemployment of about 18 million persons in 1992-93 and 19 million the year after" [Mundle 1993] According to this study, in the context of a low growth scenario, additional unemployment will increase to about 22 million in 1992-93, going up to 25 million by 1993-94

The projection of low growth might be closer to what is likely to happen given the continuing industrial recession, at national and international levels In addition,

government as well as management strategies to handle this recession as well as control labour, through decisions such as increasing automation, shifting production to remote areas, etc, would swell the ranks of the urban unemployed

Even though the government is ostensibly holding back on the exit policy, the process of job loss has been underway for some time One form has been through factory closures There has already been a sharp increase in the number of sick units in the country The number of sick units had increased by 37,000 between December 1987 and December 1988 and by December 1990 an additional one lakh units had become sick taking the total number of sick units to 3 46 lakh [CMIE 1992] According to a survey carried out by the Gandhian Labour Institute, 65 units become sick every day and at any time 98 per cent of the total sick units are in the small scale sector In the large-scale units, about two million workers are affected by industrial sickness in industries such as jute cement, textiles engineering paper, iron and steel In the small scale sector about 1 5 to two million workers are estimated to have been adversely affected An aspect of the liberalisation policy which has intensified this process is the removal of the threat of nationalisation of sick units This threat acted as a significant restraint on unscrupulous activities of business houses Now there is no check on maltreatment of workers or siphoning off profits into other activities [Thankappan 1992]

In another survey of 80 large scale plants in Bombay, 16 had closed down or were on the verge of a closure These employed workers ranging from 200 to over 3 000 Out of the rest except in one company there was a virtual ban on recruitment since the late 1970s and mid-1980s Amongst these, in 67 plants, the management had introduced 'Voluntary Retirement Schemes' to get rid of the workforce Most of these schemes were not voluntary in terms of the pressure that employers put on the workers, particularly older workers and women to leave their jobs In plants such as Hindustan Ferodo and Hindustan Lever, more than one-third of the workforce was asked to leave and lock-outs were imposed to achieve this purpose [Gothoskar Dudhat, Havla, Vaidya and Halal 1991]

What is going to happen to this large mass of unemployed men and women workers? Retrenched workers will enter the unorganised sector, looking for jobs in an already crowded sector Women workers already constitute the most exploited section of this sector Ela Bhatt has pointed out that it is the unorganised sector which is being hardest hit by the structural reforms [Bhatt 1992]

The entry of workers who have lost jobs in the organised sector, into the unorganised sector also has to be differentiated according to skill, gender, marital status On the basis of research on retrenched workers from the formal sector, in Sao Paulo, Brazil, Hirata and Humphrey (1991) point out that it was unskilled men, single parents (mothers usually) and older women who are forced into taking up jobs in the unorganised sector For women this was primarily in domestic services, cleaning, etc Adult skilled male workers on the other hand were able to remain in open unemployment till they could return to a factory job "The adult males, with the exception of older, unskilled men, were able to secure their identities as industrial workers, even if this meant periods of unemployment of five months or more " A similar process in relation to male workers from industries which have been recentl privatised can be seen in Pakistan. While al workers were retrenched with golden hand shakes, skilled workers were re-employe in the same industries while the unskille entered the unorganised sector [2]

The evidence emerging from interview we are conducting as part of an ongoin research project indicate that both male and female workers retrenched from th organised sector are finding it difficult t get new jobs Shobha was a permanen employee in a pharmaceutical company wh took the VRS eight years ago, rather tha agree to work as a contract worker when th management initiated a strategy t redesignate existing workers as contrac workers and employ new workers on con

APPENDIX TABLE 2 WOMEN WORKERS IN ORGANISED INDUSTRY

(in thousands

Year	Sector	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport and Communication	Finance and Insurance	Communication Service
1974	Public	18.2	40.3	51.6	19.8	40.6	26.7	48.2		823
	Private	390.3	20.4	112.2	0.4	22.6	20.7	1.3		234
	Total	408.3	76.7	483.8	20.2	63.2	47.4	49.5		1058
1975	Public	14.8	57.7	53.9	10.2	43.2	2.5	50.5	35.2	861.1
	Private	391.0	24.9	399.4	0.3	23.4	16.6	1.8	8.2	236
	Total	405.8	82.6	453.3	10.5	66.6	19.1	52.3	43.4	1097.7
1976	Public	36.3	61.7	70.8	10.1	42.6	2.1	55.5	32.6	908
	Private	413.2	28.0	443.6	0.4	17.0	12.7	1.6	9.3	251
	Total	449.5	89.7	514.4	10.5	59.6	15.1	57.1	41.9	1159
1977	Public	62.3	65.9	75.9	10.8	46.3	4.1	58.5	36.8	935.7
	Private	421.5	26.5	450.0	0.4	11.3	12.8	1.6	10.7	262
	Total	483.8	92.4	525.9	11.2	57.6	16.9	60.1	47.5	1198.5
1978	Public	116.3	65.8	81.9	11.7	47.8	4.5	62.0	43.5	978.1
	Private	418.1	25.9	490.5	0.3	10.7	13.6	2.0	10.3	272
	Total	531.4	91.7	572.4	12.0	58.5	18.1	64.0	53.8	1250.7
1979	Public	171.1	62.0	87.0	13.0	46.8	5.0	65.6	52.8	1011.4
	Private	410.5	24.2	485.3	0.4	12.2	15.7	2.2	13.2	282
	Total	581.6	86.2	572.3	13.4	59.0	20.7	67.8	66.0	1294.1
1980	Public	32.6	62.4	92.4	15.7	53.8	5.8	73.2	59.0	1052
	Private	428.1	24.0	470.9	0.4	9.8	14.1	2.5	13.1	291
	Total	460.7	86.4	563.3	16.1	63.6	19.9	75.7	72.1	1344
1981	Public	37.0	63.5	91.2	16.7	49.8	6.1	78.8	68.8	1088
	Private	418.9	23.8	503.6	0.5	9.5	14.4	2.7	12.9	307
	Total	455.9	87.3	594.8	17.2	59.3	20.5	81.5	81.7	1396
1982	Public	29.7	63.5	98.4	17.6	54.4	6.3	86.0	78.6	1145
	Private	109.5	24.3	522.0	0.5	10.5	15.3	2.6	14.3	321
	Total	439.2	87.8	620.4	18.1	64.9	21.6	88.6	92.9	1466
1984	Public	35.8	66.4	100.6	20.0	50.6	8.0	105.4	98.8	1330.
	Private	462.3	20.3	460.9	0.5	7.3	15.9	2.6	17.0	342
	Total	498.1	86.7	561.5	20.5	57.9	23.8	108.1	115.8	1672
1985	Public	36.3	66.5	102.4	20.7	53.5	8.5	108.4	104.9	1366
	Private	403.7	20.8	482.5	0.6	8.1	16.3	2.5	17.6	349
	Total	440.5	87.3	584.9	21.3	61.6	24.8	110.9	122.4	1716
1986	Public	37.4	66.1	102.5	21.6	57.9	7.7	109.9	110.4	1412
	Private	407.3	20.3	485.9	0.6	7.7	16.5	2.7	18.3	358
	Total	445.2	86.4	588.4	22.2	65.6	24.2	112.6	128.6	1770
1987	Public	46.2	60.8	104.3	25.2	68.5	9.4	123.1	123.2	1520.
	Private	414.2	15.3	45.9	0.6	6.1	17.6	2.7	21.6	380
	Total	460.3	76.1	555.2	25.8	73.6	27.1	125.8	144.9	1906
1988	Public	48.3	60.4	105.8	25.6	71.7	9.0	125.9	124.2	1553
	Private	465.4	17.6	448.5	0.6	5.1	17.9	2.8	22.4	389
	Total	513.8	78.0	554.3	26.3	76.8	26.9	128.7	146.6	1943

Sources Compiled from the *Indian Labour Year Book*, Years 1975 to 1989 Labour Bureau Chandigar Simla, Ministry of Labour, Government of India
The Year Book of 1984 does not give these figures for the year 1983

tract paying them much lower wages. She explained that "she had been looking after her sister's daughter since the last four years, after almost all our money from the VRS got over and all our hopes of getting another job were dashed. My husband was also working for PCI. He too was tricked into taking VRS. He too has tried to get several jobs, but all in vain. See both of us were very good in our work. The management could not point a finger at us, so we were tricked. But in the outside world our skills are meaningless. This we came to know when we began to look for work.

Given the tendencies identified above we feel it is too premature to state that a process of feminisation of the labour force has started in India. Far more research including case studies and time series data on changing trends in different sectors needs to be carried out before such a generalisation can be arrived at.[4]

A major problem with the notion of feminisation through 'flexible labour practices' is that it does not take into account the sexual division of labour in the production process and in the labour market. Since the inception of industrialisation there has been a clear sexual division of labour, for instance in textiles, mines and later in the chemical industries, engineering and electronics; women workers were assigned to only specific jobs, primarily assembly and packing, while men were assigned a wide range of jobs, including supervision, maintenance, etc. The relationship between industrialisation and women's employment has never been uni-directional. As Pearson states "how industrialisation affects the gender composition of the labour force within and outside factories depends on the specific context. There are various considerations: the kind of industrialisation strategy, the sectoral composition of newly established and expanding industrial production, above all the supply of men's labour and women's labour for industrial employment."

In India, Banerjee has pointed out that there is an all embracing ideology shared by employers, men workers and even accepted by women workers, which sees the male worker as a superior worker. "The jobs that women have got in industry has little to do with skill or capacities but ... went to women entirely at the discretion of male workers," reflecting the power position men occupied in society [Banerjee 1991]. In cases where men have taken over women's jobs this has usually been associated with a reorganisation of production due to technical change or an improvement in wages and working conditions. For instance, Banerjee notes in the electrical industry women did armature winding for electrical fans but as soon as the wage rates for that job went up, it was taken out of their hands. Such reversals, also noted in large scale industries such as pharmaceuticals and toiletries where women dominated jobs such as packing and assembly have been taken over by men, often lead to a redefinition of these jobs as men's work. On the other hand where management has employed women for jobs previously the exclusive preserve of male workers, these jobs are redesignated as women's work. In relation to flexibility and feminisation it is necessary to bear in mind that the "gender division of labour, which tends to confine women to relatively subordinate and inferior positions in the organisation of monetised production, is not overridden by 'flexibility'. Rather it structures the form that 'flexibility' takes" [Elson 1989].

The projection that NEP will create a demand for the labour of young unmarried girls in the export industries depends on competition in the world market. The shift of capital back to countries in western Europe, the developments in new technology (another feature of 'flexibility') which require closeness to markets, the increased pressure for protectionism in the west, the opening of eastern Europe as a site for labour as well as a market and the requirements of high quality products which demand skilled labour will all impinge on how far India will have access to the world market. There is no guarantee therefore that export industries will expand. In addition, an important factor affecting the possibility of women's employment in these industries, if they do expand, is that given the levels of general unemployment, it is possible that "at least a section of this male labour force will come to bid for those jobs which so far have been allotted to women. In which case, it remains to be seen how far the inherent preference for male labour on the part of employers, that we had earlier noted, will come back into play" [Banerjee 1991].

Multiple Survival Jobs

On the basis of the experience in other countries undergoing SAP, the prospects are that women workers would be involved in survival level jobs, probably two jobs, in combination with domestic labour. This will impinge on the time available for their domestic work. Inflation and wage cuts will reduce the family's purchasing power, forcing women to find even more time-consuming ways of cutting expenditure. Data on women's paid and unpaid work in the context of SAP shows that women's unpaid work has been intensified. In a small survey of 400 households in Buenos Aires in 1984 it was found that half of them were spending 40-80 hours week on household tasks (or 7 to 11 hours per day). One third, especially women with large families, were spending 80 hours and two thirds more than 80 hours on both jobs and family [Carmen and Iehn 1987].

Economic crisis situations lengthen the total number of paid and unpaid working hours of women. It is possible to inter relate

Chart

SAP Features	Effect	Women's Lives
* Export oriented cash crops * Cut in fertiliser subsidy * Devaluation of rupee * Cut in subsidy in PDS	High food prices	* more time processing * purchase in whole sale * low nutritional status
* Underemployment * Unemployment * Low paid work * Wage freeze * Withdrawal of workers benefit * Cut in employment schemes	Low income level	* multiple jobs * lower standard of living * fall in real wages * longer working hours * poverty level
* Cut in public expenditure * Expensive drugs	Poor health services	* no access * increase in child mortality * pre natal mortality * disease/illness * more health care at home
* Increased prices of water, fuel electricity	Deteriorating civic services and housing	* more time fetching water fuel * longer cooking time
* Higher land prices		* longer commuting time * scarce housing * unhygienic conditions
* Privatisation * Deregulation * Delicensing * Recruitment of flexible labour * Closures and job loss	Insecure livelihood	* subcontracting * retrenchment * VRS * unavailability of credit * low bargaining * Insecure life
* Loss of job opportunity	Increasing crime	* Increase in criminal gangs

some of the features of SAP with its economic consequences and effects on women unpaid and paid labour. A modified version of a chart, based on one developed by UNICEF for child welfare and development which shows such linkages, is presented below [UNICEF 1987]. These directly linked relationships are a part of a larger web of inter-relations between production and reproduction, domestic and wage labour, gender construction within the labour process and the sexual division of labour in the household (see the chart).

The linkages elaborated in the chart are not too far-fetched as India experiences the highest rate of inflation since 1983. The prices of essential commodities have risen from 2.6 per cent in 1984 to 11.8 per cent in 1990 to 16.7 per cent in 1991. The Public Distribution System (PDS) has so far provided the poor with subsidised food but is now in the process of being 'revamped', which means either suspended or restructured. As family income becomes insufficient, women will have to put in more time to make less stretch for more. They will spend more time in domestic labour with little help except from their older daughters. This burden of multiple jobs and extended domestic labour will sooner or later take a toll on their health. The combination of this with the pre-existing discrimination in food allocation to women and girls will result in a serious health crisis. A fall in nutritional levels will leave them prone to illness, disease and pre- and post-natal complications.

It is possible that working women will reach a point of total collapse but it may not be noticed for their oppression and vulnerabilities are easily masked by the family, explained away by the state and ignored or exploited in the marketplace. Given this situation it is imperative that we also focus specifically on women to develop organisational strategies which can strengthen them in confronting these economic pressures. These strategies could also lay the basis for transforming exploitative relations within the family, in relation to the state and in the market, thereby empowering working women as well as the communities they live in.

Alternative Perspectives

The economic reforms are now entering the second phase. So far the government has devalued the rupee twice (the exchange rate for the dollar went up from Rs 20 to Rs 25 and the second time from Rs 25 to Rs 31), many areas formerly earmarked as public sector units such as leather, chemicals, etc, have been delicensed. The 1993-94 budget has cut duties on consumer and other goods. The exit policy and a new Industrial Relations Bill are being discussed. The government is aware that the poor might be severely affected and has promised safety nets. The National Renewal Fund with its limited budget allocation is inadequate for the number of workers who will be unemployed as well as the number of workers who will be unemployed as well as the number of purposes it is supposed to be used for. Originally seen as providing funds for redeployment as well as retraining, it is now being used primarily for voluntary retirement schemes.

Economists and activists have challenged the government's claim that this form of structural adjustment is the only solution to the balance of payments crisis. The first issue which arises is the manner in which the negotiations with the IMF were conducted and the present policy is being implemented, i e, the issue of democratic participation. Trade unions, voluntary organisations, women's organisations and concerned individuals have demanded the right to information, specifically on the reasons for the present budget deficit, as well as accountability and acknowledgement of responsibility for the present economic crisis. Negotiations with the IMF were shrouded in secrecy when in fact in a democratic country there should have been a national debate or even referendum on this issue (Open Letter, FFWAP, 1992).

Clearly the new international development discourse on 'transparency' and accountability' needs to be actualised as well in the relation between the state and civil society. How can a government claim to express the will of the people when it misinforms, ignores and overrides the alternatives proposed by various groups and individuals.

Opposition to the IMF has been combined with proposals for alternative economic policies which could pull the country out of the present crisis. For instance, suggestions have been made for alternative methods to garner indigenous resources, by imposing austerity measures on the rich and their affluent consumption. The government could increase direct taxation on those who can afford to pay. If it summons up the political will, it can bring back capital into the economy by reducing the size of the estimated Rs 1,80,000 crore black economy, freezing of foreign accounts of Indians including Swiss Bank accounts (an estimate puts this to 150-450 thousand crore) and blocking smuggling and gold imports [NCHR 1992].

Reduction of defence expenditure which is growing every year is another option. In 1982 India's military expenditure was 53,193 million rupees (US $ 6,325 million) and in 1991 it rose to 1,65,157 million rupees (US $ 9,033 million). In south Asia, India is the largest buyer of conventional weapons.

Rather than expenditure for unproductive and destructive purposes, the same funds could be used for socially useful production and development purposes.

Since globalisation under IMF conditionalities and an environment of protectionist tendencies in western markets can only mean a continued subordinate role for developing countries with the constant threat of being turned into primary producers, efforts could be directed towards building south-south links which will strengthen the developing countries bargaining power vis a vis developed countries.[5]

Steps towards such links have been taken by worker leaders and trade union activists who have established networks at a south Asian level. Along with formulating joint strategies in relation to SAP and multinationals for workers' rights the resolutions also call for opposition to military action by one south Asian country against another and demand that south Asian governments establish economic and political links in the region.[6]

Resistance to attempts towards total control by multinational corporations and international agencies has also shown the possibility of alternatives as for instance the action by the Karnataka Rajya Raitha Sangha, a farmers organisation in Karnataka in organising a massive demonstration in fron of Cargill Seeds to protest against the gene theft by multinationals and against the pressures of the Dunkel proposals which led to the withdrawal of Cargill. The debates around the Dunkel proposals has brought to the fore alternative perspectives on agricultural development which would be ecologically sensitive and sustainable.

At a macro level economists have argued that the international monetary system need to be restructured so that the costs of adjustment are also borne by surplus countries. Mechanisms to ensure that developed countries also take responsibility for the economic crisis have to be evolved as well as ways to ensure that developing countries have more control within the international financial system.

Although alternatives have been presented the government has not responded to any of these proposals. At the national level, opposition to the NEP by different sections has continued. The established national trade unions have organised massive rallies in the capital to express their opposition to the erosion of workers' rights and the proposed policies. The first general strike was called on November 29, 1991 the second on June 16, 1992. A number of demonstrations have been held against the new Industrial Relations Bill and recently against the new pension scheme.

In resisting the onslaught of SAP on workers, trade unions are following a three-t approach struggling against job losses, c

sures and lock-outs, preventing privatisation of public sector units; forming workers' co-operatives. In some cases these struggles have been successful. The long and arduous struggle of workers of the UP Cement Corporation against the take over attempt by the Dalmias, forced the government to halt their plans for privatisation in October 1991. Workers have presented alternative plans on restructuring their industries without recourse to privatisation. National Projects Construction Corporation employees have provided an alternative proposal to turn around the sagging company. Kamani Tubes have already shown the possibility of forming a workers' co-operative. The Kamani Union used the support of professionals and management consultants to develop a financially viable alternative plan which was submitted to commercial banks for a loan to assist the buy over. In addition workers invested their gratuity and redundancy claims. After a long legal battle asserting the right of workers to take over the firm, the Kamani Union won and today run a manufacturing plant with over 600 worker shareholders. Subsequently, a number of similar worker-run enterprises were set up.

Such initiatives for worker-run co-operatives in the context of privatisation have also emerged in other south Asian countries. For instance in Pakistan there are now 10 successful worker/employee take overs. A significant development has been the links established between these enterprises at a south Asian level. In November 1993 a team of worker leaders and managers from these enterprises in India and Pakistan visited the Mondragon Industrial Co-operatives in Spain which has been highly successful in reconciling modern industry with ideas of social justice and democratisation.[7] Efforts are now underway to develop co-operative relations at the shop-floor level as well as to transform enterprises taken over into truly self-managed co-operatives. Further links are being established with co-operatives in China.

These initiatives are very significant but they are limited since they are concerned with workers in the organised sector. (So far very few initiatives have involved women workers.) Trade unions have yet to respond to the changing pattern of industrialisation with its emphasis on decentralisation and subcontracting. They have not been able to organise the growing number of workers in the small-scale sector or workers who are casual wage labourers or home-based, a major section of which are women.

Rather than established trade unions or political parties it is other organisations which have taken up the cause of workers in the unorganised sector and particularly of women workers. SEWA's pioneering work in making visible and organising self-employed women is well known. Annapurna in Bombay has organised the khanawalis (women who run home canteens). The Working Women's Forum in Madras has brought together thousands of women by giving them credit for self enterprise. The Tamil Nadu Construction Workers Union has been successful in organising hundreds of workers to demand benefits and social protection.

There are lesser known examples of small groups or church-based ones organising domestic servants, construction workers, beedi workers, etc. Most of these organisations have been quite flexible in responding to the varied needs of women workers. The Tamil Nadu Construction Workers Union, for instance, also takes up cases of wife-beating, death, health, marriage and other disputes. The Chhattisgarh Mines Sangram Samiti in Madhya Pradesh has set up a hospital The Chikodi Taluka Kamgar Union in Maharashtra, an organisation of tobacco workers has set up a shelter for women in distress. These organisations have formed new structures to allow for greater participation of union members, especially women which has initiated a process of democratisation. There are caucuses of women within the larger union, or dual organisations for workers' rights and women's rights, or united fronts for neighbourhood issues and women's rights.

Paradoxical as it sounds, today trade unions can no longer only organise their members on the basis of their identity as workers. Given present trends in industrial restructuring as well as communalism within the labour movement, it becomes essential that organisations recognise the multiple identities of workers, which include gender, caste, religion, ethnicity. The processes whereby these identities are constructed and the shifting basis of identity alliances has to be taken into account in organising at the workplace, within the community and the household.

Strengthening Survival Strategies

So far women's organisations have joined various forums to protest against the NEP and SAP. In addition it is imperative that we develop strategies to strengthen women workers as they face the onslaught of the economic reforms on their lives. We can learn from the struggles waged by women workers in other countries undergoing SAP. The strategies we develop will have to relate to the specifics of our economic situation and culture of struggle. They will have to constantly bridge the gap between the workplace, community, neighbourhood and household. These would be intermediate strategies which can provide support for women in the present context, yet contain within them the possibility for transforming exploitative relations and lay the basis for self-determination.

Such strategies have emerged as 'spontaneous' responses to the deteriorating standard of living in countries undergoing SAP. Women from low income households have had to evolve various survival strategies. Survival strategies have been seen as essentially defensive with little potential to change the general conditions under which individuals and households survive. Concerned with basic survival they are seen to be individualised, and limited to immediate objectives. However, these survival strategies do imply an engagement with the immediate environment and as Daines and Seddon (1990) point out they do have "the potential for the development of more effective, more sustained and more collaborative forms of struggle.." Cornia has documented and classified the range of survival strategies which the poor, particularly women have resorted to in the context of SAP. These are: strategies for the creation of resources which include increasing own production, increasing sale of labour, sales of assets, increasing production through voluntary labour exchanges and co-operative work and transferring income to aid poorer relatives; strategies for conserving and improving the use of existing resources; and extended family and migration strategies.

The potential of these survival strategies to become transformative ones is best seen in the evolution of communal kitchens (comedores populares) in Lima, Peru which emerged in the 1980s as a response to the deteriorating economic situation. Groups of 15-50 households jointly carried out bulk purchase and preparation of food. Women cooked the food on the basis of daily shifts every four or five days, with each household paying according to the number of meals required. Poorer households were either exempted or given food on credit. The communal kitchens thus became "instruments of redistribution in favour of the poor" [Dianes and Seddon 1990]. Women were freed from daily cooking and were able to engage in other activities as well as participate in political meetings. Preparation of meals became a collective task which represented an organisation and division of work which was radically different. Entry into public spaces led to interaction with NGO activists and feminists. "Thus women's responsibility towards their families and their children's health and future became a source of energy and action that has permitted them to break with traditional patterns. It has permitted them to enter the public sphere and even, in the last five years, to pass from protest to proposal, and to become active participants in proposing social policies. For example, in 1987 the National Coordinator of Communal Kitchens elaborated a proposal whereby urban family consumption was linked with agricultural production". Similarly the 'mothers' clubs' where

mothers took turns to manage child care centres have also freed women for other work

In our own context it is possible to develop similar initiatives. Women's groups can help local women to form consumer co-operatives for wholesale purchase of essential commodities. Organisations working with women in 'bastis' have already started organising around the PDS. The Sabla Sangh in Delhi for instance had a campaign around ration shops calling for controls over corruption, fairer prices and public display of items in stock. Representatives of these organisations could be involved in monitoring the ration shops to ensure fair prices and distribution. This was attempted in Bombay by groups of NGOs and women under the banner of Ration Kriti Samiti.

In a situation where neo-liberal calls for withdrawal of the state are intensifying, women's organisations will have to redouble their efforts to ensure that the state not only continues to subsidise food distribution but also extends support in other areas through the provision of services such as easy access to water, creches, etc. Existing services which are provided usually by NGOs could be extended. For instance running balwadis is a common activity for most organisations. However they are usually open only for a few hours for pre-school children. With the same infrastructure it is possible to extend balwadi hours for the whole day for small children of home-based workers.

Strategies and policies for working women have to incorporate the various dimensions of women's multiple identities. A policy for women's employment has to support strategies for changing gender ideology both inside as well as outside the workplace. Notions of masculinity and femininity affect skill definitions, wages and working conditions and the location of women within the production process as well as within sectors of industry. The integral link between the household, workplace and community affects women's work as well as their potential for organising. The issue of the sexual division of labour within the household has to be equally significant as an issue as are strategies to keep jobs for women or get jobs for women. In spite of the highlighting of the double/triple burden of working women, domestic labour as the major responsibility of women continues to be the most resistant to change. In Cuba in the 70s a law was passed which made it possible for women to take their husbands to court if they refused to share in housework. Although there have hardly been any convictions under this law the existence of such a legal regulation could play a role in forcing a questioning of the sexual division of labour.

The present trends towards flexible specialisation has led to a discussion on the dual character of flexibility. Part-time work for instance could allow greater choice about hours and patterns of work. However it is then necessary to ensure that flexible workers enjoy parity with full-time works in relation to wages, benefits and rights. A recent ruling in the European Community states that flexible workers should be guaranteed these rights. Employer strategies to reduce labour costs by decentralisation and subcontracting could be countered by extending labour legislation along the whole chain of subcontracting and making the large firm responsible for the rights of workers in the smaller units. Similarly the ESIS medical scheme should be extended to all workers.

At a macro level ILO conventions should be put forward as a non-negotiable conditionality in the context of economic reform. A legal provision for the registration of all workers, contract, temporary, home-based etc, who could be provided with identity cards could counter attempts to redesignate workers as self-employed and deny them their rights. This strategy has been followed by SEWA for bidi workers. A code of conduct for multinationals and other large companies could help in monitoring production and prices.

Most women perform low skill, manual jobs which gives them a weak position in the labour market. Training women to develop new skills and enhance existing ones has been recommended time and again. Attempts at training women such as the courses in non-traditional skills in carpentry, wiring, masonry, plumbing, etc, run by the YWCA has been very useful although there have been mixed reactions to these experiments. It takes time for society to accept women as technicians in these fields. In addition to these attempts it is necessary to campaign for the recognition of existing skills.

Training in technical skills could be combined with other educational programmes so that "if workers lose their jobs, they have acquired something of permanence —more self-confidence, more organisational and advocacy skills, more knowledge of how their society works" [Elson 1992].

Lack of credit facilities will affect women workers especially the self-employed. Banks will have to be pressured to respond to the poor sections of society. At the same time we have to assist women to gain access to family resources by insisting on joint ownership of land and house, including their names in identity cards, photopasses and ration cards. This could help in gaining access to formal credit sources.

Women in bastis often invest their savings in chit or rotating funds. Community organisations, unions, women's organisations can play a role in seeing that women are not cheated by monitoring these schemes or setting up their own saving schemes.

All these strategies require collective action at different levels pressurising the state, supporting working women in their daily survival and developing organisational forms which can empower them within the household, in the market and in relation to the state. A number of voluntary organisations have started programmes on health and provision of services like fodder, banks, credit, etc, given the deteriorating economic situation. While supportive programmes are necessary, these should not become a reason for the state to abdicate its responsibility to provide these services to its citizens. On the other hand, the NEP should be opposed along with presenting alternatives. A double-edged strategy needs to be followed which combines supportive strategies with organised pressure on the government to ensure that the poor do not pay even more for a crisis which was not of their making.

Notes

[An earlier version of this paper was presented at Sixth National Conference of Indian Association of Women's Studies at Mysore, May 31-June 3, 1993.]

1 The income tax exemption for women with an annual income of Rs 36,000 in the 1991-92 budget was presented as a major concession to working women. This would benefit a minor section of all working women, the majority (98 per cent) of whom work in the unorganised sector.

2 Karamat Ali, Pakistan Institute for Labour Education and Research, Personal Communication.

3 Interview, November 23, 1993 from the authors' ongoing research project on 'Working Women and Organisational Strategies in India'.

4 The only area where it can be definitely stated that such a process of feminisation has occurred is in primary school teaching profession. Women form 70-80 per cent of the teaching force and men by and large avoid such employment. Again given possible cuts in the social sector including education, which has been part of SAP in other countries, this area of employment could also be hit.

5 After examining evidence on labour markets in the context of SAP in 12 countries Horton, Kanbur and Mazumdar point out: "... in response to structural adjustment, labour has moved in the direction opposite to that usually associated with economic development. It has shifted back into agriculture, out of manufacturing and out of the public sector (although one might argue that the latter sector was too large, given the level of development reached). Recession plus adjustment have also resulted in an increase in informalisation, greater use of casual labour, decreased worker benefits, and declines in wage differentials for skill and possibly for education. These trends are observed even in the most successful adjustment cases in Asia." Developing countries have long resisted being relegated to the role of primary producers in the international economic order and it is

unlikely that structural adjustment which relies on a shift of labour into agriculture is going to be sustainable for long [Horton Kanbur Mazumdar 1991]

6 Final declaration of Conference on Trade Unions Human and Democratic Rights in South Asia March 15 1991 Colombo Joint Statement adopted by worker leaders from Multinational Companies in South Asia March 28 1992 New Delhi in *South Asia Bulletin* Vol XII No 1 Fall 1992 101

7 The visit was organised by the Pakistan Institute for Labour Education and Research Karachi the Centre for Workers Management New Delhi the Dutch Federation of Trade Unions (FNV) and the Institute of Social Studies The Hague

References

Antrobus P (1990) *The Impact of Latin American Crisis on Women* Development Alternatives for Women Network (DAWN) Barbados

Banerjee N (1989) Trends in Women's Employment 1971 81 Some Macro Level Observations *Economic and Political Weekly* April 29

(ed) (1991) *Indian Women in a Changing Industrial Scenario* Sage Publications New Delhi

Bank Information Centre (undated) *Funding Ecological and Social Destruction The World Bank and IMF* The Other India Press Goa

Bathwala S (1983) *Women in Poverty Energy Health and Nutritional Syndrome* FRCH Bombay

Bhatt Ela (1992) Structural Reform View from the Other Side *The Economic Times* January 15

Cagatay Nilufer and Gunseli Berik (1990) Transition to Export Led Growth in Turkey Is There a Feminisation of Employment? *Review of Radical Political Economics* Vol 22 No 1

Carmen M L Jelin (1987) The Invisible Adjustment Poor Women and the Economic Crisis quoted in speech by R Jolly in Paris on Women Development Group of OECD June

Chhachhi A and R Pittin (forthcoming) Multiple Identities Multiple Strategies Confronting State Capital and Patriarchy in Chhachhi A and R Pittin (eds) *Confronting State Capital and Patriarchy Women Organising in the Process of Industrialisation* Macmillan London

CMIE (1992) *Data File on Sickness and Closures* Bombay

Commonwealth Secretariat (1989) *Engendering Adjustment for the 1990s* Report of a Commonwealth Expert Group London

Daines V and D Seddon (1990) *Survival Strategies Protests and Resistance Women's Response to Austerity and Structural Adjustment* University of East Anglia UK

Deshpande S (1993) Structural Adjustment and Feminisation in Sharma A N and S Singh (eds) *Women and Work Changing Scenario in India* Indian Society of Labour Economics Patna and B R Publishing Corporation Delhi

Deshpande S and L K Deshpande (1992) New Economic Policy and Female Employment *Economic and Political Weekly* October 10 Vol XXVII No 41 Bombay

Elson D (1989) Appraising Recent Developments in the World Market for Nimble Fingers Accumulation Regulation Organisation in Chhachhi A and R Pittin (eds) *Confronting State Capital and Patriarchy Women Organising in the Process of Industrialisation*

Gothoskar S (1992a) The So Called Tiny Sector and Women's Employment in India paper presented at the Seminar on The New Economic Policy and the Tiny Sector with special reference to Women's Employment SNDT November Bombay

(1992b) Trends in Employment in Major Multinationals in India unpublished Bombay

(1993) The Banking Industry in India Prospects for Women's Employment and Training paper presented at workshop on The Impact of New Technologies on Women's Employment Horizon 2000 United Nations University in Technology Maastricht Netherlands

Gothoskar S and R Banaji (1984) Making the Workplace a Better Place for Women *Manushi* No 24 September October New Delhi

Gothoskar S and P Hidal S Dudhat O Hayra and J G Vaidya (1991) *Job Losses and Closures Management Strategies and Union Counter Strategies* APHD Hong Kong

Government of India (1986 87) *Report on the Working and Living Conditions of Workers in the Handloom Industry in India* Government of India Chandigarh

(1988) *Report on the Working and Living Conditions of the Workers in the Powerloom Industry in India* Government of India Chandigarh

Hirata H and J Humphrey (1991) Workers Responses to Job Losses Female and Male Industrial Workers in Brazil *World Development* Vol 19 No 6

Jhabvala Renana (1985) *Closing Doors* SETU Publications Ahmedabad

Kriti (1992) Regular Publication by Society for Participatory Research in Asia (PRIA), No 2 New Delhi

Mundle Sudipto (1991) *The Employment Effects of Stabilisation and Related Policy Changes in India 1991 92 to 1993 94* ILO New Delhi

(1993) Unemployment and Financing of Relief Employment in a Period of Stabilisation India 1992 94 *Economic and Political Weekly* January 30

Mukul (1992) *Against the Stream India's Economic Crisis and Workers Alternatives* Charu July New Delhi

NCHR (1992) Sapping India—Sapping the Indian People The Impact of IMF SAP on Housing and Living Conditions in India National Campaign for Housing Rights Bombay

Patel Vibhuti (1992) Women and Structural Adjustment in India paper presented at London School of Economics and Political Science UK

Rao Ashok K (1992) Privatisation of the Public Sector Issues to Consider paper presented at Workshop South Asian Unionists and Privatisation March New Delhi

Savara Meera (1982) *Changing Trends in Women's Employment* Himalaya Publishing House Bombay

Sen Ilina (ed) (1990) *A Space within the Struggle* Kali for Women New Delhi

Sharma R N and C Sengupta (1984) *Women's Employment at SEEPZ Bombay* mimeograph TISS Bombay

Standing Guy (1989) Global Feminisation through Flexible Labour *World Development* Vol 17 No 7

Thankappan D (1992) Industrial Sickness and Worker Takeovers paper presented at a Seminar on Industrial Sickness and Workers Takeovers Bombay

UNICEF (1987) *Adjustment with a Human Face* Clarendon Press Oxford

Textiles: A Study in Intervention

Tirthankar Roy

India's Textile Sector: A Policy Analysis by Sanjiv Misra; Sage Publications, New Delhi, 1993; pp 278, Rs 275.

ROUGHLY between 1956 and 1985, the textile industry in India was governed by a closely regulatory regime. The state intervened on mainly two fronts: competition among mills, powerlooms and handlooms; and consumer preference between cotton and non-cotton fibres. Competition was regulated by restriction on the mills and excise duties. Fibre-choice was directed by tariffs and taxes on non-cotton. This framework began to be dismantled from 1985 on realisation that interventions had been partly frustrated and partly damaging. Restriction on the mills was meant to protect handloom weavers, and thus several million jobs, but it resulted in a clandestine expansion of small-scale powerlooms. The demand for non-cotton grew despite high taxes. And in the course of the three decades, India, the premier textile manufacturer in the developing world in 1940, accumulated sickness in the cotton mills, and steadily retreated in the world market.

In official and scholarly writings on textile policy, elements of this experience have been discussed, specially the problems of sickness, demand and fibre-choice and sectoral market-shares. But comprehensive reviews, that describe the entire range of policies and assess their effects, have been rare. The book by Sanjiv Misra addresses that need. As a survey it is quite thorough, and will serve well the specialist as well as the lay reader. Further, the chapter on policy options is worth serious consideration from anyone interested in reforms.

The main weakness of the book, however, is that it defines its concerns essentially by the existing scholarly discourse, and insufficiently by changes in the industry itself. Being a rather derived study, wherever data are absent and opinions impressionistic, the book absorbs the limitations of the literature. It is also unhelpful in understanding the textile scenario that is evolving now, out of a partial wihdrawal of the government and expanded markets at home and abroad

A brief summary of the ground covered is in order. Per capita cloth consumption in India in metres stagnated from the late-1970s, but there was substitution of cotton by synthetics. The book stresses the durability of non-cotton among the factors that can explain the substitution as well as the stagnation in cotton cloth consumption. Fibre-choice is related to the issue of sectoral competition, for the three sectors specialised by fibre. In general, powerlooms specialise in synthetics and medium-fine counts of cotton; the mills in blended cloth and coarse-medium counts; and the handlooms belong at two ends, very coarse and finer counts. They are, however, dominant in fibres like the natural silks, which the book does not consider. Is the observed specialisation an outcome of comparative advantages? The usual answer to this question rests on relative labour and yarn costs; the mills pay better wages, but save on cotton yarn which they make. The book, however, argues that it is unequal excise duties that makes the crucial difference between mills and powerlooms.

Capacity-restriction, fiscal discrimination and fibre-preferences abetted sickness and idle capacity in the mills, which persisted because exit is costly. Interestingly, despite these problems, India remained a relatively low-cost producer of textiles in the world market; she lost out in exports probably due to misaligned exchange rates, and quality-differences. In an informative chapter, the book describes the impact of policy on fibre supply and fibre-choice: the distortions implied by an effective ban on cotton exports, by state dominance in the cotton market, and the growth of a relatively inefficient domestic manufacturing industry in man-mades under high tariffs. Incidentally, an important component of the industry, the pure spinning mills, receives rather scarce mention. The chapter on policy is largely anticipated by the description that precedes it. A deregulation process is already under way: still, many areas of reform need to be addressed, on which the chapter can be insightful.

But deregulation also underscores the fact that the industry will in future be subject to a dynamics in which the government plays a marginal role. It is important to understand this dynamics to avoid a too state-centric interpretation of developments and because policy-options will have to be sensitive to these endogenous changes. This issue, surprisingly, does not concern the book at all. We are told of myriad distortions but not of the sources of growth in the late-1980s or its implications.

Two examples will illustrate this point. First, obsolescence and slow pace of modernisation in the mills have been addressed in academic writings of the early-1980s. But the rate of modernisation has increased quite remarkably, though unevenly, across segments in recent years And as always, the mills include a score or so that are among the best-equipped in the world.

Perhaps there is more to investment decisions and strategies than restrictive or liberal regimes. Secondly, the role of handlooms in the new regime needs an explicit statement.

On handloom weaving, the book has little to offer beyond impressions and sterile debates. This is not entirely the author's fault, but of the literature he surveys, though greater care was needed in stating the issues. Since the 1950s, benefit-cost comparisons between types of loom (in fact, there are more studies in this class than the author cites) have yielded the scarcely earth-shaking result that for comparable cloth, handlooms can be profitable only at unrealistically high interest rates or low wages. In the face of such 'severe productivity handicaps', the 'unexpectedly slow decline' of handlooms is attributed by the author to state munificence and product-differentiation between sectors. Now, which is the primary reason for continuance, policies or specialisation? This is the crucial issue, for it shows precisely on what ground policies can be evaluated and how they could be reformed. If it is the former, it is sensible to acknowledge that very high fiscal and efficiency costs may be involved in protecting handlooms. But if it is specialisation, then apart from the fact that the benefit-cost comparisons stop making sense, the appropriate critique of policies becomes an open question. We can no longer believe that the state has no business with the handlooms other than humanitarian, but what should the involvement be?

The real contradiction, in my view, is that handlooms have been consistently seen as generation of employment rather than as a repository of specific skills. This is odd since the weavers do have an advantage in certain techniques of pattern-making. And this is ahistorical since it is precisely these skills that made India the origin of some of the most spectacular cloth the world has ever seen. As a result of the emphasis on number of people employed, quality and innovation have been de-emphasised, and handloom survival has been achieved at the cost of a certain de-skilling or at the cost of an erosion in their comparative advantage. The government has managed to save a lot of handlooms by making them intrinsically dependent on its aid.

A sensible policy must shift from protecting employment *per se*, toward salability, at home or abroad. There is no reason why export-optimism, or any other goal, must be inconsistent with preservation and utilisation of artisan techniques. Nor is there any a priori reason to believe that a policy determined to achieve the latter will be unduly costly. On the contrary, it is a plain truth that the image of Indian cloth, of having centuries-long practice at blending aesthetics with everyday-use, will survive just as long as the weavers do. To sustain the historical reputation of Indian artisan wares makes plain business sense.

To return to the book, it will indeed prove useful as a sort of reference, and as a survey of the literature on textile policy analysis. But events and issues in textiles may well be overtaking this literature. It is, therefore, a pity that the author let himself be guided too closely by the latter.

Transition from Stabilisation to Growth

Hiranya Mukhopadhyay

Economic Stabilisation and Debt in Developing Countries by Richard N Cooper; The MIT Press, Cambridge, Massachusetts, 1992.

THE book under review is an expanded version of two lectures given by Richard N Cooper in Stockholm in September 1988. One lecture was addressed to a lay audience, the other to a group of economists. Therefore many analytical and mind-boggling issues concerning stabilisation and debt problems are discussed in this book in a language that could be understood by everyone.

The first and third chapters of the book draw heavily on results from a study conducted by the World Bank to examine how developing countries coped with the first and second oil shocks and the debt crisis (partially attributed to the sharp downturn in the world economy during 1979-81). Furthermore, the author offers some lessons for successful stabilisation in chapter three which are based on the experience of 18 developing countries (including India). Chapter two presents the analytics of the standard disabsorption approach, popularly known as the 'expenditure reducing' policies. However, the orthodox cure is necessary but not sufficient for stabilising a major inflation which may be due to inflation inertia [see for example, Bruno 1993 and Dornbusch 1993]. The combined stabilisation and adjustment policies in Mexico in December 1982 corrected external disequilibrium to some extent but failed to contain inflation (it may be noted, Mexico is included in the sample of 18 developing countries). The author pays little attention to this issue in chapter two. Finally chapters four and five deal with the origins of the debt problem and suggest how this problem is likely to be resolved. Since it is not possible to go into details of the various aspects covered, I shall touch only on some selected aspects.

The discussion in chapter three mainly revolves around five important findings: (i) no correlation between the size of the external shocks and economic performance during the 1980s, (ii) statistically insignificant correlation between inflation and growth during the 1980s, (iii) countries with sharp disabsorption between 1978 and 1983 performed poorly, (iv) a stable real exchange rate is found to be essential for better performance, and (v) budget discipline not budget deficits as such is an important indicator of performance.

Let us discuss some of these findings in detail. The author cites two examples to support his first finding. Korea and Sri Lanka had large negative shocks but performed relatively better during 1980s while Nigeria and Mexico failed despite positive shocks. These examples indeed suggest a negative correlation between shocks and growth because a large negative shock might induce the country to undertake adjustment programmes. Corbo and Rojas (1992) report that structural adjustment programmes helped many intensive adjustment lending countries to perform better than the non-adjustment lending countries during the late 80s.

The crucial issue of trade-off between inflation and growth is another important aspect. The author's finding that inflation cannot explain the disparity in growth performance may be attributed to the weakness of cross-section analysis. Many countries for one reason or another might have encountered one of the four alternative possibilities in the growth-inflation frontier during the 80s. These possibilities are as follows:

(1) High inflation and high growth due to monetary expansion to ride out the storm (Brazil during the early 1980s). However, this cannot succeed in the long run due to distortions caused by high inflation [Bruno 1993].
(2) Low inflation and low growth due to the adoption of expenditure reducing policies. It is widely believed that revival of growth after stabilisation is delayed in many countries because the authorities are unwilling to attempt expansionary policies for fear of inflation. Breaking this impasse was the main task faced by the Salinas administration in Mexico in December 1988 [Lustig 1993].
(3) Low inflation and high growth caused by successful micro reforms (Korea during the 80s).
(4) High inflation and low growth, which may be the result of debt crisis and failed stabilisation programmes (Argentina during 1980-1990).

Therefore, insignificant correlation between inflation and growth across countries at a particular point of time does not necessarily imply the absence of relationship in a particular country of the sample over time. The causal link between inflation and growth is essentially a dynamic process, cross-section analysis may not reveal the true scenario.

This brings us to the most debated issue in literature, namely, the transition from stabilisation to growth. This issue is closely related to the third finding mentioned above. Hyperinflation may be cured with the help of massive disabsorption but is there any guarantee that growth will revive soon? The answer is no. Another interesting finding of the book might shed some light in this direction. Growth over the 1980s is found to be significantly (negatively) related to the annual variation in growth rates. Therefore, the author rightly conjectures that stable growth seems to be conducive to higher growth. This result, in my opinion, can be explained in the following way. Slow recovery in the growth rate in many countries may be attributed to slow recovery in private investment. Two important determinants of private investment are (i) stable output growth, and (ii) uncertainty factors in investment decisions. Investors are often reluctant to make fixed investment when they are uncertain about the future or they believe that the programme is not credible. Perhaps stable growth also boosts the credibility of the stabilisation programme and reduces future uncertainties. Nevertheless, the relevance of credibility should take the centre place in any discussion which seeks to analyse the transition from stabilisation to growth. Lack of credibility is held responsible for the failure of stabilisation programmes (especially exchange rate based stabilisation programmes) in Mexico, Argentina, Chile and Israel [Kiguel and Liviatan 1992].

Finally, Cooper suggests some solutions to the debt crisis. Some of them are highly innovative and practical. For example, the suggestion that the IMF can sell off a portion of its gold holdings to help poor countries with new low-interest loans or to subsidise interest rates on other advances to poor countries is very realistic.

On the whole, this book is very useful and an example of a well-written document. The book ought to be read by the students and all those who have something to do with adjustment policy formulation.

References

Bruno, M (1993): *Crisis, Stabilisation and Economic Reform*, Clarendon Press, Oxford.

Corbo, V and P Rojas (1992): 'World Bank Supported Adjustment Programmes: Country Performance and Effectiveness' in Vittorio Corbo, et al (eds), *Adjustment Lending Revisited: Policies to Restore Growth*, World Bank, Washington, DC.

Dornbusch, R (1993): *Stabilisation, Debt and Reform: Policy Analysis for Developing Countries*, Harvester Wheatsheaf, London.

Kiguel, M A and N Liviatan (1992): 'Nominal Anchors, Stabilisation and Growth: Some Thoughts on High-Inflation Economies' in Vittorio Corbo et al (eds), *Adjustment Lending Revisited: Policies to Restore Growth*, World Bank, Washington, DC.

Lustig, N and J Ros (1993): 'Mexico' in Lance Taylor (eds), *The Rocky Road to Reform: Adjustment, Income Distribution and Growth in the Developing World*, The MIT Press, Cambridge, Massachusetts.

Communication and Development

Dipankar Sinha

Perspectives on Development Communication edited by K Sadanandan Nair and Shirley A White; Sage Publications, New Delhi, 1993; pp 256, Rs 250.

BOTH as a field of research and an area of activity, development communication has a dynamic core because it integrates two fundamentally important issues in human civilisation—development and communication—and their problems and prospects. There seems to be no end to the ongoing debate on the notion of development and the process of communication. As C A O Van Nieuwenhuije puts it in *Development Begins at Home: Problems and Prospects of the Sociology of Development*, development is like motherhood—everybody is in favour; but after years of wear and tear the notion is, for all practical purposes, variable. A major reason for this is that development, first and foremost, is concerned with the people—their emancipation and empowerment. On the other hand, communication as a process that disseminates data, information and knowledge has an indispensable role in promoting development in whatever form. The problem, however, is that the essential linkage between development and communication has not always been used to serve the interests of the people. 'Top-down communication' approach, based as it is overwhelmingly on the west-centric ideas, concepts and practice, often results in perpetuation of underdevelopment or stunted development with people, in both the cases, being forced to act as 'passive and apathetic' clientele.

There is still the other side of the coin. While it has long been realised by researchers and practitioners of development communication that the dominant development paradigm to which various development and communication strategies and approaches are tied would never bring transformation in the lives of the marginalised millions in the third world, the alternative strategies and approaches are yet to prove their transformational potential. With its root in neo-classical economic foundation, the dominant development paradigm propagates a trickle-down approach which, as we know, makes popular initiative and participation almost non-existent. But why is it that despite an impressive output of alternative literature in development the plight of the third world continues? No wonder then that the scholars of development communication need to conduct introspection in order to devise more effective ways and means to promote equitable, participatory and indigenous communication for development of the same kind. The book under review reflects a collective endeavour to confront the problems and provide solutions.

In 'Perspectives and Paradigms'—Part I of the book—Everett M Rogers in his contribution 'Perspectives on Development Communication' provides a historical overview of the dominant paradigm—its origin and nature—and the fundamental elements of what he calls 'alternative pathways to development'. Rogers, however, does not provide any in-depth analysis of the 'alternative pathways'. Rogers mentions that the realisation which dawned in the 70s in several third world countries that the dominant paradigm had failed to deliver the goods offered much scope to the advocates of alternative development. True, but the need of the hour is to explain why are the same states absolutely convinced today that the road to development lies through the west. Nair and White, however, can take credit for briefing us on the growing demands of alternative communication theory formulation as part of development strategy in the 90s. Their elaboration of the transactional model of development communication attempts to facilitate a paradigm shift by incorporating the concepts of community participation, socio-cultural change, decision-making, enabling (or enablement), grass roots participation and empowerment.

Some papers in this section contain a passionate plea for reorienting development and communication approaches in the context of non-western (and specifically Indian) societies. Indira Rothermund, for instance, argues in favour of imparting Indianness (read Gandhianness) to the discourse of development communication. In her paper, Rothermund shows how Gandhi became an effective communicator by using "reformulated religious and cultural idioms that were an integral part

of the Indian tradition for mass communication" (p 81). Rothermund's essay is brief but very interesting. Most of the works on Gandhi have him as 'the greatest mass leader' as their point of departure. With certain exceptions like Judith Brown, Yoginder Singh, John Fiske, and Rothermund herself in her other writings, few would venture to analyse Gandhi as a communicator. Rothermund illuminates us on how the Gandhian way of 'message design' based on traditional idioms, folk culture, symbols and indigenous terms led to the Gandhian model of development. The model, in fact, incorporates many of the fundamental concepts of alternative paradigm—popular initiative, popular participation, indigenous knowledge, cultural identity and dignity of human values.

In Part II which deals with 'Issues, Approaches, and Strategies', the focus is on the context-specific discussion on development communication. Yadava's paper maps the media scene in India to assert that "the mass media can hardly be an effective source of information for those who are living below the poverty line" (p 112). Blaming consumerism and escapism as values dominating the Indian mass media, Yadava laments that the opportunity to widen the base of informed and skilled people for participatory and balanced development is being missed by us. Focusing on rural India, S Seetharama traces the failure to communicate with rural masses in abundance of information flow, varying quality of information, lack of current information, unreliable information-dissemination agencies and lack of co-ordination and communication among information source-agencies. Conceiving media bureaucracy as an important segment of development infrastructure, Uma Narula develops a conceptual model of development communication as part of the need to conceptualise a perspective for a future media bureaucracy. This, Narula argues, has to be integrated with development of an orientation of a future development bureaucracy to a specific development approach in order to uplift the quality of life for the masses.

A large share of the introspective studies on development communication pertains to exploration of more appropriate and effective message-design and media dissemination. 'Message, Media and New Technology'—Part III of the book—has the main focus on the need to examine the origins of message-making and to explore the interface of traditional and modern media. D P Pattanayak extends his observations on television as a rural communication medium to conclude that the failure of modern technology to reduce 'information-deprivation' of the message-hungry masses ultimately leads to some significant questions: who designs messages? who has access? who participates? who controls and who communicates? how can cultural and linguistic diversity be accommodated and protected despite use of modern technology? D K Sujan seems to have provided an answer to Pattanayak's last question in visualising a judicious integration of traditional folk media—puppetry, 'lila', 'harikatha', folk songs, 'nautankis' and 'gatha'—and modern media to communicate development messages by 'utilising' language and cultural tradition. For V K Dubey and S K Bhanja the need is to demystify media use at the small community level for motivating people to identify their problems and find solutions realistically. Contractor, Singhal and Rogers, in their very informative paper, mention various perspective on technology-society interface to discuss how certain contingency factors—organisation, communication hardware, infrastructural development, audience research, to mention some—mediate the impact of satellite television in rural development in India. The paper assumes greater significance in view of the contemporary debate on the role and impact of satellite television in India.

The collection of papers in the book widens, to a significant extent, our perspective on the theory and practice of development communication. The papers reflect the sincerity of the contributors who, learning from their experience, advocate new ideas and approaches. However, a major limitation of the book is that it does not provide adequate attention to evaluation of existing political arrangements. Understanding of development and development communication definitely needs a thorough discussion on technical and technological issues but it should not be overemphasised. Is there any ground to assume that technological advancement necessarily leads to diffusion of power? Examples abound in today's world which show that advancement in modern technology leads to more and more control, both physical and mental, and less towards social and economic transformation. In empha-sising the essential role of communication as an instrument of building a durable and integrative national bond, attitudinal and motivational infrastructure and the milieu of change and progress, the advocates of development communication, in this book as well, ignore the international/transnational dimensions of communication. While a number of contributors in the book refer to the internal dimensions of the power-equations, their treatment of them remains either tangential or incomplete. The task of constructing an alternative paradigm of development is primarily political because it needs an 'offensive' against the statist approach of the power-brokers. If the advocates of equitable and participatory development feel shy of such confrontation, the paradigmatic surrender would continue. And obviously, there would be no change in the state of affairs created by those who control the affairs of the state.

Utilisation of Health Services in India

Brijesh C Purohit
Tasleem A Siddiqui

The pattern of utilisation in our country had some desirable outcomes, namely, growing popularity of indigenous non-allopathic systems and growth in private sector's involvement in expensive tertiary care As against the National Health Policy guidelines the regional disparities in health service utilisation among different expenditure groups of states as well as rural-urban disparities tend to continue Further in spite of inadequacy of health services and prevalence of inequality in utilisation, there has been no serious governmental initiative to encourage appropriate utilisation by means of devising health insurance and other cost recovery mechanisms

I
Introduction

THE earliest attempt at emphasising adequate utilisation of health services was made in the report of Bhore Committee (1946) The committee prescribed norms pertaining to staff, availability of per capita beds, and other norms pertinent for dispensaries and hospitals having different bed sizes Different committees over the years also pointed out the factors that affected utilisation of health services Those included among the former were lack of co-ordination of hospital services, close proximity of out-patient department with the hospital proper, skewed distribution of trained personnel in favour of urban areas, and wastage of time of highly trained medical professionals in routine duties that could be done by lesser qualified personnel [Bhore Committee 1946, Srivastava Committee 1975] In recent years the document on National Health Policy (1983) published in the wake of Alma Ata declaration, chalked out 17 specific goals to be achieved The policy also suggested a number of guidelines for reforming and improving efficiency of existing health services in the country Some of the guidelines are pertinent for the utilisation of health services The relevance of these guidelines emerge prominently, however, through their emphasis on such aspects as (a) dispersal of network of comprehensive primary health care services, (b) decentralisation of services through well worked-out referral system, (c) appropriate location of curative centres in terms of topography, density of population, distances and transport connections, (d) attainment of maximum utilisation of health facilities by means of avoiding duplication of facilities, and (e) devising different mechanisms in regard to repair, maintenance and proper upkeep of all bio-medical equipment The policy thrust on these aspects aims at highlighting the significant role that the appropriate and adequate utilisation of health services and facilities could play in achieving the policy objectives The emphasis in policy, however, assumes concentration of curative facilities and consequent lower utilisation in certain areas as well as an existence of inadequacy of them in some other areas

Attempts at exploring utilisation aspect of health services in India have been largely limited to micro level studies While there have looked into various aspects, namely, distance of facility from patients, type of care, availability of facility, cost of treatment, quality of care, awareness about existing facilities, as well as other socio-economic aspects of patients in a particular regional set up, owing to the micro nature of such studies it is not possible to get an overall picture at either state, regional or national level [Yesudian 1980, 1988, Khan and Prasad 1988, Duggal and Amin 1988, Purohit et al 1992] In this regard recently two macro level surveys have provided a good information base pertaining to various aspects of health services in the country [NSSO 1992, NCAER 1992] A detailed analysis of this newly-available data base could help us to explore the present status in health service utilisation

The present study aims at analysing the available information bases to have closer look at utilisation aspect of health services in our country and derive their relevance for existing national health policy The degree of utilisation is established in this study in terms of relative levels of health facility utilisation across the states

The study is divided into nine sections The next section looks at the all-India scenario This is followed by comparison of Indian states by classifying them in terms of low, medium and high expenditure groups. Section IV deals with a comparative profile of public and private facilities across the

TABLE 1(a) PERCENTAGE DISTRIBUTION OF TREATMENTS OVER SYSTEM OF MEDICINE (NSSO 1986 87)

Allopathic	Homeopathic	Ayurvedic	Unani/Hakimi	Any Combination of These	Others	
Not as In patients						
95 91	1 78	1 53	0 27	0 07	0 44	Rural
96 31	2 09	1 03	0 27	0 05	0 25	Urban
Hospitalised Cases						
98 50	0 30	0 51	0 22	0 11	0 36	Rural
98 52	0 25	0 42	0 28	0 10	0 43	Urban

TABLE 1(b) PERCENTAGE DISTRIBUTION OF TREATMENTS OVER SOURCE OF TREATMENT (NSSO 1986 87)

Public Hospital	Primary Health Centre	Public Dispensary	Private Hospital	Nursing Home	Charitable Institution	ESI Doctor or ANM	Private Doctor	Others	
Not as In patients									
17 67	4 94	2 59	15 12	0 75	0 35	0 38	53 01	5 18	Rural
22 60	1 19	1 75	16 18	1 15	0 81	1 61	51 83	2 88	Urban
Hospitalised Cases									
50 40	4 34	–	31 84	4 86	1 71	–		1 70	Rural
59 51	0 75	–	29 55	7 04	1 91		–	1 24	Urban

Indian states. The reasons for untreated spells, education and caste factors have been discussed in Section V. Insurance status and cost of treatment comprise Section VI. The next section contains the estimates of states and households expenditure on health care. Inequality in utilisation forms the focus in Section VIII. The conclusions comprise the final section.

II
All-India Scenario

As pointed out earlier, two major sources which providing the macro picture are the National Sample Survey Organisation (NSSO) and National Council of Applied Economic Research (NCAER). An exhaustive survey conducted by the former between July 1986 and June 1987 (NSSO, 43rd Round) provides information about various aspects of health service utilisation in India. Coverage of NSSO sample extends over 8,346 villages in rural areas and 4,568 blocks in urban areas [*Sarvekshana* 1992]. The latter's surveys conducted between May 1990 and July 1990 also covered similar aspects over the entire geographical area of the country. The sample encompassed 1,061 villages and 1,873 blocks in rural and urban areas respectively [NCAER 1992]. Though its sample coverage in comparison to NSSO survey is much less in terms of the number of villages and blocks, it provides a representative picture available for the later year, that is, 1990.

The NSSO survey distinguished its respondents between hospitalised cases and 'not as an in-patient' category. The survey revealed a dominant preference for allopathic system both in rural and urban areas. Around 96 per cent of treatment (not as an in-patient) undertaken was allopathic in rural as well as urban areas. Among hospitalised cases, the corresponding percentages remained around 98 per cent in both the areas. Indian systems of medicine were found to have been utilised at a very low level. Thus, among non-hospitalised cases, homeopathic system (around 2 per cent) generally remained the next important system. The same is true, however, with respect to ayurvedic system (around 0.50 per cent) pertaining to hospitalised cases (Table 1(a)).

Viewed in terms of types of hospitals, maximum number of in-patient respondents were observed to avail public hospital facilities. The former in rural and urban areas remained around 55 and 59 per cent respectively. In this regard, private hospitals as health care providers appear next in importance with their 32 per cent and 29 per cent of total hospitalised cases respectively from rural and urban areas. The situation with regard to treatment by source in non-hospitalised cases reveals higher utilisation of services of private doctors. It remained around 53 per cent and 52 per cent in rural and urban areas. This is followed by treatment at public and private hospitals in both areas (Table 1(a)).

It is pertinent to note that nearly 54 per cent respondents in rural areas and 57 per cent respondents in urban areas availed OPD care without any payment. Respondents who paid for services availed health care more in the private sector. As such, nearly 34 per cent of respondents in rural areas and 32 per cent of respondents in urban areas paid for health care in the private sector (Table 1(b)). Even in hospitalised cases, nearly 29 and 32 per cent of respondents in rural and urban areas respectively availed health services without payment. However, the wardwise break-up shows that utilisation of free wards was more (61 per cent) among rural respondents (Table 1(c)). Further, among the sick respondents who could not be treated a larger percentage (18.46 per cent) in rural areas cited the cause (for no treatment) as either non-availability of medical facilities, financial reasons or a long waiting period (Table 1(d)). The corresponding percentage of respondents with either of these reasons remained around 11 per cent in urban areas (Table 1(d)). Considering the average amount of payment made to a hospital, it is generally observed that health facilities in rural areas were cheaper. In fact, respondents availing health care in government hospitals in rural areas paid less (Rs 320) than their counterparts in urban areas (Rs 385). However, care in private hospitals remained more expensive than government hospitals both in rural and urban areas although private hospitals in rural areas were less expensive than their urban counterparts. In comparison to payment in government hospitals the rural respondents paid two and half times more in private hospitals. In contrast, respondents in urban areas paid correspondingly almost four times more in private hospitals (Table 1(e)). Further, taking into consideration factors like average duration of sickness treated and average number of days stayed in the hospital, a comparison of corresponding total expenditures depict the rural areas as generally cheaper than their urban counterparts (Table 1(f) and 1(g)).

Some of the trends in utilisation of health care seem to have undergone change be-

TABLE 1(e): AVERAGE PAYMENT MADE TO HOSPITAL BY TYPE OF HOSPITAL—RURAL AND URBAN SECTORS (NSSO, 1990)

Government	Private	All	
320.34	733 38	597 06	Rural
385 02	1206 01	933 33	Urban

TABLE 1(f) AVERAGE STAY IN HOSPITAL AND AVERAGE TOTAL EXPENDITURE, FOR TREATMENT PER PERSON HOSPITALISED, RURAL AND URBAN

Average Number of Days Stayed in the Hospital	Average Total Expenditure (Rs) for Hospital Treatment	
15.5	853 23	Rural
15 2	1182.95	Urban

TABLE 1(c): PERCENTAGE DISTRIBUTION OF TREATMENTS OVER PAYMENT CATEGORY, (NSSO, 1986-87)

No Payment	Under Employers Medical Welfare Scheme	Reporting Payment to: Government	Private	All	
Not as an In-patient:					
49 14	5 21	12.42	33 23	45.65	Rural
42 26	13.74	12.65	31 35	44.00	Urban
No Payment	**Under Employers Medical Welfare Scheme**	**Reporting Payment to Institution**			
Hospitalised Cases:					
23 16	6 18	70 66			Rural
19 61	12.95	67 44			Urban
Free	**Paying General**	**Paying Special**			
Hospitalised Cases					
60 71	32.46	6.83			Rural
55 22	31.79	12.99			Urban

TABLE 1(d): PERCENTAGE DISTRIBUTION OF UNTREATED SPELLS OF SICKNESS OVER REASON FOR TAKING NO TREATMENT (NSSO, 1986-87)

No Medical Facility	Lack of Faith in the System of Medicine	Long Waiting	Financial Reasons	Ailment Not Considered Serious	Other Reasons	
2 86	1 93	0 33	15 27	74.61	5.00	Rural
0 13	1 81	1.05	9 57	81.13	6.31	Urban

tween 1986 and 1990. As a result, some of the above observations get partially modified in the light of the later survey [NCAER 1990]. One notable feature, for instance, revealed through the NCAER survey is a slightly increased preference for the homeopathy system Treatment through the latter per illness episode (unlike the NSSO survey) has gone up to around 13 and 11 per cent in rural and urban areas respectively (Table 2(a)) Likewise an increase in preference for ayurvedic system is also noticeable from the later survey The growing popularity in these two systems has thus brought down the use of allopathic system to around 75 and 80 per cent in rural and urban areas respectively (Table 2(a))

Further, over the years there has been noticeable increase in use of facilities at private hospitals as well as medical shops The percentage of those availing facilities at public hospitals has fallen with commensurate increase in the percentage use of private hospitals per illness episode up to 43 and 44 per cent in rural and urban areas respectively (Table 2(b)) Similarly the use of medical shops as a source of treatment has been observed at higher levels and remains as around 11 and 14 per cent in rural and urban areas respectively Keeping partly in line with this trend, there has been an increase though proportionately lesser in magnitude in availing treatment from private doctors The latter has risen by 2 and 3 per cent respectively in rural and urban areas (Table 2(b))

Another interesting aspect comparable between the two survey periods relates to average cost of treatment per illness episode The latter as depicted by NCAER survey is very low and remained around one fourth of comparable figure from NSSO survey Thus, NCAER's corresponding figures for rural and urban areas are around Rs 152 and Rs 143 respectively These figures, in fact, depict very low rural urban differential and in this regard remain in sharp contrast with the earlier survey

III
State Level Differentials in Utilisation

The all-India averages as discussed above tend not to reflect variations across states Thus in order to look into state level differentials we presumed that the state level expenditure on health care will be a prominent factor in determining the availability of these facilities The level of utilisation in turn, is likely to differ significantly across states depending upon the availability of facilities and services Bearing this fact in mind we classified Indian states according to their per capita state expenditure on health The latest available estimates namely, for the year 1990-91, in this regard suggest an

TABLE 1(B) AVERAGE DURATION OF TREATED SICKNESS AND AVERAGE TOTAL EXPENDITURE PER TREATMENT BY SOURCE OF TREATMENT RURAL AND URBAN

Average Number (Days) of Sickness		Average Total Expenditure (Rs)		
Government	Private	Government	Private	
13 2	12 2	114 75	84 93	Rural
13 3	11 5	103 39	91 30	Urban

TABLE 2(a) SYSTEM OF MEDICAL TREATMENT AND AVERAGE EXPENDITURE PER ILLNESS EPISODE (NCAER 1990)

	Allopathic	Homeopathic	Ayurvedic	Rituals	Self Medication	Total	
Row per cent	75 36	12 91	8 08	1 18	2 47	100	Rural
Average (Rs)	167 04	125 03	91 10	165 94	18 98	151 81	
Row per cent	80 35	10 88	3 88	0 21	4 68	100	Urban
Average (Rs)	150 87	136 26	104 16	118 09	48 22	142 60	

TABLE 2(b) AVERAGE COST OF TREATMENT PER ILLNESS EPISODE BY TYPE OF MEDICAL TREATMENT (NCAER 1990)

Government Doctor	Private Doctor	Para medical	Religious Persons	Self Medication	Total	
168 99	146 70	127 15	165 94	18 98	151 81	Rural
126 32	164 44	51 30	118 09	48 22	142 60	Urban

TABLE 2(c) SOURCE OF MEDICAL CARE AND AVERAGE COST OF TREATMENT PER EPISODE (NCAER 1990)

	Government Hospital	FSI Hospital	Private Hospital	PHC	Charitable Dispensary	Medical Shops	Others	Total	
Row per cent	28 03	1 69	43 43	8 18	0 96	10 82	6 89	100 00	Rural
Average (Rs)	187 32	161 11	154 31	119 38	81 82	130 43	71 13	151 81	
Row per cent	31 15	2 10	43 95	5 80	0 88	13 59	2 52	100 00	Urban
Average (Rs)	123 79	94 88	175 21	120 82	204 99	97 99	115 17	142 60	

TABLE 3 AVERAGE DISTRIBUTION OF HOSPITALISED CASES BY TYPE OF HOSPITAL AND TYPE OF WARD FOR RURAL URBAN SECTOR OF DIFFERENT STATE GROUPS

Category/State Group	Rural				Urban			
	Free Ward	Paying General Ward	Paying Special Ward	All	Free Ward	Paying General Ward	Paying Special Ward	All
Low Expenditure Group								
Public hospital	98 00	7 11	2 89	100 00	87 34	9 23	3 43	100 00
Private hospital	12 44	73 02	14 54	100 00	11 36	61 76	26 88	100 00
Primary health centre	90 74	7 15	2 11	100 00	64 34	16 98	18 68	100 00
Charitable institution	43 23	46 59	10 18	100 00	29 36	60 30	10 34	100 00
Nursing home	6 46	65 45	28 09	100 00	7 95	49 88	42 17	100 00
Others	34 56	51 60	13 84	100 00	50 75	36 16	3 09	100 00
All	60 48	31 44	8 08	100 00	61 44	26 32	12 24	100 00
Medium Expenditure Group.								
Public hospital	96 67	2 66	0 67	100 00	87 24	8 36	4 40	100 00
Private hospital	21 98	22 93	55 09	100 00	5 75	69 72	24 53	100 00
Primary health centre	76 65	26 35		100 00	41 01	39 09	19 90	100 00
Charitable institution	47 14	36 96	15 90	100 00	53 92	46 08	–	100 00
Nursing home	11 76	70 71	17 53	100 00	4 98	77 40	17 62	100 00
Others	57 01	42 99		100 00	51 46	48 54	–	100 00
All	73 72	12 78	13 50	100 00	52 41	35 31	12 28	100 00
High Expenditure Group								
Public hospital	95 61	4 17	0 22	100 00	92 68	4 26	3 06	100 00
Private hospital	58 21	34 19	7 60	100 00	22 70	52 03	25 27	100 00
Primary health centre	100 00			100 00	82 61	17 39		100 00
Charitable institution	100 00			100 00		–	–	–
Nursing home	54 80	45 20		100 00			–	–
Others	43 71	56 29		100 00				–
All	91 25	7 80	0 95	100 00	85 81	9 15	5 04	100 00

all-India average per capita expenditure on health as Rs 116.52 [Reddy 1992]. We, therefore, adopted this expenditure estimate as our basis for classifying states into three groups.

All those states with a per capita health expenditure less than all-India average (i e, Rs 116.52) were considered among low expenditure group. The states with a per capita health expenditure equal to or more than the all-India average but less than Rs 200 per capita were considered to be in the medium expenditure group. The high expenditure states, each with health expenditure more than Rs 200 per capita, comprised the third group. Following this classification, there were as many as 12 states in low expenditure category. This included Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. The other groups, namely, medium expenditure states and high expenditure states comprised of respectively three and two states. Haryana, Kerala and Tamil Nadu fell in the medium expenditure category and Himachal Pradesh and Jammu and Kashmir remained among the high expenditure group.

OPD and In-Patient Utilisation

The information available across three groups of states, namely, low, medium and high expenditure groups suggests that percentage of population which utilised any of the health facilities at OPD remained the highest (92.23 per cent) in rural areas for the high expenditure group of states. In case of urban areas, the medium expenditure group of states was observed to be having the highest OPD percentages (89.82 per cent).

In a similar way, the medium expenditure group of states, both in rural and urban areas, depicted the highest number of hospitalised cases.

An interesting observation emerging from the information across three groups of states is that the highest percentage of OPD utilisation were observed utilising the services of private doctors. This holds true for rural as well as urban areas. For instance, as many as 47 per cent of respondents in rural areas among the low expenditure states availed services of private doctors, which is higher than the comparable rates in either medium expenditure (46 per cent) or high expenditure states (42 per cent).[1] Public hospitals, in this regard, occupy second place. A glance at the OPD rates suggests that in rural areas these rates in public hospitals are considerably higher for high expenditure states. In fact, percentage OPD availing public hospitals in rural areas is much higher in the latter (34 per cent) than the low expenditure group of states (19 per cent). A similar situation also prevailed in regard to the urban areas. Further, with exception of high expenditure states, OPD attendance in public hospitals remained higher in urban areas than their rural counterparts.

The third prominent place in terms of OPD utilisation is occupied by private hospitals. The highest rates (around 19 per cent) both in rural as well as urban areas, in this regard, are observed among the medium expenditure states. The percentage of OPD coverage through all other sources including primary health centres (PHCs), public dispensaries, nursing homes, charitable institutions, ESI doctors, and others remained in rural areas between 11 per cent (for medium expenditure states) and 20 per cent (for low expenditure states). Likewise, OPD coverage through all these above mentioned sources in urban areas, though much lower than their rural counterparts, remained between 8 per cent (low expenditure group) and 14 per cent (high expenditure group).

A comparative view of the states pertaining to hospitalised cases distinguished by type of hospitals suggests some noteworthy patterns of utilisation. It is, for instance, observed that the highest utilisation of public hospitals is made in the states belonging to high expenditure group. In rural and urban areas, rates for these states remained as 81.38 per cent and 87.36 per cent respectively. Further, with the exception of medium expenditure states, utilisation of public hospitals in terms of in-patients percentage was higher generally in urban areas.

Corresponding inversely to the state government's low average per capita ex-

Table 4: OPD across Types of Facilities Used
(Ratios of Public and Private Facilities)

Item/State	Rural: Free	Rural: Partly Free	Rural: On Payment	Rural: Not Taken	Rural: All	Urban: Free	Urban: Partly Free	Urban: On Payment	Urban: Not Taken	Urban: All
All India Level:										
Medicines	1·0 21	1:0.35	1:9.73	1:2.15	1:5.23	1:0.28	1:0.37	1:9.66	1:2.60	1:2.90
X-Ray/ECG	1.0.20	1:0.37	1·3.76	1:2.96	1:2.91	1.0.28	1:0 92	1:4.43	1:2.76	1:2.7
Any other D test	1:0.21	1:0.56	1.6 71	1:3 01	1:2.91	1 0 30	1:1.30	1:7.36	1:2.75	1:2.67
Any other treatment	1 0 20	1:0.60	1.6.7	1·3	1:2.84	1:0 28	1.1 32	1:7.34	1:2.70	1:2.70
Surgical treatment	1:0.51	1:2.4	1:4.3	1:2.92	1:2.92	1·0.40	1.3.01	1:22.42	1:2.7	1:2 70
Medicine–States Groupwise:										
Low expenditure states	1·0.32	1:0 50	1:7.20	1:2 62	1:3 08	1 0 71	1·0 24	1:7.36	1:3.17	1:3.48
Medium expenditure states	1.0.16	1:0.53	1.17 80	1:1.99	1:2 14	1:0.14	1:0 81	1:12.53	1:3.51	1:2.10
High expenditure states	1:0.12	1:0 11	1·1.7	1:0.55	1.0.73	1:0.49	1:0.22	1:2.75	1:0.27	1:1.03
X-Ray/ECG–States Groupwise:										
Low expenditure states	1·0 37	1.0.31	1.3 36	1.2 98	1:2.94	1:0.83	1:0.35	1·7.23	1:3.39	1:3.37
Medium expenditure states	1.0.20	–	1:4 63	1:2.10	1:2.07	1:0.14	1:2.91	1:4.14	1:2.04	1:1.97
High expenditure states	1:0.13	1:0	1:1.92	1:0.67	1:0.66	–	1:0.77	1:1 05	1:1.13	1.1.08
Any Other Diagnostic Facilities–States Groupwise:										
Low expenditure states	1:0 34	1:0 35	1.5.65	1:3	1 3	1.0.97	1:0.75	1:9.63	1:3.40	1:3 40
Medium expenditure states	1·0 16	1:2.59	1·12.73	1.2 11	1:2 1	1:0.18	1:1.51	1:7.11	1:2.10	1:1.97
High expenditure states	1·0 18	–	1.0 89	1.0.69	1:0.66	1:0.10	1:0.52	1:4.70	1:1.12	1:1.10
Any Other Treatment–States Groupwise:										
Low expenditure states	1.0 34	1:0.35	1:5.67	1:3	1:3	1:0 72	1:1.22	1:10.11	1:3.76	1:3.35
Medium expenditure states	1 0 14	1:1 04	1·8.10	1.2 12	1:2.12	1:0 54	1.0.82	1:7.34	1:2.12	1:1.94
High expenditure states	1.0 18	–	1·0 89	1:0.69	1.0 07	1:0.07	1:0.52	1:1.04	1:1.78	1:1.08
Surgical Operation–States Groupwise:										
Low expenditure states	1.1 10	1.2.42	1:2.70	1:2 97	1·3	1:0 17	1:0.26	1:21.22	1:3 40	1:3.38
Medium expenditure states	1·0	0:1	0.1	1:2.1	1:2.10	1:0.14	1:2.90	0:1	1:1.99	1:1.92
High expenditure states	1.0	–	1:0.38	1:0.67	1:0.67	–	–	–	1:1.11	1:1.11

penditure levels, the private rural hospitals were used more by respondents (27 10 per cent) among the low expenditure group of states. In urban areas a similar correspondence is not clearly observed, even though the highest expenditure group of states depicts the lowest use of private hospitals' inpatient facilities (9 32 per cent)

Further, the utilisation of PHCs (both in rural and urban areas) is observed to be the highest among the high expenditure group of states In contrast charitable institutions played a relatively more prominent role among low expenditure states The in patients who availed of such institutions in these states in rural and urban areas were estimated as 1 98 and 2 10 per cent respectively The same is true in urban areas in regard to nursing homes The percentage of in patients among the low expenditure states in urban areas thus remained as 6 90 per cent In a manner akin to private hospitals even the use of nursing homes and other types of hospitals with in patient facilities is observed more prominent in the group of states with low governmental expenditures

Disaggregation in terms of free vs paid wards suggests that in patient services were being utilised free of payment comparatively more among the high expenditure group of states (Table 3) As many as 91 25 per cent and 85 81 per cent of respondents, in rural and urban areas respectively, availed of health care in free wards in this group of states The lowest percentage in rural areas (60 48 per cent) were observed corresponding to the low expenditure states In urban areas, however the lowest number of respondents (52 41 per cent) hailed from the medium expenditure states, who availed in-patient care in free wards

Further disaggregation in terms of public, private, and other types of hospitals, reveals that more in patients at public hospitals, rural as well urban, had availed of free ward facilities In this regard, there is observed a correspondence with governmental expenditure levels Thus, urban respondents in high expenditure states (92 68 per cent) exceeded the comparable percentage in other groups of states Similar correspondence between high government expenditure levels and higher utilisation of free wards, even in private hospitals, PHCs, charitable institutions and nursing homes is also observed (Table 3) Except the rural public hospitals, this pattern holds true both for rural and urban areas Pertaining to free wards, with few exceptions, generally larger percentage of rural and urban respondents in lower expenditure states, availed of paying general wards in these categories of health institutions (Table 3) With regard to paying special wards, however, no such pattern is discernible (Table 3)

IV
Government vs Private Facilities

It is pertinent to observe the pattern emerging through a break-up of OPD as well as in patients across five types of facilities, namely, medicines, X-Ray/ECG/EEG, 'any other diagnostic treatment', surgical treatment and 'any other treatment' (Tables 4 and 5) With medicines being an exception, all-India ratios of government to private facilities in rural areas through all payment categories remained around 1 3 The corresponding ratios in urban areas were simi-

TABLE 5 IN PATIENTS ACROSS TYPES OF FACILITIES USED
(Ratios of Public and Private Facilities)

Item/State	Rural: Free	Rural: Partly Free	Rural: On Payment	Rural: Not Taken	Rural: All	Urban: Free	Urban: Partly Free	Urban: On Payment	Urban: Not Taken	Urban: All
All India Level										
Medicines	1 0 09	1 0 08	1 2 78	1 0 90	1 0 72	1 0 12	1 0 10	1 2 80	1 0 95	1 0 71
X Ray/ECG	1 0 05	1 0 13	1 2 0	1 0 75	1 0 70	1 0 10	1 0 11	1 2 45	1 0 67	1 0 67
Any other treatment	1 0 06	1 0 30	1 3 6	1 0 60	1 0 7	1 0 09	1 0 25	1 3 28	1 0 60	1 0 66
Any other D test	1 0 06	1 0 32	1 3 6	1 0 60	1 0 67	1 0 09	1 0 30	1 3 32	t 0 60	1 0 66
Surgical treatment	1 0 15	1 0 50	1 3 9	1 0 64	1 0 68	1 0 14	1 0 23	1 3 78	1 0 61	1 0 66
Medicine States Groupwise										
Low expenditure state	1 0 10	1 07	1 2 12	1 1	1 0 69	1 0 14	1 0 14	1 2 84	t t.2	1 0 83
Medium expenditure state	1 0 09	1 0 14	1 15 44	1 0 86	1 1 20	1 0 08	1 0 40	1 5 8	1 0 80	1 0 86
High expenditure state	1 0 06	1 0 02	1 0 27	1 0 03	1 0 06	1 neg	1 neg	1 neg	1 neg	1 neg
X Ray/ECG/EEG States Groupwise										
Low expenditure state	1 0 12	1 0 17	1 1 70	1 0 63	1 0 65	1 0 14	1 0 25	1 2 93	1 0 79	1 0 82
Medium expenditure state	1 0 05	1 0 34	1 5 6	1 1 14	1 1 10	1 0 08	1 0	1 3 45	1 0 75	1 0 76
High expenditure state	1 0 02	1 0 34	1 0 40	1 0 10	1 0 08	1 0	1 neg	1 neg	1 0	1 neg
Any Other Treatment States Groupwise										
Low expenditure state	1 0 06	1 0 34	1 2 70	1 0 60	1 0 65	1 0 13	1 0 34	1 4	1 0 65	1 0 80
Medium expenditure state	1 0 07	1 1 5	1 15 67	1 0 88	1 1 06	1 0 08	1 0	1 5 4	1 0 75	1 0 77
High expenditure state	1 0 02	1 0	1 0 67	1 0 11	1 0 07	1 0	1 0	0 0	1 0 17	1 0 08
Surgical Operation States Groupwise										
Low expenditure state	1 0 15	1 0 40	1 3 34	1 0 60	1 0 63	1 0 17	1 0 50	1 4 17	1 0 73	1 0 81
Medium expenditure state	1 0 20	0 1 25	1 12 26	1 1 10	1 1 06	1 0 12	1 0 50	1 6 5	1 0 75	1 0 74
High expenditure state	1 0 05	1 0 50	1 1	1 0 05	1 0 06	1 0			0 0 12	1 0 09
Any Other Diagnostic Tests–States Groupwise										
Low expenditure state	1 0 06	1 0 34	1 2 74	1 0 60	1 0 65	1 0 13	1 0 34	1 4 10	1 0 66	1 0 82
Medium expenditure state	1 0 07	1 1 5	1 15 67	1 0 87	1 1 06	1 0 08	1 0	1 5 25	1 0 73	1 0 75
High expenditure state	1 0 01	1 0	1 1	1 0 11	1 0 08	1 0		–	1 0 17	1 0 08

TABLE 6 PERCENTAGE DISTRIBUTION OF HOSPITALISED CASES OVER PAYMENT CATEGORIES FOR RURAL AND URBAN SECTOR

(*Per Cent*)

State Groups	Rural Payment Category: No Payment	Rural: Employers Medical Welfare Scheme	Rural: Reporting Payment to Institution	Rural: All	Urban Payment Category: No Payment	Urban: Employers Medical Welfare Scheme	Urban: Reporting Payment to Institution	Urban: All
Low expenditure group	23 35	6 17	70 48	100 00	19 58	13 83	66 59	100 00
Medium expenditure group	24 98	3 27	71 75	100 00	21 03	8 30	70 67	100 00
High expenditure group	32 75	8 33	58 92	100 00	26 82	12 76	60 42	100 00

larly observed around 1 2 7 The comparable ratios for in-patient care both in rural and urban areas were estimated to be in vicinity of 1 0 7 The pattern is thus suggestive of overall wider spread of private sector in providing OPD care

However, ratio of government to private services does not remain invariant across states In fact, variations in these ratios denote more involvement of government associated with rising levels of per capita state expenditure In rural areas, for instance, ratio of government to private facilities pertaining to different types of OPD facilities were estimated for low expenditure states as around 1 3 (Table 4) Whereas the estimates for other groups of states were respectively around 1 2 (medium expenditure group) and 1 0 70 high expenditure group) (Table 4)

Analogous estimates for urban areas connote decline in health care provision from private sector in groups with higher per capita state health expenditure (Table 4)

Higher levels of government expenditure further seems to be associated with more of free public faciltties being utilised both in rural and urban areas As a result it is consistently observed that lower quantums of free private health facilities have been utilised among higher expenditure states (Table 4) With certain exceptions, like other diagnostic facilities and any other treatments (both in rural areas) and medicines (in urban areas), this pattern holds true for all of above mentioned five categories of facilities (Table 4)

Utilisation of private sector's health facilities has been, however, at higher levels in categories where payments are being made by patients either partly or fully (Table 4) Pattern of utilisation in regard to these two categories also suggests that possibly beyond certain level of governmental expenditure, there is diminishing (or crowding out) of private sector's role This is brought out, in general, as we move from medium expenditure states and beyond it, through declining proportionate shares of private facilities in aforesaid two payment categories (Table 4) It is also pertinent to note that from low to high expenditure states there has been consistent decline in private sector's share in the category of treatment not taken (Table 4) Presumably it reflects that increasing levels of government expenditure and in turn increased health facilities as well as increased awareness about them has led to a decline in avoidance (in use) of health facilities

Utilisation of private sector's facilities has been relatively less in availing in patient care (Table 5) By and large pattern of utilisation remains almost similar to that in OPD care (Table 5) However, stronger tendency of private sector towards profit earning or cost recovery is obvious in in-patient care As such, proportions of private sector in either of above mentioned five types of facilities is many times more in 'on payment category' The share in the similar facilities from private sector remained, in contrast, negligible under either of free or partly free categories (Table 5)

V

Untreated Spells of Sickness: Education and Caste Factors

The causes of not getting treatment as classified by NSSO are four fold These include (i) no medical facility, (ii) long waiting, (iii) financial reasons, (iv) ailment not considered serious, (v) lack of faith in the system of medicine, and (vi) other reasons We have reclassified the untreated spells of sickness into two broad categories One of these included the reasons (i) to (iii) and the other included the remaining three The former was called as 'non availability and financial reasons' and the latter was termed as 'other reasons'

Percentage distribution of population which could not avail of health care in spite of being sick depicts an appreciable differential across education levels and caste groups It is, for instance, interesting to note that within the same state or same sector or across sectors, level of awareness about health facilities presumably associated with the level of education tended to influence perception of respondents about availability (or otherwise) of the health facilities

In general, the distribution of respondents across education levels depicted in that range within rural sector of untreated spells (of sickness) due to non-availability of facilities or financial reasons was much higher for illiterates relative to their counterparts in other educational levels Thus, the lowest to highest percentage (of untreated spells) for illiterate class across all-India aggregate in rural areas due to the above-mentioned reasons was between 10 and 18 per cent The comparable percentage for respondents with different education levels, namely, 'below primary', 'below secondary', 'secondary and above' remained respectively 1 5 2 4 per cent, 9-17 4 per cent and 1 2 per cent

Likewise in the urban sector, the all India range of untreated spells due to reasons of non availability across above mentioned categories of education levels were observed to be respectively 4 9 per

Table 7 Average Duration of Treated Sickness and Average Total Expenditure (Rs) Per Treatment by Source of Treatment for Rural and Urban Sectors

State/State Groups	Rural: Average Duration (Days) Government	Rural: Average Duration (Days) Private	Rural: Average Total Expenditure Government	Rural: Average Total Expenditure Private	Urban: Average Duration (Days) Government	Urban: Average Duration (Days) Private	Urban: Average Total Expenditure Government	Urban: Average Total Expenditure Private
Low expenditure	12 74	11 95	119 42	100 51	12 54	11 44	104 60	99 79
Medium expenditure	13 47	11 77	35 46	70 22	13 40	11 47	50 68	69 18
High expenditure	15 6	14 95	142 38	101 76	14 6	12 6	117 04	108 52
All India average	13 2	12 2	114 75	84 93	13 3	11 5	103 39	91 30

Table 8 Average Number of Days Stayed in the Hospital and Average Total Expenditure (Rs) for Hospital Treatment Per Person Hospitalised for Rural and Urban Sectors

State Groups	Rural: Average Number of Days Stayed in the Hospital	Rural: Average Total Expenditure (Rs) for Hospital Treatment	Urban: Average Number of Days Stayed in the Hospital	Urban: Average Total Expenditure (Rs) for Hospital Treatment
Low expenditure group	15 97	891 06	14 27	1157 43
Medium expenditure group	13 53	828 11	12 17	1158 38
High expenditure group	18 20	800 28	14 20	834 99

Table 9(a) Average Payment (Rs) Made to Hospital by Type of Hospital Rural and Urban Sectors (Hospitalised Cases)

Category	Rural: Government	Rural: Private	Rural: All	Urban: Government	Urban: Private	Urban: All
Low expenditure group	232 88	778 60	543 97	336 22	1133 67	800 92
Medium expenditure group	338 91	722 06	632 74	350 98	849 88	682 65
High expenditure group	513 37	856 44	599 07	366 09	1082 83	413 81
All India average	320 34	733 38	597 06	385 02	1206 01	933 33

cent, around 1 per cent, 1-11 per cent and 10-22 per cent Observing that declining range is usually associated with higher levels of education, high range in the last category (namely, secondary and above) in urban areas possibly denotes more of lack of facilities Rather than lack of awareness about them it may also mean specific health needs emerging on account of better awareness

At individual state level influence of educational status comes out more prominently across the three groups In fact the pattern of untreated spells owing to non availability across individual states suggests that beyond per capita health expenditure status, higher education levels tend to be uniformly associated with reduced range of respondents having received no treatment due to non availability Similar observation holds true for rural as well as urban areas These observations indeed corroborate our earlier findings emerging from non parametric analysis of published as well as primary data [?]

In an analogous manner to education status significant differentials across scheduled castes (SC)/ scheduled tribes (ST) versus other castes are also observed Both in rural and urban areas untreated spells owing to non availability factor remained very low in the categories of SC/ST respondents The all India range for the latter in rural areas for instance prevailed between 3 6 per cent (SC category) and 1 3 per cent (ST category) in contrast to general categories which was around 37 per cent

Corresponding urban differentials (owing to caste) in untreated spells (due to non availability) could also be considered as high observing the relative ranges relating to SC ST and other castes which remained respectively as 0 31 4 per cent, 0 005 0 72 per cent and 53 62 per cent Even state level variations across three expenditure groups depict uniformity in pattern of influence emerging from caste factor [?]

VI
Insurance Status and Cost of Treatment

Paymentwise status of respondents also depicts that higher per capita government expenditure favoured more free in patient facilities In fact, as many as 33 per cent of rural and 27 per cent of urban respondents in high expenditure group of states availed free health care Conversely, lowest percentage of free utilisation of health facilities in either rural (23 35 per cent) or urban areas (9 58 per cent) was observed for low expenditure states Further, the pattern connotes that free utilisation was relatively more in rural areas relative to their counterparts (Table 6)

The coverage under employer's welfare scheme remained low In rural areas it varied between 3 27 per cent (medium expenditure group) and 8 33 per cent (high expenditure group) In urban areas, similar coverage remained higher and ranged between 8 30 per cent (medium expenditure group) and 13 83 per cent (low expenditure states) Inclusive of both the non payment categories namely, 'no payment' and 'employers' medical welfare scheme' thus approximately 40 per cent of respondents in either of urban or rural areas in high expenditure states utilised free health care In low and medium expenditure states such free utilisation however ranged around 30 per cent

It emerges therefore, that nearly 60 70 per cent respondents availed health care at their own cost This would imply that large amounts have been spent by household sector and the same in relation to governmental health care expenditure would provide better picture with regard to total per capita expenditure and households' spending propensity towards health care Prior to such estimation it is pertinent to look into some relevant aspects like average duration of stay average expenditure per illness and per person hospitalised payments made to hospital and the like

In rural as well as urban areas, average duration of treated sickness in private sector is less than that of the average duration in government sector (Table 7) With exception of medium expenditure group, probably shorter duration is one of the factors which underlies lower treatment expenditure in private sector (Table 7) Simultaneously longer duration of treated sickness in public hospitals could be considered indicative of over use of government facilities In this regard, however, there does not emerge any systematic pattern across the state groups (Table 7)

In terms of average duration of stay it is observed that rural respondents had longer stay in hospital (Table 8) This may be due to nature or quality of the treatment in rural areas On the contrary urban respondents following hospitalisation paid more than their rural counterparts (Table 8) In general duration of stay varies between 13-18 days (in rural areas) and 12 14 days (in urban areas) Corresponding to it, hospitalisation expenditure ranged between Rs 800 891 (rural areas) and Rs 834 1158 (urban areas) Any pattern denoting systematic variation across the three expenditure groups was found non-existent (Table 8)

There prevailed however, discernible systematic pattern across state groups, in regard to amount of payment made to government hospitals (Table 9(a)) These payments had a range of Rs 233-513 (rural areas) and Rs 336-66 (urban areas) and seemed to be rising as one moves from low to high expenditure states (Table 9) Comparable range in payments to private hospitals could be observed as Rs 722-856 and Rs

Table 9(b) Estimates of State Government and Household Expenditure in India (All India and State Group 1986 87 and 1990)

State Groups	1986 87[1] Per Capita State Government Expenditure	Per Capita Household Expenditure	Per Capita Total Expenditure	Government Household Expenditure (Per Cent)	HHE/PCI (Per Cent)	1990[2] Per Capita State Government Expenditure	Per Capita Household Expenditure	Per Capita Total Expenditure	Government Household Expenditure (Per Cent)	HHE/PCI (Per Cent)	Difference (1986 90) Per Capita State Government Expenditure	Per Capita Household Expenditure	Per Capita Total Expenditure	Government Household Expenditure (Per Cent)	HHE/PCI (Per Cent)
Low expenditure group	56 35 (38 07)	91 67 (61 93)	148 02	61 47	3 27	87 14 (36 02)	154 76 (63 97)	241 9	56 31	3 23	54 64	68 82	63 42	(–) 5 16	(–) 0 04
Med expenditure group	61 48 (43 38)	80 23 (56 61)	141 71	76 63	2 59	132 62 (49 45)	135 54 (50 54)	268 16	97 85	3 02	115 71	68 93	189 23	21 22	0 43
High expenditure group	169 67 (58 17)	122 00 (41 82)	291 67	139 07	4 08	276 40 (70 33)	116 62 (29 67)	393 02	237 01	1 12	62 90	( ) 4 40	34 75	97 94	( ) 2 96
All India average	62 18 (38 73)	98 36 (61 26)	160 54	63 22	2 95	116 52 (43 20)	153 19 (56 79)	269 71	76 06	3 12	87 39	55 74	68 00	12 84	0 17

Notes HHE = Household expenditure (per capita) PCI = Per capita income

Sources 1 For state government expenditure Health Information in India (1990)

2 For state government expenditure Reddy K N (1990) and for household expenditure NCAER (1990)

850-1134 (Table 9). It had no movement, however, in line with state expenditure groups (Table 9)

VII
Cost of Health Care

An idea about cost of health care borne by government and households is provided in Table 9(b)[4] In 1986-87, the states and households in India had spent together per capita an amount of Rs 160 54 Nearly 39 per cent of which came from state governments and the rest around 61 per cent came from households Groupwise across states, the per capita expenditure was highest in the high expenditure group (Table 9(b)) An interesting feature to observe is that in low and medium expenditure groups, where state's health outlay is lower than high expenditure group, households contributed larger proportion to total per capita health expenditure Thus in contrast to 42 per cent contribution in high expenditure group, households among low and medium expenditure groups had contributed respectively around 62 and 57 per cent (Table 9(b))

In the duration between 1986 and 1990, per capita expenditure had risen almost by 68 per cent On an average, in 1990, per capita health expenditure in India is estimated to be Rs 269 71 Of this, nearly 43 per cent came from state governments and around 57 per cent was from households Across groups per capita outlay remained highest (Rs 393) for high expenditure states Conversely the lowest (Rs 242) was observed for low expenditure states Like the pattern in 1986 it was observed again that more household contribution to per capita outlay came forth in states with lower government spending (Table 9(a))

Between 1986 and 1990, there has been general increase in both government and household components of health care expenditure (Table 9(a)) All India average and group averages, however, depict that relative to households, state's contribution has gone up (Table 9(b)) The relative growth of state component (above the households counterpart) at all-India level remained around 13 per cent Exceptional case of low expenditure states suggests however decline in state's contribution by around 5 per cent (Table 9(b))

Another pertinent feature further emerging from above estimates in unchanging proportion of per capita income being spent by households In both years, namely, 1986 and 1990, an average Indian household thus spent around 3 per cent of its per capita income (Table 9(a)) Except for high expenditure states, the change in this proportion between 1986 and 1990 has been marginal (Table 9(b)) Presumably this invariant propensity to spend on health care shows that Indian households treat health care as an essential commodity

VIII
Levels of Inequality in Utilisation of Health Care

The discussion in Section V highlights that besides government expenditure other factors, namely, education and caste status of respondents also have significant bearing upon awareness and thereby affect access and pattern in utilisation of health care facilities[5] However, as mentioned in Section VI in most instances, households have been contributing more towards per capita health expenditure than the government. It is likely, therefore, that the ability to spend might have determined utilisation patterns of health care services One way of looking into spending ability of households would be to categorise them into different expenditure fractile groups With the presence of felt need for health care, willingness to spend matched with ability would determine access and utilisation in health care in favour of higher expenditure fractile groups Existence of inequality caused on this count would be denoted by looking into ratio of uppermost to lowest expenditure fractiles The value of this ratio exceeding unfty would

TABLE 10(a) PERCENTAGE DISTRIBUTION OF STATES WITH RATIO OF UPPER TO I OWLR FRACTILES EXCEEDING UNITY, 1986 87

Particulars	Rural LES	Rural MES	Rural HES	Urban LES	Urban MES	Urban HES
Ratio of type of hospitals						
(a) Allopathy	58 34	33 34		8 33		–
(b) Homeopathy	16 67	33 34		8 33		
(c) Ayurvedic	16 67			16 67		
(d) Unani/Hakimi	8 33			8 33		
(e) Any combination	8 33			16 67		
(f) Others	8 33	–		16 67		–
(g) All	58 33	33 34		8 34		–
Percentage distribution of treatment (not as in patient) for system of medicines						
(a) Allopathy	16 67			25	33 34	–
(b) Homeopathy	41 67		100	33 34	33 34	–
(c) Ayurvedic	66 67	33 34	50	75	66 67	50
(d) Unani/Hakimi	16 67	66 67	100	33 34	33 34	50
(e) Any combination					33 34	–
(f) Others	50	66 67	50	58 34	33 34	50
(g) All	16 67			16 67	–	–
OPD by source of treatment						
(a) Public hospital	33 34			16 67	33 34	
(b) Private hospital	41 67	66 67		58 34	66 67	50
(c) Nursing home	33 34	33 34		50	66 67	
(d) Charitable institution	50	33 34		50	–	50
(e) PHC	33 34	33 34	50	83 34	33 34	100
(f) Public dispensary	58 34	33 34	100	58 34	33 34	–
(g) Private doctor	41 67	33 34		16 66	33 34	50
(h) ESI doctor	33 34	66 67	100	41 66	33 34	50
(i) Others	33 34	33 34		75	100	50
(j) All	25	–		16 67	–	–
Percentage distribution of treatment (not as in patient) by payment category and average amount of payment						
(a) No payment	33 34	–		9 09	–	–
(b) Under employer s welfare scheme	77 78	33 34	50	60 00	–	50*
(c) Reporting payment to institutions						
i) Government	50	33 34	–	20		50
ii) Private	33 34	66 67	50	45 50	33 34	50
iii) All	41 67	66 67		25	33 34	50
Estimated number of hospitalised persons by sex						
i) Male	81 82	66 67	–	9 09	–	–
ii) Female	63 64	–	50 00	18 08	–	–

Note LES MFS and HES denote respectively low, medium and high expenditure states

denote an existence of inequality and bias in favour of higher expenditure group of respondents within any state These results for each group of states pertaining to different aspects are presented in Table 10

These ratios reveal notable prevalence of inequality among all groups of states in regard to pattern of utilisation and expenditure on health care facilities The main features depicted through analysis of these ratios include the following (a) In rural areas, as many as 58 and 33 per cent of states respectively among low and medium expenditure groups depicted higher utilisation of allopathy system of hospital by upper fractile groups In this regard urban areas however, have lower degree of inequality (Table 10(a)) (b) Distribution of OPD by system of medicines suggests higher utilisation among low expenditure states by upper fractile urban respondents in four systems namely, allopathy ayurvedic, unani/hakimi and others The same was true in medium expenditure states relating to ayurvedic system only Among rural respondents evidence suggests systems like homeopathy (among low expenditure states) and unani/hakimi (among medium expenditure states) to have been utilised more by upper fractiles Generally, upper fractile groups in high expenditure states and particularly rural OPD respondents seemed to have derived more access in homeopathy and unani/hakimi systems (Table 10(a)) (c) Viewed across different sources of treatment (namely, public private, etc) pattern of utilisation favouring upper fractile groups is found more dominant in low expenditure groups (Table 10(a) item 3) In most of the state groups rural respondents in upper fractile groups seemed to be visiting more public hospitals, dispensaries private and ESI doctors Urban upper fractile respondents utilised relatively more of facilities at private hospitals and nursing homes (Table 10(a)) (d) Distribution of rural OPD respondents by payment categories in both low and medium expenditure groups of states depicts that respondents in upper fractiles utilised more facilities in any of the payment or non-payment categories (Table 10(a), item 4) However, in high expenditure states disparity is observed only among urban respondents who paid for health services in private institutions (e) It is observed that males in rural upper fractiles among low and medium expenditure states had utilised more of in patient facilities In contrast, females from rural upper fractiles of high expenditure states and urban upper fractiles among low expenditure states had availed of more in-patient facilities (Table 10(a), item 5) (f) Ability to pay for services had considerable influence in availing health services both in public and private sectors A cursory glance at comparative figures for average payments made to government and private institutions reveals that, except rural OPD in medium and high expenditure group, upper fractiles paid more than twice their counterparts (Table 10(b), item 1) Further it is observed that though there was marginal difference between stay days of upper and lower fractiles in either of wards in government or private hospitals, the upper fractiles generally spent around twice or more during their hospital stay (Table 10(b), items 2 and 3)

IX

Conclusions and Policy Implications

The utilisation of health services has been discussed in this study from various angles The degree of utilisation is seen through a comparative picture across three state categories viz, low medium and high expenditure groups The possible reasons for different degrees of utilisation have been also discussed The main findings of the study and their implications in regard to the National Health Policy are summarised as follows

(i) In accordance with the guidelines of the National Health Policy the planned efforts in the country have also led to the development and increased utilisation of Indian and other non allopathic systems of medicines This is revealed through, for instance, by increased percentage of respondents utilising these systems The percentage utilisation of homeopathy, for instance, has gone up by around 10 per cent in rural as well as urban areas In a similar way the percentage utilisation of ayurvedic system has risen by 7 and 2 per cent in rural and urban areas respectively This suggests that the thrust in the National Health Policy to encourage indigenous systems has indeed helped in the development of these systems

(ii) The level of governmental expenditure had direct influence on the availability as well as utilisation of various health facilities in the country As such the level of utilisation has been higher in states which have relatively higher per capita expenditure on health care On the contrary, the states with lower per capita governmental expenditures have depicted lower levels of utilisation

(iii) It has been observed that majority of out patients had utilised the services of private doctors This is followed by utilisation of public and private hospitals The inpatient care however has been availed more at the public hospitals The pattern thus indicates that the government institutions have been utilised more for getting inpatient care This suggests that unlike the policy guidelines the role of lower level government institutions, like PHCs, has not increased The reasons for this include lack of adequate facilities in such institutions and the presence of proportionately high numbers of private practitioners working in

TABLE 10(b) RATIO OF ACTUAL MAGNITUDES FOR UPPER TO LOWER FRACTILES 1986-87

Particulars	Rural LES	Rural MES	Rural HES	Urban LES	Urban MES	Urban HES
Average payment (Rs 0.00) to source of treatment (OPD)						
i) Government institutions	1.10	5.52	2.00	2.53	1.03	0.34
ii) Private institutions	2.10	1.00	0.30	2.23	2.94	
iii) All	1.30	1.67	1.88	2.10	2.82	0.44
Average number of days in the hospital and average total expenditure						
Government hospital (days stayed)						
i) Free ward	1.24	1.72	0.44	0.79	1.16	0.75
ii) Paying general ward	1.32	0.00	1.39	1.21	1.17	0.00
iii) Paying special ward	2.18	0.00	0.00	0.24	0.65	0.00
Private hospital (days stayed)						
i) Free ward	1.72	0.88	1.80	1.48	0.78	0.00
ii) Paying general ward	1.03	1.13	1.36	1.02	1.14	0.00
iii) Paying special ward	0.90	2.34	0.00	1.12	0.80	1.20
Average total expenditure (Rs) per hospitalised case						
Government hospital						
i) Free ward	1.53	0.85	0.63	1.30	2.49	1.40
ii) Paying general ward	0.83	0.00	0.26	3.21	1.76	0.00
iii) Paying special ward	1.59	0.00	0.00	2.09	1.04	0.00
Private hospital						
i) Free ward	1.12	0.39	0.00	1.86	68.35	0.00
ii) Paying general ward	1.43	0.80	0.89	2.96	0.91	12,45
iii) Paying special ward	1.62	1.83	0.00	0.84	1.96	1.55

Note LES MES and HES denote low medium and high expenditure states respectively

rural as urban parts of the country Even the information available from the latter survey of NCAER also suggests that between the years 1987-90 there has been no substantial change in this pattern of utilisation

(iv) The distribution of in patients across three types of wards namely free general and special also suggests that the free wards of public health institutions namely public hospitals and PHCs, have been utilised more in each of the state groups Unlike this the other types of wards, namely, paying general as well as paying special have been utilised more at the non-governmental institutions This outcome in terms of ward utilisation has been in line with the policy guidelines which suggest that expensive tertiary care should be encouraged more in private sector

(v) It is observed that the utilisation levels in OPD as well as in patient services have been higher in rural areas relative to their urban counterparts The pattern in rural areas also bears an inverse correspondence with the level of government expenditure on health In the high expenditure group of states, for instance both OPD and in patient utilisation has been lower than their counterparts in other expenditure groups It therefore, emerges that more of the per capita expenditure on health in high expenditure states is going towards expensive care in urban sector

(vi) The breakup of health facilities in terms of five items namely medicines X ray/ECG/EEG, any other diagnostic treatment, surgical treatment and any other treatment, depicts wider spread of private sector in OPD care and the latter has come forth more in rural areas

It is also observed that whenever government expenditure is higher for instance in high expenditure group of states the private sector has shown a decline in its *pro rata* contribution to health facilities The analysis across three expenditure group of states denotes that crowding out of private health sector is evident with levels of government expenditure growing beyond a certain point

(vii) The analysis of reasons for untreated spells of sickness suggests that non availability and financial reasons remained more prominent in rural areas due to factors like low education and preferential treatment for SC/ST

(viii) It is interesting to observe that the households in India have tended to consider the health care as one of the necessary commodity This observation emerges from the fact that in both the years namely, 1986 87 and 1990, the proportion of households income being spent on health has remained almost invariant around 3 per cent The states where the government expenditure levels have been lower the households have tended to spend more This suggests that there seems to be some minimum expenditure level which has been maintained through households invariant spending propensity This situation, coupled with the fact that the coverage of health insurance across different groups of states has remained only around 3 8 per cent, suggests an urgent need for initiating appropriate insurance schemes which has also been highlighted in the health policy document

(ix) It is generally observed that duration and cost of hospital treatment in government sector has been higher than the private sector hospitals In this regard the latter survey of NCAER indicates that cost of hospital treatment in urban areas has gone up relative to the rural counterparts Consequently the rural urban disparity in terms of treatment cost in private sector has indeed widened This may be attributed to the capital intensive nature of specialities in private urban hospitals Though the overall resource implication of such outcomes are debatable, yet it falls in line with the National Health Policy s objective to encourage private sector s participation in expensive type of care that may avoid diversion of government funds from cheaper and essential primary health care

To sum up our analysis of macro level information suggests that the pattern of utilisation in our country had some of the desirable outcomes in terms of (a) growing popularity of indigenous non allopathic systems and (b) growth in private sector s involvement in expensive tertiary care Nonetheless as against the National Health Policy guidelines it is distressing to note that the regional disparities in health service utilisation among different expenditure groups of states as well as rural urban disparities tend to continue Further in spite of inadequacy of health services and prevalence of inequality in utilisation there has been no serious governmental initiative to encourage appropriate utilisation by means of devising health insurance and other cost recovery mechanisms There lies therefore, an urgent need to look carefully into some of these aspects such that the policy guidelines could be really implemented in a satisfactory manner

Notes

[Authors are grateful to Ford Foundation for financially supporting this study at IIHMR Jaipur]

1 In urban areas however almost similar attendance rates relating to private doctors (52 per cent) is noticeable both for low expenditure as well as high expenditure states

2 See for instance Purohit and Siddiqui (1993)

3 The influence of caste factor in availing health care using primary data is also highlighted in other studies See for instance Purohit et al (1992) and Purohit and Siddiqui (1993)

4 For an earlier estimate of health expenditure in the year 1984 85 see for instance Giridhar et al (1987)

5 Further So long as poverty remains the issue of equity in health care is kept alive ' (see for instance Mueller 1986 p 131)

References

Giridhar et al (1987) *Study of Health Care Financing in India* Indian Institute of Management Ahmedabad

Government of India (1946) *Health Survey and Development Committee* (Bhore Committee) Manager Publications Calcutta

—(1966) *Committee Appointed to Review Staffing Pattern and Financial Provision under Family Planning Programme* (Mukharjee Committee) Ministry of Health New Delhi

(1966) *Report of the Study Group on Medical Care Services* (Jain Committee) Ministry of Health New Delhi

(1973) *Committee on Multi Purpose Worker under Health and Family Planning* (Kartar Singh Committee) Ministry of Health New Delhi

—(1975) *Report of the Group on Medical Education and Support Manpower* (Srivastava Committee) Ministry of Health New Delhi

—(1983) *National Health Policy* Ministry of Health New Delhi

Khan M E and C V S Prasad (1988) *Utilisation of Health and Family Planning Services in Bihar Gujarat and Kerala* Indian Council of Medical Research New Delhi

Muller Charlotte (1986) Review of Twenty Years of Research on Medical Care Utilisation *Health Services Research* 21 2 129 43 USA

National Council of Applied Economic Research (1992) *Household Survey of Medical Care* New Delhi

Purohit Brijesh C and Rai Vandana (1992a) *Measurement of Operational Efficiency in Institutional Public Health Care* (mimeo) Indian Institute of Health Management Research Jaipur

(1992b) Operational Efficiency in In patient Care An Exploratory Analysis of Teaching Hospitals *International Journal of Health Planning and Management* Vol 7 April June 149 62

Purohit Brijesh C R K Juyal Tasleem A Siddiqui, A Pulikkal (1992) *Socio Economic Case Mix of Patients Utilising Public Health Services* (mimeo) Indian Institute of Health Management Research Jaipur

Purohit Brijesh C and Tasleem A Siddiqui (1993) *Economic Development and Health Care A Non Parametric Approach* paper presented at XVII Conference of Rajasthan Economic Association March 12 14 University of Rajasthan Jaipur

Reddy K N (1992) *Health Expenditures in India* working paper No 14 National Institute of Public Finance and Policy New Delhi

Sarvekshana (1992) *Morbidity and Utilisation of Medical Services* NSS 42nd round Ministry of Planning National Sample Survey Organisation New Delhi

Yesudian C A K (1980) *Utilisation of Municipal Health Services A Case Study of King Edward VII Memorial Hospital* Unit of Urban Studies Tata Institute of Social Sciences Deonar Bombay

—(1988) *Health Services Utilisation in Urban India* Mittal Publications New Delhi

Industrial Disputes in India

An Empirical Analysis

Bibhas Saha
Indranil Pan

The present paper tries to identify some of the determinants of industrial disputes (both strikes and lock-outs) by developing an econometric model using disputes data for 19 industries over seven years from 1980 to 1986. The dependent variabe of the model is industry-wise mandays lost per employee from disputes and independent variables are the degree of trade unionisation, average factory size and average monthly earnings oj an employee. It is found that in more unionised industries, mandays lost from disputes are likely to be less compared to less unionised industries. In contrast, industries with larger average factory size will have greater mandays lost. Employees' monthly earnings seem to be a weak variable having ambiguous and almost insignificant effects on mandays lost.

I
Introduction

COLLECTIVE bargaining is a way of distributing organisational rents (i e, economic profits) among workers and employers. While the size of the organisational rents constitutes the scope of the bargaining, the relative shares of the two parties are determined by a number of factors such as union power, skills of bargaining, labour laws and regulatory framework. In an actual process of bargaining, parties sometimes deliberately pull out from a negotiation for some strategic reasons and such strategic pull outs are generally followed by strikes, lock-outs and other types of agitations which are called industrial disputes.

The subject matter of this paper is industrial disputes in Indian industries. The frequency of industrial disputes in India is very high compared to the industrialised countries. For instance, between 1980 and 1982, the Indian industrial workers were reportedly engaged in 2055 strikes per year (on average) which resulted in a loss of 14 million mandays per year. The corresponding figures for France between 1977 and 1983 were only 494 and .38 million respectively [Windmuller *et al* 1987]. In terms of the combined data on strikes and lock-outs, which will be referred to as industrial disputes, the Indian industry from 1984 onwards, however, witnessed a declining trend unlike in the preceding 10 years; in the early years of the 80s, the trend of industrial disputes was increasing.

Maintaining industrial peace is as important for a worker as it is for an employer. Disputes tend to reduce the size of the organisational rents and inflict damages on both sides. From a dynamic point of view, disputes pose problems for rationalising labour and capital. Such problems are indeed becoming visible in the context of exit of sick units. However, economic theory on negotiations and strikes predicts that in a real world negotiation, disputes may become unavoidable because each side might have different information about the gains from bargaining. Yet the duration of disputes can (and should) be reduced through appropriate regulatory and legal mechanisms. Additional policies can also be aimed at achieving this objective. Therefore, we need a clear understanding of what factors influence the frequency and duration of disputes.

The present paper tries to identify some of these factors by developing an econometric model using disputes data for 19 industries over seven years from 1980 to 1986. The dependent variable of the model is industrywise mandays lost per employee from disputes. Its determinants that are incorporated in our model are the degree of trade unionisation, average factory size and average monthly earnings of an employee. The degree of trade unionisation reflects the bargaining strength of the workers and average factory size is meant to capture some of the effects of employment regulations which apply on the basis of factory size. The single most important cause (responsible for 30 per cent) of disputes as shown in *Pocket-book of Labour Statistics, 1980-90* is workers' wages, bonuses and other payments. Therefore, we have included employees' earnings as a variable in the model. A dummy variable is also used to pay special attention to the historic textile strikes (that started in October 1981 and lasted more than one year) and similar disputes in other industries for the years 1981 to 1984. Two more important variables, market demand which plays an important role in determining organisational rents and the degree of employers' unionisation which can be read from the employers' affiliation to trade associations, could not be used for some data related problems and their exclusion certainly limits the scope of our analysis.

The main results are as follows. First, there is a negative relationship between mandays lost and trade unionisation and a positive relationship between mandays lost and factory size. Employees' earnings show insignificant and ambiguous relationship with mandays lost. In other words, in more unionised industries, mandays lost from disputes are likely to be less compared to less unionised industries assuming other factors unchanged. In contrast, industries with larger average factory size, will have greater mandays lost than that with smaller average factory size.

Secondly, the year 1984 which is one of the worst years of the decade in terms of disputes and which witnessed some important amendments in the Industrial Disputes Act, seems to be generating an effect similar to structural breaks.

Thirdly, our model can also be used to relate to the pattern of disputes in the 80s. The profile of the disputes in the 80s has two distinct phases—increasing up to 1984 and decreasing afterwards. The effect of employees' earnings, though statistically not very significant, is dissimilar in the two periods and in fact coincides with the profile of disputes. Thus employees' earnings can be regarded as a factor affecting the profile. Among the other two variables, the effect of factory size might have been dominant in the increasing phase of the profile and the effect of trade unionisation in the declining phase.

The negative correlation between mandays lost and trade unionisation nullifies the popular perception which is gaining ground in recent years that trade unions are largely responsible for disputes. It also raises an important question whether stronger trade unions are inclined to more strikes and disputes. Theoretically a strong trade union is more able to implement a threat of strike; but whether the trade union would actually carry out the threat or not, depends on the toughness of its opponent and its own expectation about the outcome of the strike. In fact, the strong threat of a strike can itself avert the strike by making employers more willing to negotiate. From the other end, employers also find it difficult to impose a

lock-out when confronted by strong unions. Thus, strong trade unions can help to keep negotiations from turning into disputes. However, one should also consider that if there were no unions (or were only weak unions), the employers can appropriate all organisational rents. Such an outcome, although unfair, is indeed dispute free. Therefore, the effect of trade unions on disputes as such as ambiguous. In fact, the revelation of information through negotiation, learning and expectations of a negotiating trade union about the outcome of a dispute play crucial roles in containing or extending the duration of the dispute.

In our model due to data related problems we cannot distinguish between strike and lock-outs and thereby we are unable to speculate the relationship between disputes and trade unions. However, we can say that the observed negative relationship between mandays lost and degrees of trade unionisation is perhaps a result of heavy lock-out incidence witnessed from 1982 onwards. Although we do not have firm or industry level data on lock-outs, we suspect that such lock-outs were more frequent in industries where the workers were weakly unionised.

The positive correlation between mandays lost and average factory size has some implications for employment regulations. Collective bargaining in large factories normally follows a formal course within the framework of Industrial Employment Act and Industrial Disputes Act and it is expected that bargaining in this environment would be more dispute free than otherwise. But our model casts some doubts on the efficacy of such regulations in reducing the frequency of disputes. It may also imply that an employer with adequate bargaining power which is presumably the case with the owners of large factories, is more willing to exercise lock-outs as bargaining strategies.

The paper is organised as follows. In the next section, we present a brief overview of the literature which provides the context of our work. The regulatory framework of industrial relations is very important in understanding the structure of disputes. Since these regulations are not directly incorporated in our model, we discuss them separately in Section III. Section IV presents a bird's eye view on aggregate strikes and lock-out during 80s and late 70s. The main model and the results are discussed in Section V and VI respectively, while some further comments are saved for the concluding section.

II
Economic Literature

The economic literature on industrial disputes which has been mainly a literature on strikes, has developed in two disjoint branches—theoretical and empirical. While the theoretical literature has tried to explain why strikes take place, the empirical literature has examined the relationship between strikes and other closely related variables such as wage, inflation and unemployment rates.

The problem of explaining strikes is quite old and still, in a sense, unresolved. The main difficulty of providing a theory of strike which was first discussed by Hicks (1965) and later came to be known as the Hicks paradox, lies in the very nature of the problem. If there is a theory of strikes that predicts the incidence and outcome of a strike, then the employer and workers can avoid the strike by agreeing to the same outcome in advance; but then the theory would cease to hold. This paradox indeed became a bottleneck in almost all strike models.

However, Hicks suggested two avenues of research—reputation and private information. Hicks argued that workers (or their unions) engage in strikes to maintain their reputation as hard bargainers. This argument, although very appealing, has not yet been utilised to develop a satisfactory model The second argument of Hicks—that is, private information—has led to a substantial volume of research. In private information models [Hayes 1984], a financially weak firm whose profits are not known to the workers, cannot convince the workers about its inability to meet high wage demands and therefore, accepts strikes as a price for lower wages. These models were the first to point out that industrial disputes play an important role in transmitting information from the informed to the uninformed party and such information transmission can significantly alter the course of disputes.

The empirical literature on strikes has been preoccupied with different questions Some of the questions are: Are strikes procyclical? Is there an inverse relationship between strikes and wage increase? A number of serious studies in the context of the US, the UK and Canada, have found significant negative relationship between strikes and real wage increases and between strikes and the unemployment rate [Ashenfelter and Johnson 1969, Abbott 1984]. Although, most of the empirical studies are rarely seen to be backed up by theoretical models, they have been considered valuable for bringing important facts into light and providing materials for theoretical research.

In the context of India, the literature on strikes and disputes is at its infant stage as the problem of industrial disputes has not received much attention from the economists, even though journalists and legal experts have been writing on this problem for many years (see *Economic and Political Weekly*, January 18, and March 11 and 18, 1989 for some interesting reports on disputes). Our work, being primarily empirical, tries to identify some determinants that can explain the problem of industrial disputes over a significant part of the 80s. Such findings can be useful in providing directions for more detailed research and have the additional merit of verifying the popular perceptions of the problem.

III
Regulatory Framework

Industrial relations in India are regulated by three major acts: (i) the Trade Union Act, 1926, (ii) the Industrial Employment (Standing Orders) Act, 1946 and (iii) the Industrial Disputes Act, 1947. The Trade Union Act allows registration of unions in an industrial establishment with no restrictions on the number provided that a union has at least seven members from the establishment. The Industrial Employment Act (in short IE) was intended to make labour contracts complete, fair and legally defensible. Under this act, the employer is required to inform his employees of their rights and obligations, the terms and conditions of work, conditions of recruitment, discharge, disciplinary actions, etc. However, until 1982, the scope of the act was limited only to establishments employing 100 or more workers. A 1982 amendment of the act made it applicable to all establishments employing 50 or more workers.

Any dispute on terms and conditions of work arising from the Industrial Employment Act comes under the purview of the Industrial Disputes Act (ID). This act underwent a number of significant amendments in 1976 and then again in 1982 and 1984. Apart from providing an elaborate process of government mediated conciliation, voluntary arbitration and a three-tier system of adjudication, the ID Act tried to reduce the incidence of strikes and lock-outs by making strikes and lock-outs legal only under certain conditions. Under this act, regular (but not the casual or 'badli') workers are eligible for lay-off compensation or retrenchment benefits if the factory size (in term of employment) is at least 50. However, lay-offs, retrenchment and closure in factories employing 100 or more workers, will be considered illegal if the employers do not obtain prior written permission from the relevant state government. This particular clause of the ID Act has been a subject of controversy in the context of the recent debate on exit policy. This clause was introduced in 1976 during emergency as part of a more direct control on the employers and employment. At that time the specified factory size was 300 which was later revised to 100 in the 1982 amendment of the ID Act.

Like many other regulations in India, employment regulations also work on the

basis of the factory size. If we summarise the main benefits of the regulation from the point of view of the workers, they can be called bargaining rights (from the Trade Union Act), income security (from the IE Act) and job security (from the ID Act). The term security should be understood in the sense of eligibility of receiving compensation and in the sense of restrictions on lay-off or closure. While the bargaining right is granted in virtually all factories (employing at least seven workers), income security is provided only when the factory size reaches 50 and employment security is confined to factories employing 100 or more workers. Therefore, in studying industrial disputes one should consider various sizes of factories coming under the realm of different regulations and analyse the consequent impact on bargaining strategies of each party. In large factories where the workers enjoy all the benefits of regulation, bargaining follows a formal process often culminating into legal battles. As a contrast, in small factories where the workers enjoy only the trade union rights and not the benefits of IE or ID Acts, trade unions heavily rely on their political nexus to create informal pressure on the employers. To sum up, larger factory size leads to (i) more organisational rents, (ii) more powerful employees, (iii) more powerful employer, all of which can contribute to serious disputes. This observation has motivated us to include factory size as a determinant of industrial disputes in our econometric model. Factory size, as we know, is also important for regulating capital and products which can influence the incidence of disputes as well by affecting the size of the organisational rents.

In evaluating employment regulations, Mathur (1992) notes that in manufacturing industry where the employment security is highest, 78.5 per cent of establishments employ less than 50 employees and another 10.8 per cent of establishments less than 100 employees, leaving bulk of the workers outside the scope of regulations. An econometric study by Fallon and Lucas (1991) claims that the 1976 amendment of the ID Act restricting the employers' right to lay-off or retrench (in factories employing 300 or more workers) has led to a significant reduction in industrial employment.

An important question to be answered in this regard is whether the employment regulations have really acted as a deterrent for industrial disputes or have reduced the duration of disputes. Evidence suggests that they probably have not. The interpretation of the acts itself has been a problem and a source of disputes. There have been innumerable court cases where the employees wanted their units or organisation to be declared as 'industry' and themselves as 'workmen', which are crucial for the applicability of the ID Acts.

It is also not clear whether the threat of government intervention in the form of conciliation and adjudication has helped quicker settlements or not. For example, between 1980 and 1988, about 16 per cent of the disputes per year were disposed by office of the Controller of Industrial Relations machinery after a delay of at least four months. However, the rate of settlement through government intervention rose steadily from 27.5 per cent in 1982 to 48 per cent in 1987. But there is a danger that official agencies can act like a 'captive regulator' and activate a biased outcome In fact, a standard practice is to influence the government to declare a strike or a lock-out illegal and there are many loopholes in the acts that can be utilised to this end. For example, an employer in a larger firm opting for a closure is required to serve a notice to the government at least 90 days in advance asking for permission. However, according to the ID Act, if he does not receive any response from the government within 60 days, the permission for closure would be deemed to have been granted. Clearly, there is an incentive for the employer to influence the relevant administrative agency to delay the response beyond 60 days. Thus the scope of 'legal' disputes itself is quite large.

The regulatory framework is crucial for understanding industrial relations and the above discussion should be viewed as supplementary to our econometric analysis, although we have tried to capture some indirect effects of regulations through the variable factory size.

IV
Strikes and Lock-Outs

In this section we review some data on the two types of disputes—strikes and lock-outs. After the lifting of Emergency in 1977, the number of both strikes and lock-outs increased dramatically. In fact, between 1977 and 1983, the number of strikes was consistently at a very high level as reflected in Table 1. After 1983, the number of strikes declined sharply. In contrast, the number of lock-outs has shown a much greater increase from 1982 onwards. The data on mandays lost reveal the same pattern. Mandays lost due to strikes were remarkably higher over a period of seven years from 1978 to 1984 which almost coincided with the years of greater number of disputes. The year 1980 registered a higher number of strikes but with a very small number of mandays lost. But the year 1977 can be considered exceptional, as it had the third highest number of strikes, but with the lowest number of mandays lost indicating smaller duration of strikes and/or involvement of fewer workers. Similarly, mandays lost due to lock-outs showed an increasing trend with the increasing number of lock-outs. It is also noteworthy, that from 1978 to 1984, the number of mandays lost due to strike has always been far greater than that due to lock-outs. It is only after 1984 that mandays lost due to lock-outs settled around 20 million and exceeded mandays lost due to strikes which came down to a level of 12 to 14 million.

The average intensity of a strike in terms of mandays lost as reflected in mandays lost per strike has generally been in the order of 10,000 mandays with the exception of two years, 1982 and 1984 which correspond to the years of prolonged textiles and jute strikes. Moreover, from 1982 onwards, this figure is showing a declining trend implying that on an average each strike is getting less costlier (in terms of mandays lost). On the contrary, each lock-out has been four times more costlier on average than strikes. While the year 1982 registered highest mandays lost per lock-out, the trend after a short dip between 1982 and 1985 has again been rising. In fact, mandays lost per lock-out in 1988 is almost as high as that in 1982. Thus,

TABLE 1: STRIKES AND LOCK-OUTS

Year	Strikes Number	Strikes Mandays Lost (Million)	Strikes Mandays Lost Per Strike (Thousand)	Lock Outs Number	Lock Outs Mandays Lost (Million)	Lock Outs Mandays Lost Per Lock-Out (Thousand)
1976	1241	2.8	2 25	218	9.9	45.41
1977	2691	1.3	48	426	11.9	27.93
1978	2762	15.4	5 57	425	12.9	30.35
1979	2709	35.8	13 21	339	8.0	23.59
1980	2501	12.0	4 79	355	9.9	27.88
1981	2245	21.2	9 44	344	11.0	31.97
1982	2029	52.1	25 67	454	22 5	49.55
1983	1993	24.9	12.49	495	21.9	44.24
1984	1689	39.9	23 62	405	16.0	39.5
1985	1355	11.4	8 41	400	17.5	43.75
1986	1458	18.8	12 89	434	13.9	32.02
1987	1348	14.0	10 38	451	21.3	47.22
1988	1304	12.5	9.58	441	21.4	48.52

Source: Pocketbook of Labour Statistics.

it can be said that if workers are blamed for indulging in more strikes, employers should be held even more responsible for rampant imposition of more costly lock-outs.

Thus one characterises the years of the late 70s and early 80s as the era of strikes dominance and the later part of the 80s as the era of lock-outs dominance. However, it appears puzzling why the lock-outs incidence increased significantly in the later part of the 80s, since the 1982 amendment of the ID Act (which came into force in 1984) actually strengthened the hands of the workers by restricting the employers' ability to lay-off. To solve this puzzle, we can think of two factors that have possibly influenced the pattern of disputes: (i) high GNP growth rate, (ii) technical change and rationalisation of labour. High GNP growth rate has perhaps helped easier resolution of strikes The high growth rate has also required technical changes and rationalisation of labour. Many large firms which are restricted from laying off or retrenching workers, have probably taken resort to strategic lock-outs to put pressure on the workers to quit or to opt for voluntary retirement. So the increasing number of lock-outs should not be viewed simply as a sign of increase in the bargaining power of the employers. It can also be a strategic ploy for rationalising labour.

V
Model and Methodology

(a) *Choice of Variables*

Having described the importance of the regulatory framework and the interesting pattern of disputes that has emerged in the 80s, we set out to identify some determinants of disputes and test their statistical significance. The dependent variable we have chosen is mandays lost (in short, ML) from industrial disputes. Since the data on mandays lost combine not only the duration of disputes but also the number of workers and the number of workshifts per day, the costs of disputes are not comparable across industries. So we redefine the variable on per employee basis by dividing the total mandays lost from disputes in an industry by the total number of employees of that industry. However, since we are using the total number of employees rather than the total number of workers involved in disputes as the basis of normalisation, the resultant figures are likely to understate the actual duration. Therefore, our results should be interpreted only in terms of average (per employee) duration of disputes. Another important point to note is that the data on mandays lost from industrial disputes cover both strikes and lock-outs and in this respect, our model is different from other empirical models in the literature which are concerned only with strikes.

The variables that are chosen as possible determinants of disputes are the degree of trade unionisation (TU), average monthly earnings of an employee (ME) and average factory size (FS). With an industry being the unit of observation, all data correspond to the two-digit level of aggregation. The data sources are *Annual Survey of India, Indian Labour Yearbook* and *Pocketbook of Labour Statistics*.[1]

The variable TU is defined as the number of employees listed as trade union members in an industry divided by the number of employees of that industry. One problem with this variable is that its data set probably suffers from irregularities, because the number of trade union members is reported only from the unions submitting returns and therefore it is natural to suspect that many other unions have been left out. However, industrywise comparison reveals that this problem is not so serious across all industries. For example, cotton textiles do show expectedly high degree of unionisation whereas the jute industry can be suspected to be poorly represented. Despite this data problem, there are compelling economic reasons to include this variable. Trade union membership is an important constituent of bargaining power. It not only helps the workers to steer a negotiation along a planned and formal path, but also enables them to lobby in the government through political affiliation.

The variable ME captures some of the important causes of disputes. Of all the disputes at least 30 per cent is caused by issues relating to workers' incomes. The figures on employees' earnings cover not only wages but also other payments made to the employees. Mandays lost per employee is expected to be negatively correlated to earnings of the employees.

The average factory size (FS) is obtained by dividing the total number of employees in an industry by the number of factories. Admittedly, by averaging out we are ignoring the distribution of factory sizes within an industry which itself is an important factor. Ideally, one should study the effects of factory size both within the industry as well as across the industries We have ignored the within industry effect for simplifying reasons.

The main motivation of the variable FS is to capture some of the effects of employment regulations which we have discussed in Section III We know that in large firms, workers enjoy both income and employment security through IE and ID Acts and to protect their secure positions, workers in these firms invest heavily on trade unions, political affiliation and legal assistance. To counter this, the employers also hire specialised expertise on disputes and personnel management. Besides, the process of resolving disputes is generally overseen and monitored by government agencies. Therefore, one can expect that disputes will be resolved much more quickly in large than in small firms. Our study tries to verify this perception.

Apart from the above-mentioned variables, we have included dummy variables for the years 1981 to 1984 to pay special attention to the historic textiles strikes and similar disputes in other industries. In these four years, mainly two industries—cotton textiles and jute—showed very high levels of disputes which are also responsible for inflating the figures for total disputes unlike in the years before and after this period. Therefore, we tried to separate out the effects of such industries by introducing a dummy variable for them.

It would have been more satisfactory if we incorporated employers' unions into our analysis. The employers' unions (or trade associations) play an important role in disputes that concern the entire industry. Also in matters of firm-specific disputes, the employers' ability to arrive at a favourable settlement may depend on whether the employers are associated with a major trade association or not. But the available data on employers' unions are quite incomplete and so underreported that the degree of unionisation of the employers reduces to almost zero for all industries. This has discouraged us from using this variable.

Another important variable that has been left out is market demand. Disputes are believed to be strongly correlated with the fall and rise in market demand for the products produced by the industry. However, there is a problem of finding variables that can suitably capture the market demand. As proxy for demand, variables like sales

TABLE 2: MEAN OF ML, R^2 AND F

Year	Mean of ML
1980	2.36
1981	4.30
1982	2.84
1983	6.26
1984	7.85
1985	4.05
1986	4.75

$R^2 = 0.84$ Adj $R^2 = 0.8$ $F = 29.78$

TABLE 3: ESTIMATES OF INTERCEPT AND COEFFICIENT OF DM

Year	Intercept Estimate	Intercept t-Ratio	DM Estimate	DM t-Ratio
1980	.601	.79	—	—
1981	74	53	8.75	12.82
1982	2.58	1.12	13.49	8.42
1983	3.09	.88	28.47	9.93
1984	10.54	2.61	33.91	10.54
1985	5.69	1.25	—	—
1986	14.92	4.14	—	—

revenue and production figures have been used in the literature. But these variables give rise to serious simultaneity bias as they are correlated with disputes [Fisher (1991) for a discussion on this problem]. Therefore, we refrained from using such proxies and had to be content with fewer variables to maintain consistency in our methodology.

(b) *Model*

Now we present the basic model where variables are both year and industry specific. Ignoring the year-specificity for the time being let us write the basic regression equation for a given year as

$$ML_i = b_0 + b_1 TU_i + b_2 ME_i + b_3 FS_i + e_i, \quad i=1,2,\ldots,N \qquad (1)$$

where i refers to industry and e is the random error term. e is assumed to be normally distributed with zero mean and variance σ^2. Later when the time subscripts will be used, σ^2 will be denoted as σ^2_u for a given t. N is the number of industries. Writing in the convenient vector form, we can suppress the subscript i,

$$ML = b_0 + b_1 TU + b_2 ME + b_3 FS + e \qquad (2)$$

where ML, TU, ME, FS and e are Nx1 vectors. Now in order to identify the model in terms of years, let us add a time subscript t to the variables expressed in vector forms in (2),

$$ML_t = b_{0t} + b_{1t} TU_t + b_{2t} ME_t + b_{3t} FS_t + e_t, \quad t=1,2,\ldots,T \qquad (3)$$

We have covered 19 industries (i e, N=19) for 7 years (i e, T=7) from 1980 to 1986. However, as we mentioned earlier, apart from the above three variables we would like to use a dummy variable (DM) in the years 1981 through 1984 to separate out the effects of textile strikes and similar disputes in few other industries. The variable DM is defined as follows:

In 1981, DM = 1 for Tobacco, Cotton textiles, Jute and Electrical machinery industries,
= 0 otherwise.
In 1982 and 1983, DM = 1 for Cotton textiles and Jute industries,
= 0 otherwise.
In 1984, DM = 1 for Cotton textiles, Jute and Textile product industries.
= 0 otherwise.

Thus we rewrite (3) as

$$ML_t = b_{0t} + b_{1t} TU_t + b_{2t} ME_t + b_{3t} FS_t + e_t, \quad t=1,6,7 \qquad (3a)$$

and

$$ML_t = b_{0t} + b_{1t} TU_T + b_{2t} ME_t + b_{3t} FS_t + b_{4t} DM_t + e_t, \quad t=2,3,4,5. \qquad (3b)$$

For brevity of notations we denote the left hand side (vector) variable as y and combine the right hand side (vector) variables in a matrix x to wrtie them in the familiar matrix form:

$$y_t = x_t \beta_t + e_t, \quad t=1,2,\ldots,7 \qquad (4)$$

where $X_t = [TU_t, ME_t, FS_t]$ or $[TU_t, ME_t, FS_t, DM_t]$ and $\beta'_t = [b_{0t}, b_{1t}, b_{2t}, b_{3t}]$ or $[b_{0t}, b_{1t}, b_{2t}, b_{3t}, b_{4t}]$ depending on t. y_t and e_t are 19x1 vectors. X_t is a 19x4 matrix and β_t is a 4x1 vector for t=1, 6, 7. For all other t, the dimensions of x_t and β_t are 19x5 and 5x1 respectively.

Since we are interested in finding the sensitivity of ML with its determinants not only for a given year, but also over the years, we have pooled our cross sectional and time-series data in a larger model where we can allow changes in intercepts as well as slopes across the years. The estimation technique that we have used is generalised least squares (GLS) (see Judge et al 1988: p 444). The GLS estimates are asymptotically more efficient than the OLS ones. In the present context, the added advantage of the GLS method is that it takes account of the possible excluded factors that may have affected the mandays lost from disputes in more than one year. For example, workers' expectations, government's policy and the employers' union power that affected the duration of the prolonged textile strikes have not been included in the model. But their effects are present in the error term. Since such effects are likely to spill over in other years, the corresponding error terms are also likely to be correlated. The GLS method makes a correction for this problem which was not possible in year to year separate OLS regressions.[2]

After pooling the cross-sectional and time-series data, we write our model as

$$Y = X\beta + e \qquad (5)$$

where Y and e are 133x1 vectors. The number 133 corresponds to 19 observations for seven years. X is a 133x32 block diagonal matrix, where the blocks are given by x_t–s as defined in (4). The coefficient vector β, the dimension of which is 32x1, consists of 32 coefficients which correspond to 7 intercepts, 4 dummy variables and 3 basic variables in all seven years.

The computation of GLS estimates requires estimates of variances and covariances for all seven years. Let us denote the variance-covariance matrix as Σ, a typical element of which σ^2_{tt}. Σ is a 7x7 matrix. Consistent estimates of σ^2_{tt}–s are obtained as

$$\sigma^2_{tt} = \frac{\sum_{i=1}^{N} \hat{e}_{it}\hat{e}_{it}}{N^*}$$

where

$$N^* = N - \frac{\sum_{t=1}^{T} k_t}{T} = 19 - \frac{32}{7} = 14.43$$

k_t being the number of regressors in the t-th year. Since different equations have different number of regressors, an average number of regressors can be used for all equations to obtain the consistent estimates of variances and covariances. The estimates of the error terms $\hat{e}_{it}$, are obtained from OLS regressions. These estimates are also unbiased when each equation uses the same number of variables [Judge et al 1988: p 452]. The resultant estimates of the variance-covariance terms are collected in the matrix $\hat{\Sigma}$.

The GLS estimator for β is

$$\hat{\beta} = [X'(\hat{\Sigma}^{-1} \otimes I)X]^{-1} X'(\hat{\Sigma}^{-1} \otimes I)Y$$

where $\otimes$ is the Kronecker product sign and I is a 19x19 (i e, NxN) identity matrix. Applying the Kronecker product method, each term of $\hat{\Sigma}^{-1}$ is multiplied by the 19x19 identity matrix and the resultant matrix $(\hat{\Sigma}^{-1} \otimes I)$ reaches a dimension of 133x133. The numerical estimates of β are reported and discussed in the next section.

TABLE 4 ESTIMATES OF COEFFICIENT OF TU

Year	Estimate	t-Ratio
1980	10 52	5 27
1981	–4 27	–2 21
1982	–8.16	–2 77
1983	–14 08	–2 12
1984	–38 56	–4 22
1985	1 75	36
1986	–16 36	–3.26

TABLE 5 ESTIMATES OF THE COEFFICIENT OF FS

Year	Estimate	t-Ratio
1980	– 0011	–1 87
1981	00	06
1982	0031	1 92
1983	0034	1 34
1984	0083	2 33
1985	0066	1 94
1986	0042	1 68

TABLE 6. ESTIMATES OF THE COEFFICIENT OF ME

Year	Estimate	t-Ratio
1980	0095	92
1981	0037	2 09
1982	- 0006	- 23
1983	- 0026	76
1984	- 001	-.34
1985	- 0029	- 83
1986	- 0055	-2 22

VI
Results

(a) *Positive Relationship with Dummy Variable*

The estimates of the coefficients of the variables and other relevant information are presented in separate tables for the ease of reading although they are obtained from a single regression as discussed in the preceding section. The mean values of ML which will be used in the discussion of the regression results are reported in Table 2. The value of the F statistic and R^2 as shown in Table 2 confirm that the explanatory power of the model is satisfactory.

Now let us discuss the estimates of the coefficient of the individual variables. The dummy variable, DM, used in the years 1981 through 1984, is significant and positive (Table 3). Its estimate shows a steady increase from 1981 to 1984. This has special relevance for cotton textiles, jute and other industries for which the dummy variable is used. For such industries, the regression equation predicts a level of mandays lost per employee, substantially greater than that for other industries. The difference is given by the estimates of the coefficient of the dummy variable. For example, in 1984, for the cotton textiles, jute and textile product industries, the level of mandays lost ignoring the effects of other variables is estimated to be 44.45 (intercept + coefficient of dummy) mandays, whereas the same figure for other industries is only 10.54. The large difference between the two levels is consistent with the fact that the textiles industries witnessed prolonged disputes during this period. It is noteworthy that the estimate of the intercept shows an increasing trend for all industries barring textiles and few other industries for which the dummy variable is used. For such industries the intercept term increases up to 1984 and then declines.

(b) *Negative Relationship with Degree of Trade Unionisation*

One of our main finding is that the degree of trade unionisation, TU, bears significant and in general negative relationship with mandays lost per employee. Except in 1980 and 1985, the variable TU maintains a negative sign. In economic terms, the estimates indicate that if the degree of unionisation in an industry increased by 0.1, the mandays lost per employee would have decreased by .427 in 1981 (for example) and by 3.85 in 1984 (Table 4). These reductions can be regarded as substantial when we note that the average mandays lost was 4.30 in 1981 and 7.85 in 1984.

Interestingly, the variable reveals a curious pattern. Its magnitude increases from 1981 till 1984,and after 1984 it falls in 1986 barring the year 1985 when the variable is insignificant and positively signed. The year 1984 is important in many respects. It recorded the second largest mandays lost from overall disputes and strikes, in particular, between 1976 and 1988 (Table 1) and in this year some important amendments of the ID Act came into force. This can have an effect similar to structural break which is appearing not only in the variable TU but also in FS and ME.

The negative sign of the coefficient runs counter to the popular perception that trade unions are responsible for industrial disputes. Although one can expect positive correlation between strikes and unionisation on the ground that more unionised workers are capable of carrying out a threat of strike, sometimes a credible threat of strike can itself be deterrent against its own realisation essentially by making the employers more willing to negotiate. Moreover, employers also may find it difficult to declare lock-outs when confronted by strong trade unions. Therefore, the relationship between unionisation and mandays lost from disputes can be negative.

One can suspect that from 1982 onwards, when the mandays lost from lock-outs achieved and stayed at a high level, the attempts to impose lock-outs or continue for a longer period were probably thwarted in more unionised industries, which in turn justifies the negative sign of the variable TU. However, we would like to add a qualification. One factor that can, to some extent, accentuate the negative relationship is the presence of casual or badli workers who actively participate in disputes and are not necessarily reported as union members. In the jute industry, for example, 43.8 per cent workers are casual. This makes the reported degree of trade unionisation much smaller than what it is. Since the jute industry had a large share in industrial disputes, the estimates might have been affected by such problems.

(c) *Positive Relationship with Average Factory Size*

The second most important finding is that mandays lost per employee increase with average factory size (FS) in an industry. The variable is positively signed for all years except 1980 and it is not significant only in 1981 (Table 5). The estimates of the coefficient of FS can be interpreted in the following way. If the average factory size increased by 10 employees, then in 1986 (for example) ML would have increased by .042. Now given that the average mandays lost over all industries in 1986 was 4.75, the increase of .042 constitutes approximately 1 per cent. It

might appear from similar calculations for other years that the sensitivity of this variable is very weak and to exert a noticeable effect on mandays lost per employee, factory size has to increase substantially However, we should note that in an industry employing thousands of employees, such small increases in per capita terms will translate into a large increase in aggregate

Like TU, this variable also shows the same pattern with its estimate increasing till 1984 and then decreasing afterwards Thus 1984 seem to be providing a break in the pattern of sensitivity of MI with its determinants We should mention that this is not a result of using a dummy variable for 1981-84 In an experimental regression where we used the same model excluding the dummy variable the same pattern was observed but with different magnitudes of the estimates

The economic implication of the estimates of the coefficient of FS is that in industries dominated by large factories disputes which are supposed to follow a formal course because of various employment regulations, seem to continue for a longer duration than in industries dominated by small factories Since labour in small factories is hardly regulated our result casts doubts on the efficacy of disputes acts and employment regulations as deterrent to disputes

There may be a number of reasons which can explain the positive association between ML and FS First, in large factories because of a bigger workforce and complexity of management, the issues bearing potential for conflicts are manifold Secondly, protected by income and employment security under IE and ID Acts, workers may not have an incentive to settle the dispute early before referring it to government mediated reconciliation Thirdly, similar tendency can also be present among the employers As we have explained earlier, prolonged lock-outs can be used as a means of rationalising labour

(d) *Weak Relationship with Average Monthly Earnings of Employees*

Unlike the other two variables the average monthly earnings of an employee appears to be a weak variable It is significant only in two years—1981 and 1986—and of the estimates in these two years, one is positively signed (in 1981) while the other has a negative sign The estimates indicate that this variable, when significant, can be said to have strong effects on ML For example, consider the estimate of the coefficient of ME in 1986 If average monthly earnings increase by Rs 100 mandays lost per employee would decrease by 55 which constitutes a share of 11 per cent in the average mandays lost in 1986

What is interesting about this variable is that its sign follows almost the same pattern as the data on industrial disputes Industrial disputes data show an increasing trend up to 1984 and after that the trend declines The variable is positively signed for all the years except 1982, till 1983 and then switches into a negative sign This shows that a negative relationship between wages and mandays lost from strikes obtained in Ashenfelter and Johnson (1969) and Abbott (1984) may not be extended to wages and aggregate disputes Although better paid workers are believed to be having fewer reasons to go on strikes their managements may have an interest to launch a lock out to save on labour costs or to make the worker accept a wage cut Therefore positive relationship with mandays lost from disputes and employees' earnings is also possible

(e) *Combined Effects of Exogenous Variables*

The individual effects of the degree of trade unionisation and average factory size are found to be opposing each other while the average monthly earnings of an employee although showing poor statistical significance shared its effects first with the average factory size and later with the degree of trade unionisation The net yearwise effect is a result of an interplay of these variables The combined effect of these variables can be used to relate to the pattern of disputes in the 80s Mandays lost from disputes showed a declining trend from 1984 after reaching a height in the early years of the 80s In 1980 the degree of trade unionisation and employees' earnings had dominant effects Then up to 1984 the effects of employees' earnings, factory size and the special problems associated with cotton textiles and jute industries played dominant roles in generating an increasing profile of disputes After 1984, monthly earnings and unionisation probably played a role in reducing industrial disputes

VII
Conclusion

The present paper has tried to identify some of the determinants of industrial disputes using an econometric model While trade unions have been found to have exerted a declining pressure on disputes, large factories are seen to be prone to much longer disputes However, our model has excluded some important variables such as employers' unions and market demand We also have not distinguished between industrial disputes in the private and the public sectors For more satisfactory modelling one should not only include such variables but also look at strikes and lock-outs data separately Furthermore the model should be applied with more disaggregated data Nevertheless we believe that our model has found some interesting results which can be utilised to evaluate disputes acts and employment regulations

Notes

[We would like to thank Kirit Parikh for suggesting a normalisation which we have used in the empirical specification of the model Anindya Sen and Shubhashis Gangopadhyay made some comments on an earlier version of the paper We also thank Soumen Majumdar for helping us write a computer programme which has been used in the estimation part of the paper Any remaining errors are our responsibility]

1 Our data correspond to the following industries food products tobacco cotton textiles, wool and silk jute and hemp textile products, wood and furniture paper leather rubber chemicals non metallic minerals metals and alloys metal products machine tools electrical machinery transport equipment, other manufacturing industries electrical and gas and water

2 OLS estimates are found to be slightly different They are upwardly biased for TU, DM and almost so for ME But for FS OLS estimates are lower The variables TU and ME show a change of signs for one year each in 1980 and 1983 respectively The levels of significance improve with GLS estimates for the variable FS

References

Abbott Michael G (1984) Specification Tests of Quarterly Econometric Models of Aggregate Strike Frequency in Canada in Ronald G Ehrenberg (ed) *Research in Labour Economics* Vol 6 p 177 250

Annual Survey of Industries 1980 86

Ashenfelter O and George E Johnson (1969) Bargaining Theory Trade Unions and Industrial Strike Activity *American Economic Review* Vol 59 pp 35 49

Fallon P and Robert E B Lucas (1991) The Impact of Changes in Job Security Regulations in India and Zimbabwe *The World Bank Economic Review* Vol 5 No 3, pp 395 413

Fisher C G I (1991) An Empirical Study of the Adverse Selection Model of Strikes , *Canadian Journal of Economics*, Vol XXIV, No 3 pp 499 510

Hicks John (1963) *The Theory of Wages* 2nd edn Macmillan London

Indian Labour Yearbook 1977 1990

Judge George G R Couter Hill William E Griffiths Helmut Lutkepohl and Tsoung-Chao Lee (1988) *Introduction to the Theory and Practice of Econometrics* John Wiley and Sons

Mathur Ajeet N (1992) Employment Security and Industrial Restructuring in India Separating Facts from Folklore The Exit Policy Controversy Indian Institute of Management Calcutta

Pocketbook of Labour Statistics 1977 1990

Windmuller J et al (1987) *Collective Bargaining in Industrialised Market Economies A Reappraisal* International Labour Office

Managing exports in a multilateral world

By S. M. Datta, Chairman, Hindustan Lever Limited

BALANCE OF INDIA'S TRADE

Over the previous decade, India's foreign trade had operated at a steady deficit of around $ 6 billion every year. Trade deficits, particularly in such modest degrees, are not uncommon in developing economies because export revenues are often overtaken by the growing need for capital goods, components, ingredients and, in most cases, of energy imports as well. The deficit is usually neutralised by surpluses in invisible flows such as Tourism and Remittances. The particular cause of worry in our situation was the unfortunate combination of this recurring trade deficit with a very low level of invisibles inflow and the rapidly rising burden of servicing our debts.

However, a sea-change has taken place following the overhaul of India's foreign trade policy which started in early 1992 almost simultaneously with measures to restructure the economy. The initial devaluation of the Rupee has helped to improve the competitiveness of India's exports, despite its subsequent strengthening against European currencies. The Rupee-denominated Russian trade has collapsed but the new debt servicing arrangements are beginning to take hold, giving rise to hopes of an early resumption. The complex system of export subsidies is being gradually dismantled, thereby shifting the emphasis from system manipulation to market development, and volume growths are taking place despite the trauma of the initial adjustments. Although the economy, particularly its manufacturing sector, grew at a slow pace in 1992 and 1993, exports have surged ahead by an estimated 20 per cent in 1993-94. The trade gap has narrowed considerably to $ 3.3 billion in 1992-93 and an estimated $ 0.7 billion in 1993-94. The reduction in the trade gap has been accelerated by the sharp decline in imports following the disappointing growth in industrial production.

Imports do contribute to economic growth by facilitating industrial output and consequent value-addition to primary products. Judicious imports of intermediates and consumer goods help supplement domestic output to stabilise prices and thereby stimulate demand. In energy-deficient countries like India, energy imports keep the wheels of industry and transport moving. Thus, imports are an essential component of any modern economy and exports become necessary only to pay for purchased goods and services. India's moderately high foreign debt, which, at the present level of $ 85 billion, amounts to nearly 30 per cent of the Gross Domestic Product (GDP), places an additional demand on exports to finance the debt servicing requirements.

The much-discussed GATT negotiations have signalled a step-jump in the volume of world trade by as much as $200-300 billion a year, and some of this growth will arise in the very sectors where India has a latent strength

PROSPECTS FOR GROWTH

The volume of India's exports is quite modest. The average annual level of $ 18 billion achieved in the last five years amounts to only 6 per cent of the national GDP and less than 0.5 per cent of the world's export trade. China, the neighbouring giant, has an economy not much larger than ours and yet manages to export over $ 100 billion worth of goods and services. Admittedly, the proximity to the entrepot trading hub of Hong Kong gives China an enormous advantage over India but it should not be too difficult to double India's export volume within two years and maintain an annual growth rate of 15 per cent thereafter. This would enable us to tide over the debt servicing problems of the coming three years and yet have the surplus to finance the imports needed to stimulate the domestic economy. Should this proposal appear too ambitious, we have only to recall that the resultant increase in export revenue over a five-year period will only equal the current annual increase in China's exports.

Potential in agri exports

The probable sources for this growth in exports are easily discernible. Agriculture accounts for nearly 30 per cent of the Gross National Product (GNP) but provides only a sixth of the total exports and that too mostly in specialised areas such as oilseed extractions and tobacco. Out of the total value of our agricultural produce, about 40 per cent comes from cereals, about 12 per cent from fruits and vegetables and about 7 per cent from sugarcane. These areas witnessed some policy relaxation in 1993-94, and as a result, during the April-December period, exports of rice recorded a value increase of 28 per cent, and sugar/molasses export value went up by 123 per cent. As

India establishes its reputation as a reliable exporter of quality agricultural produce, access to the markets to semi-processed and processed foods would become easier and the value-addition will increase at an accelerated pace.

Textiles, garments and leather products

Textiles and garments will provide the second most important opportunity for enhancing exports. Garments already account for nearly one-eighth of our total exports and faster growth has been held back as much by the quota system under the Multi-Fibre Agreement as by the low productivity of the cotton crop and the average underdeveloped status of our textile industry. Exports of manufactured leather products have made rapid progress in recent years despite the unorganised status of the domestic industry and now accounts for 7 per cent of our exports. A properly planned reorganisation of our animal husbandry sector and of abattoirs would undoubtedly help leather exports grow but even otherwise the industry is now mature enough to handle imports of raw hides and semi-processed leather for further value-addition.

Export of services

The significant size of India's pool of technically trained and skilled manpower base and the diversified nature of its industry and services hold the promise of a rapid growth in exports of services. The financial sector in India has the requisite size and potential to lead this drive provided the efficiency and the productivity of the sector is rapidly upgraded and modernised by the quick implementation of the reform measures outlined in the recommendations of the Narasimham Committee and the Malhotra Committee. Similarly, the excellent scientific and technological research capability already available in India would provide another avenue for services exports after the patent laws are suitably harmonised.

The foregoing examples are meant to illustrate the immense potential for growth in the value of India's exports, which will generate the resources for investment in an economy growing at an accelerated pace. But these value growths will have to take place in a situation where the principal markets, represented by the OECD countries, have been suffering from economic stagnation for a number of years. More importantly, India will have to compete for its share of this market with China and the South-east Asian countries, who are admittedly more adept at this game. However, there are three hopeful developments which could provide relief. First, democratic pressure for better economic performance in the G-7 countries has brought about a significant change in their national priorities. The governments of these countries are now committed to policies which will lead to economic growth, and some are already showing signs of a return to sustained growth. Second, the agenda of the developing countries, as represented by the G-15, is shifting from the political sphere to the economic arena, and the scope for improving South-South trading relations is coming under greater scrutiny. The recent liberalisation in South Asian trade is a case in point. Third, the conclusion of the much-discussed GATT negotiations have signalled a step-jump in the volume of world trade by as much as $ 200-300 billion a year, and some of this growth will arise in the very sectors where India has a latent strength.

INDIA'S EXPORTS AND GATT

The General Agreement on Trade and Tariffs (GATT) was established as an international forum in 1948 by 23 signatories, among whom 11, including India, were developing economies. The objective of GATT was to create a World Trade Organisation (WTO) which would oversee the smooth conduct of world trade and prevent the trade-originated conflicts commonly encountered in the pre-War years. The plan to establish the WTO has been long delayed by persistent opposition from the US Congress but it is now likely to materialise very soon. The essential benefit of GATT arises from the commitment to extend Most Favoured Nation (MFN) status to all the signatories and to provide equal treatment to all members. This explains the rapid increase in the number of signatories from the original 23 to the current level of 125.

The new treaty will provide increased market access to all the members, the brunt of which will, naturally, be borne by the largest economies of the world who will share most of the pains, as well the gains, arising from the entirely desirable outcome. The rapid rise of Japan's economic power behind the high wall of rigid protectionism has, meanwhile, tempered the free-trade idealism of the immediate post-War years among the Western democracies who are now genuinely concerned about their ability to compete and survive in the world market and thereby sustain their living standards. This underlying worry has triggered the aggressive responses from, for example, France and the United States. Admittedly, the special and differential treatment extended to developing countries under the original agreement has been watered down to some extent in the revised treaty but the focus will continue to be on the sharing of the G-7 markets among the various economically developed nations.

From the viewpoint of India's factor advantages in agriculture, textiles, leather and services, the new treaty provides significant gains which outweigh by far the balancing concessions. In agriculture, physical barriers will be replaced by tariff barriers which will be reduced by an average of 36 per cent over six years in the case of developed countries, and by an average of 24 per cent over 10 years in the case of developing countries. India will not have to comply with the provisions regarding subsidies, be-

cause these are already less than the prescribed minimum levels. Even the market access provisions will not apply, at least until the balance of payment situation improves. The reduction of subsidies and non-tariff barriers in industrialised countries promises to open the way for agricultural exports from India. In textiles, the Multi-Fibre Agreement will be absorbed into the new treaty over a 10-year period. It will be a slow process, because merely 49 per cent of the quotas will be abolished in the first nine years, and the rest will disappear only in the last year. But this slow release could very well act in India's favour if steps are taken to improve the quality and cost levels in the garment industry to match those of South-east Asian countries within the first few years. In services, India should win greater access for the movement of professional people, which will lead to higher export earnings in several areas such as computer software and consultancy. On the other hand, India may have to grant greater access in financial services and telecommunications. The latter could become a major worry if the standards of efficiency and services in the Indian industry are not improved speedily. Now that the USA has agreed not to press for the immediate consideration of the social clauses, the treaty will not affect two other areas of major export potential, namely, leather, and gems and jewellery.

STRATEGY FOR EXPORT GROWTH

The conclusion of the GATT negotiations marks the endorsement of the concept of Managed Trade by its members. In this environment, it would be easier to achieve the export growth objectives by first selecting a number of limited targets and then creating a joint government-industry effort to exploit the country's natural competitive advantages where they exist and to create factor advantages through concerted action when such natural factors are absent. Industry is perhaps too wide a term to be used in this context because such focused activity can take place only at the enterprise level. This is essentially the model which Japan had used to drive its productivity and competitiveness to world status in sectors like electronics and automobiles, while leaving some of their consumer goods industries in a relatively unsophisticated state. According to press reports, the Indian Space Research Organisation has also adopted this approach to progress the missile programme. The model, therefore, is demonstrably applicable in the Indian environment.

Despite the drastic changes in the Government support policy, the disappearance of the Rupee-denominated Soviet trade and the consolidation of business portfolios, Hindustan Lever has increased its export revenues from Rs. 162 crores in 1990 to Rs. 255 crores in 1993

The developments in our socio-political milieu in the last four decades would, however, make it extremely difficult to introduce the much needed prioritisation in our export efforts through the prior selection of the possible winners. This task was attempted by the Board of Trade two years ago and it ended by picking up as many as 39 extreme focus areas. In this situation, the government can only adopt a backstage role for effectively accelerating the development of major export capabilities. This way, enterprises can be gently persuaded to move in the desired direction without significantly distorting the fiscal and the regulatory regime in favour of one or the other segment.

Administrative support and direction should generally occur under four major headings. Among these, the creation of the right policy environment is the most crucial one which the government needs to provide. The development of mainline agricultural exports, for example, will require the removal of restrictions on movement, refashioning the minimum export price systems and enabling enterprises to carry out the necessary background development work without major hindrance from the land ownership procedures. In the case of textiles, the entire gamut of activities must be reviewed, starting with the development of hybrids, the procurement and export of cotton, the spinning and weaving of mono- and multi-fibre fabrics and the restrictions on the development of the organised sector garment industry. Most export operations need imported inputs on grounds of quality and economy, and as long as the Rupee continues to be convertible within narrow limits, we must pay attention to facilitating the supply logistics through appropriate procedural changes. Similarly, the flexibility needed in servicing export markets requires a corresponding removal of rigidities in the associated capital and labour markets.

Focus on productivity and quality

It is now widely accepted that quality and productivity are the two most essential criteria needed to ensure competitive advantage in all markets and, more particularly, in export markets. Improvement of quality and productivity requires the guided and directed adoption of new technology, as well as its subsequent upgradation through continuous innovation. For example, in agricultural technology, we have to examine not only the development of varieties and hybrids along with a clear definition of the desired package of agronomic practices, but we must also attend to technological

issues like irrigation, fertiliser application and pest control consistent with world standards on chemical residues, and post-harvest storage and handling. In textiles, the necessity for improving our technology base in spinning, weaving and processing is now well understood but the technically backward handloom and powerloom sectors are also in need of urgent technology inputs not only for improving quality and productivity but also to conform to the social clauses which will definitely come into play in the near future.

Making the infrastructure robust

The importance of the physical infrastructure in promoting industrial competitiveness is undeniable but so far our attempts to guide public investment into such areas have met with indifferent success Now that private capital is being gradually inducted into the infrastructure sector, it would be worthwhile pondering whether the initial efforts would be better directed at the selective development of regions with direct linkage to ports, where handling facilities can be dramatically improved without confronting the powerful labour lobby. Needless to say, such directed development must also carefully sidestep the somewhat contrary policy situation with respect to Export Oriented Units and Export Processing Zones.

Fiscal and financial incentives are prominent among the various persuasive mechanisms that governments, both central and state, have liberally used for directing and guiding the development of industries and enterprises. The GATT treaty provides ample scope for non-specific incentives and these should continue to be used judiciously to encourage investment in exports as well as to compensate for the transactional hurdles and costs which still haunt Indian industry.

EXPORTS IN HINDUSTAN LEVER

When Hindustan Lever started developing its export business over 30 years ago, its objective was to create a sustainable stream of foreign exchange earnings which would be large enough to finance the needs of the growing business. During the decade of the 80s, this was overlaid by an element of compulsion imposed by the Foreign Exchange Regulation Act. This pressure has now been lifted and the original objectives are now back in full force Meanwhile, the stagewise relaxation of controls on the import trade are opening up new business opportunities which, in turn, call for the generation of larger export revenues. Therefore, despite the drastic changes in the Government support policy, the disappearance of the Rupee-denominated Soviet trade and the consolidation of business portfolios, Hindustan Lever has increased its export revenues from Rs. 162 crores in 1990 to Rs. 255 crores in 1993 while maintaining the net foreign exchange earnings at a minimum level of 80 per cent. This 17 per cent growth rate has been achieved through a carefully modulated programme of investment in manufacturing and quality, the development of new markets and international partnerships, and the establishment of brand names in the international market.

In Services, India should win greater access for the movement of professional people, which will lead to higher export earnings in several areas such as computer software and consultancy

The direction of India's export trade in the post-Marrakesh period is likely to move in favour of primary commodities and their downstream products, as well as textiles and leather derivatives. Over the years, Hindustan Lever has built up a strong presence in the export of commodity agri products and has been successful in establishing a truly international brand in Indus Valley, which is now being extended across a range of food products. Additionally, it has built up a successful international sourcing business in garments and leather products. Three new projects, one in speciality leather and leather products, a second in sweet water aquaculture and a third in value added marine products will be commissioned this year. These projects will generate significant additional export volumes and accelerate the growth in export earnings. When deployed to procure raw materials and ingredients, these foreign exchange earnings will improve the quality and reduce the manufacturing cost of the products sold in the domestic market.

Over the past four decades, India has developed an extensive and highly diversified industrial base but only at a very high cost, arising from insufficient technology inputs and needing the protection of a very high tariff barrier. The New Economic Policy aims to replace the import substitution regime by a self-financing strategy for imports which is robust enough to stand up to international competition. The success achieved by this strategy in the just concluded financial year should encourage the policy makers to remove the many anomalies which still persist. The GATT treaty will ultimately lead to an emphasis upon strength and competitive ability in the domestic market as the basis for enhancing exports. The well diversified export manufacturing base established over the years in Hindustan Lever holds the promise of a flourishing growth in its export performance under the influence of the New Trade Policy.

This is the text of the speech delivered at the Annual General Meeting of Hindustan Lever Limited held in Bombay on April 22, 1994 If you wish to obtain this speech in booklet form, please write to: The Communications Department, Hindustan Lever Limited, P O Box 409, Bombay 400 001

Situations/HLL/01/94

Food Security in South Asia

Performance and Prospects

P S George

The prospects of south Asian countries achieving food security during the coming decades will depend on a number of simultaneous measures towards increased food production especially through technological change, population control, creating adequate buffer stock and target-oriented programmes for the poor.

THE concept of food security has undergone substantial changes during nearly two decades starting with the World Food Conference of 1974 which was organised in the wake of the world food crisis of 1972-74. In the early years food security implied arrangements for providing physical supply of an adequate minimum level of foodgrains for the population in the developing countries during years of normal as well as poor harvests [Andersen 1985, Sarris and Taylor 1976, Gale 1976, Valdes 1980, Konandreas 1975, George 1985]. However, it is now recognised that the ultimate aim of food security is not only provision for the physical availability of adequate amounts of foodgrains for the entire population on a stable basis throughout the year, but also to assure that all population including the poor and vulnerable sections have economic access to foodgrains [Bhalla 1993, Sarma 1992]. This also implies that satisfactory production levels and stability of supply should be matched by a reduction in poverty and an increase in the effective demand to ensure economic and physical access to food for the poor [FAO 1987]. This paper reviews the experience of food security in south Asia with special reference to Bangladesh, India, Nepal, Pakistan and Sri Lanka during the last two decades and makes some observations on the perspectives during the next two decades.

The countries in south Asia have a number of common features such as high man-land ratio, large share of agriculture in gross domestic product, high proportion of labour force in agriculture, weak infrastructure, low per capita income and a high proportion of population below poverty line [Tyagi and Vyas 1990]. The region is also characterised by relatively poor natural resource endowment especially good quality land, low labour productivity, low level of yield per unit of land and slow growth in cereal production during the 60s. Following the land utilisation policies influenced by the colonial regime and the severe food crisis in the 60s and early 70s, there is an emphasis on achieving self sufficiency in foodgrain production. Rapid population growth and increased income levels during this period has contributed to a substantial increase in food consumption requirements, which could not be met in full due to slow production growth and inability to import food on account of unfavourable foreign exchange position. Most of these countries have a high incidence of rural and urban poverty. It is estimated that south Asia which accounts for about 30 per cent of the population of the developing world accounts for about 47 per cent of the poor in the developing world [Islam 1992]. Most of these countries have some form of intervention in the foodgrain markets to increase the food consumption levels of the vulnerable segments of the population.

Food Production Trends

During the last two decades south Asian countries have witnessed some major changes in food production. The annual growth rate in Bangladesh remained more or less the same during 1970-79 and 1980-91. Both India and Pakistan had improved the annual growth rates during these two periods (in India the increase was from 2.68 per cent to 3.84 per cent and in Pakistan it increased from 3.15 per cent to 4.10 per cent). Nepal and Sri Lanka had experienced substantial changes in the growth rates. While Sri Lanka had the highest annual growth rate in the region (4.03 per cent) during 1970-79, it had the lowest growth rate (0.09 per cent) during 1980-91. On the other hand, Nepal had an impressive performance where the annual growth rate increased from the lowest level of 0.62 per cent during 1970-79 to the highest level of 4.75 per cent during 1980-91.

A comparison of the growth rates of population and food in these countries indicate that in spite of the high population growth during the 70s the growth rate of food production in India, Pakistan and Sri Lanka exceeded the population growth rate, but food production growth rate lagged behind population growth rate in Bangladesh and Nepal. During 1980-91 also the situation was the same in Bangladesh, India and Pakistan, but Nepal improved the position with food production growth rate exceeding population growth rate and Sri Lanka moved in the opposite direction. In terms of per capita food production there was a negative growth rate in Bangladesh and Nepal during 1970-79 but during 1980-91 growth rate of per capita food production was negative in Bangladesh and Sri Lanka.

Cereals accounted for the bulk of food energy intake in south Asia. During the 70s, the growth rate of cereal production lagged behind population growth rate in Nepal only. However, in the 80s the growth rate of cereal production in Nepal was higher than the population growth rate, but the opposite situation prevailed in Pakistan and Sri Lanka, which is a matter for serious concern. A summary of the relative position in relation to population, food and cereals is available in Table 1 and the details are presented in Appendix 1.

Table 1: Growth Rates of Population, Food and Cereals

	Food		Cereals	
	1970-79	1980-91	1970-79	1980-91
Bangladesh	–	–	+	+
India	+	+	+	+
Nepal	–	+	+	+
Pakistan	+	+	+	–
Sri Lanka	+	–	+.	–

(+) Production growth rate above population growth rate.
(–) Production growth rate below population growth rate.

Table 2: Dominant Factor Responsible for Growth of Cereal Output

	1970-79	1980-91
Bangladesh	Y	Y
India	Y	Y
Nepal	A	A
Pakistan	Y	Y
Sri Lanka	A	Y

(A) denotes area; (Y) denotes yield.

An analysis of the factors contributing to production increase of cereals indicates that during both 70s and 80s improvements in yield accounted for the major share of the increase in Bangladesh, India and Pakistan. In Nepal during both these periods increase in area contributed to the major share in production increase. In Sri Lanka, area expansion was the dominant factor during the 70s, but during the 80s there had been no increase in area and all the production increase was accounted by yield (Table 2).

The growth rates of area under cereals presented in Appendix 1 indicate that during the 70s, the annual growth rate in area under cereals ranged between 0.58 per cent in Bangladesh and India and 4.22 per cent in Sri Lanka. However, in the 80s there was a small negative growth in area under cereals in Bangladesh, India and Sri Lanka. Nepal had the highest growth rate of 3.12 per cent. Pakistan had a positive growth rate of 0.84 per cent which was below the rates for the 70s. During the 70s the annual growth rate of yield of cereals was negative in Nepal and Sri Lanka (-1.26 per cent and -1.22 per cent). Though both these countries have recorded positive growth rates of yield during the 80s, the absolute levels were still low at 1.42 per cent in Nepal and 0.98 per cent in Sri Lanka. Bangladesh and India have improved the growth rate of yield during these two decades, but Pakistan has indicated a decline in the growth rate of cereal yield from 2.63 per cent during the 70s to 0.89 per cent during the 80s. Thus the extensive phase of agricultural development has ended in south Asia, with the possible exception of Nepal. While the intensive phase has begun in Bangladesh, India and Pakistan in the 70s, there are doubts about Pakistan's ability to sustain the growth rates achieved. Nepal and Sri Lanka are yet to achieve major increase in yield levels.

To achieve the desired effect of food security through stability in consumption levels, it is important to achieve some level of stability in domestic production levels, especially since the other options of trade and aid may have only limited scope in the south Asian region. The variability in area, yield and output of cereals during the 70s and 80s was analysed using the coefficient of variation. The result of this analysis presented in Appendix 2 and the summary in Table 3 indicates that the variability in output of cereals increased during the 80s in Bangladesh, India and Nepal and it has declined in Pakistan and Sri Lanka. The increase in the variability in Bangladesh and Nepal was associated with increase in the variability of both area and yield, but in the case of India yield variability was solely responsible for increased output variability. The decline in the output variability in Pakistan and Sri Lanka was associated with reduced variability in both area and yield.

Table 3: Changes in Variability of Area, Yield and Output, 1970s to 1980s

	Area	Yield	Output
Bangladesh	+	+	+
India	–	+	+
Nepal	+	+	+
Pakistan	–	–	–
Sri Lanka	–	–	–

(+) indicates increased variability in the 80s
(–) indicates reduced variability in the 80s

Table 4: Percentage of Population Fulfilling FAO Nutrition Requirements

	1972-74	1978-80	1984-86
Bangladesh	80.3	79.9	83.2
India	91.5	96.2	99.7
Nepal	87.5	90.5	93.2
Pakistan	89.1	95.2	97.1
Sri Lanka	97.0	102.4	109.6

Source: FAO

Food Consumption

Food availability within a country is determined by local production, changes in stock and net effects of trade and aid. It is generally expected that variability in consumption is likely to be less than the variability in production as a result of adjustments in stock levels and trade. Among the south Asian countries, India and Pakistan had maintained large quantities of grain reserves from internal procurement. Though there is an argument that such reserves tie up capital needed for infrastructure development, there are strong arguments in favour of building up reserves on the ground of food security and stability of farm income.

While data on production of food items in the south Asian region are readily available, there is a paucity of data on consumption mainly due to the difficulty in obtaining reliable data on stock changes. However, it may be noted that during the 70s and 80s, south Asia witnessed a satisfactory record of growth in foodgrain production. Imports have not played a major role in the net availability except during a few years of acute scarcity. Further there is a decline in the quantities of foodgrains received under food aid. With the exception of a major famine in Bangladesh during 1972-73, there was no serious food insecurity, which can be considered as a famine situation, in the south Asian region in the past two decades.

In spite of the fact that food production growth rate exceeded population growth rate in most of the countries in this region, the average food consumption levels in some countries are very low. During 1972-74, none of the countries under consideration had met the normative daily per capita energy requirements specified by the FAO. However, by mid-80s there had been substantial improvements so that Sri Lanka had exceeded the requirements by 10 per cent and the shortfall was only marginal in India and Pakistan. Bangladesh and Nepal were still not able to meet adequate energy requirements.

The average energy intake is a poor measure of food security, especially in the context of a large segment of the population remaining below poverty line. It is estimated that the proportion of population below poverty line ranged between 24 per cent in Pakistan and 51 per cent in Bangladesh [Islam 1992] and it is this category that suffers most on account of instability in food availability. Most households below the poverty line are facing serious food insecurity. While it is often recognised that the long-term solution for food insecurity of poor households is to provide them adequate employment and income opportunities, there are practical difficulties in getting quick results from growth-oriented income policies. The countries in the south Asian region have implemented three broad categories of programmes, viz, labour-intensive public works programmes, market intervention programmes and special feeding programmes [Von Braun 1992]. Both Bangladesh and India have implemented programmes for creating durable assets through public works programmes that em-

Appendix 1: Growth Rates of Population and Production

	Population Growth Rates[1]			Food Production[2]		Cereal Production[2]		Area under Cereals[2]		Yield of Cereals[2]	
	1970-80	1980-90	1990-2000	1970-79	1980-91	1970-79	1980-91	1970-79	1980-91	1970-79	1980-91
Bangladesh	2.80	2.70	2.64	2.15	2 24	3.12	2.79	0.58	–0.02	2.47	2.71
India	2.16	2.14	2.00	2.68	3.84	2.39	2.99	0 58	–0.10	1.81	3.11
Nepal	2.57	2.53	2.30	0.62	4.75	0.28	4.54	1.53	3.12	–1.26	1.42
Pakistan	2.61	3.63	2.81	3.15	4.10	3.65	1.73	1 02	0.84	2.63	0.89
Sri Lanka	1.68	1.50	1.20	4.03	0.09	2.99	0.97	4 22	–0.02	–1.22	0.98

Sources: 1 United Nations, 1991, *The Sex and Age Distributions of Populations: 1990 Revision*. Department of International Economic and Social Affairs, ST/ESA/SER A/122 United Nations, , New York.
2 Derived from data available in FAO Production Year Books up to 1991.

ployed rural poor. Market intervention programmes that originated during the second world war were continued in India, Bangladesh and Pakistan in the form of fair price shops, target-oriented food subsidies and public distribution system. Sri Lanka had also introduced a food stamp programme. Direct feeding programmes, especially for the vulnerable segments of population such as children and pregnant women, are common in most countries in the south Asia region. High cost, leakages and other administrative problems associated with these programmes have often come in the way of providing full benefits to the needy population.

Prospects of Food Security

Based on the developments during the last two decades it is possible to make some observations on the prospects of food security in south Asia during the coming decades with reference to physical availability, instability and achieving household food security by the vulnerable sections of the population.

On the aggregate demand side, population and income growth are two important factors contributing to the growth of food demand. According to speculative estimates of the World Bank [World Bank 1993], Sri Lanka would achieve a net reproduction rate of one by 2000, Bangladesh and India by 2015, and Pakistan and Nepal by 2030. The UN population projections [United Nations 1991] indicate that the annual growth rate will range between 1.20 in Sri Lanka and 2.81 in Pakistan during 1990-2000 and between 1.03 in Sri Lanka and 2.35 in Pakistan during 2000-2010. Thus by the turn of the century all countries other than Sri Lanka will have an annual population growth of around 2 per cent or more. The average annual growth rate of per capita GNP during 1980-91 ranged between 1.9 in Bangladesh and 3.2 in Pakistan. Assuming an income elasticity of around 0.4 for food, it is likely that the effective demand for food would grow by 3-4 per cent per annum. If the poverty alleviation programmes initiated in this region achieve the desired goals, the growth in demand would be of a much higher order. Since it is unlikely that most of these countries would generate adequate foreign exchange reserves to finance sizeable commercial import of food and that food aid is becoming less important, increased efforts should be made to step up domestic food production. In the context of limited opportunity for expanding land available for food production, most of these increases should come from increased yield per unit area of land through improved technology. Thus the countries in this region will be required to give more emphasis on yield increasing technologies in order to maintain the growth rate of foodgrains above the population growth rate. Vigorous efforts to step up population control measures could reduce the need for substantial increase in land productivity.

It may be recalled that during the 80s variability in food production has increased. In spite of the emphasis on improvements in irrigation it is likely that in the coming decades variability would either increase with the adoption of new technology or at best it could remain at the level of the last decade. Therefore, measures to stabilise local availability assume special significance. As global measures have not found much relevance in the region, measures at the regional and national levels assume great importance. Though India, Pakistan and Bangladesh have already taken steps to build up national stocks, the infrastructural facilities are not fully developed for storage of adequate buffer stock. From a practical point of view it may be necessary that the countries in the region create adequate food reserves to meet seasonal and annual variability in production levels within a specified limit and depend on regional and global facilities beyond this limit.

It has been established that the impact of household food insecurity is most serious among the vulnerable segments of the population. South Asia which accounts for a large number of population in absolute poverty will be required to continue both direct and indirect measures to alleviate poverty so that food security can be within the reach of these households. Since it is unlikely that special employment and income generating activities alone can meet this challenge within the near future, south Asian countries will have to continue their dependence on measures for subsidised food distribution and direct feeding programmes. However, in order to minimise the drain on the exchequer, such measures should be strictly target-oriented and there should be a plan for phased withdrawal once the desired household food security is achieved. Judging from the past experience of such programmes in the region, it is important to mobilise administrative and political support for such target orientation. The proposed measures of decentralisation and local level decision-making efforts in some of the countries in the region could possibly overcome the problems involved in effective target-orientation.

To sum up, the prospects of south Asian countries achieving food security in the broader sense during the coming decades will depend on a number of simultaneous measures towards increased food production especially through technological change, population control, building up adequate buffer stock, target oriented programmes for the poor and generation of income and employment opportunities.

[This is a revised and enlarged version of a paper presented at the 15th International Congress of Nutrition, September 26-October 1, 1993, at Adelaide.]

Appendix 2: Variability in Area, Yield, Output of Cereals

	Area		Yield		Output	
	1970-79	1980-91	1970-79	1980-91	1970-79	1980-91
Bangladesh	2.20	4.08	8.46	11 25	10.57	11.30
India	2.50	1.98	7.14	12.26	9.09	12.37
Nepal	4.71	10.93	8 16	9.44	8.07	18.66
Pakistan	3.89	3.62	7.89	4.85	11.45	7.63
Sri Lanka	15.04	7.20	10 03	6.85	17.41	9.11

Source: Derived from data available in FAO Production Year Books up to 1991.

References

G S Bhalla (1993): 'Food Security in South and South Asian Countries', *Man and Development*, Vol XV, No 1, March, pp 34-63.

FAO Conference 24th Session (1987): Evaluation of Food Security Assistance Scheme, Rome C87/88-sup 3.

P S George (1985): *Food Security and Public Distribution of Foodgrains in Kerala*, paper presented at the seminar on the Role of Foodgrain Agencies in Food Security, New Delhi, April 23-25.

Joachim Von Braun et al (1992): *Improving Food Security of the Poor*, International Food Policy Research Institute, Washington, DC

Gale Johnson (1976): 'Increased Stability of Grain Supplies in Developing Countries, Optimal Carry Overs and Insurance', *World Development*, Vol 4 (12).

Konandreas P, H Barbara and V Ramankura (1975): *Food Security; An Insurance Approach*, Research Report 4, IFPRI, Washington, DC.

Nurul Islam (1992): 'Poverty in South Asia, Approaches to Its Alleviation', *Food Policy*, April, pp 109-28.

Per Pinstrup-Andersen (1985): *Consumer-Oriented Food Subsidies*, John Hopkins Press.

R P Sarma (1992): 'Monitoring Access to Food and Household Food Security', *Food, Nutrition and Agriculture*, 4(2), pp 2-9.

A Sarris and L Taylor (1976): 'Central Stocks—Food Aid and Food Security for the Poor', *World Development*, 4(12).

D S Tyagi and V S Vyas (1990): *Increasing Access to Food, the Asian Experience*, Sage Publication, New Delhi.

United Nations (1991): *The Sex and Age Distribution of Population, The 1990 Revision*, ST/ESA/Ser A/122 New York.

Valdes A (1990): *Food Security for Developing Countries*, West View Press, Boulder, Colorado.

World Bank (1993): World Development Report, Washington, DC.

Secularism and the Intellectuals

T N Madan

THE last half a dozen years or so have witnessed a heightened interest among Indian intellectuals in exploring the significance of the ideas of 'secularism' and 'secularisation'. This is a welcome development for we have been since independence living on many unexamined or half-examined ideas, which have thus become the 'foundation myths' of our times. Secularism certainly is one of them. Even today it is not clear whether it stands for the rejection of religion as 'false consciousness', or whether it means that the state shall treat the followers of all religions equally, without discriminating against some or favouring others. The ambiguity of connotation is sometimes sought to be overcome by employing the phrase 'Indian secularism' to denote the combination of a multi-religious society and the non-discriminatory state. This and other aspects of secularism merit close and critical scrutiny. Andre Beteille's article 'Secularism and the Intellectuals' (*EPW*, March 5, 1994) is one of the more thoughtful and lucid expositions of the subject that I have read recently. I trust it will generate a useful discussion.

Personally, I agree with the general thrust of Beteille's argument and also with most of the points that comprise it. Some of my emphases would be different, however. Also, I think a few misunderstandings should be removed. This has become necessary because Beteille has constructed his argument partly in response to a lecture entitled 'Secularism in Its Place' that I delivered in 1987 and which was published later that year [Madan 1987]. Since then I have published a number of essays on secularism, fundamentalism and religion [e g, Madan 1989, 1991, 1993], developing my argument which I had introduced in a couple of earlier articles [e g, Madan 1986], but Beteille has not taken notice of any of these except fleetingly of a newspaper article [Madan 1994] Obviously, his interest lies in a particular aspect of my argument rather than in it as a whole, but this has resulted in the misunderstandings I mentioned above.

Let me recall that 'Secularism in Its Place' was written eight years ago at a time when most secularists seemed complacently confident that 'scientific temper', the mantra given by Jawaharlal Nehru, would, if vigorously propagated, fulfil its promise of establishing secularism in India. There were not many intellectuals then who either showed awareness of the limitations of secularism as a worldview or displayed any great unease about the recrudescence of religious fanaticism in the form of communalised politics or fundamentalist movements. Although Punjab was already in violent turmoil and the Shah Bano case had attracted wide attention, the future of the nation, judged by the prevailing discourse on secularism, did not seem to be in greater jeopardy than before. In any case, the remedy was secularism and more secularism. To the best of my knowledge only a few intellectuals had dissented with this dominant discourse, Ashis Nandy [1981, 1985] being the most notable among them.

I myself had begun to feel apprehensive that the secularist discourse tended to underestimate the staying-power of religion in society and also ignored the fact that religion itself could be a powerful resource in the struggle against religious extremism. I did not believe then, and do not do so now, that what needs explaining is religious tolerance rather than its opposite. The invitation to address a special session at the annual meetings of the American Association of Asian Studies, at which Asianists from many parts of the world were expected to be present, afforded me an excellent opportunity to present my views on the prospects of secularism in India. I did so in a deliberately provocative but carefully-worded text, and it did make an impact, although of course not everybody agreed with me.

As Beteille has pointed out, I expressed doubt about the success of secularism as a worldview, as a political ideology, and as a societal blueprint. What he has not done, however, is to cite the reasons I gave for my conclusions. Several other critics have similarly quoted the statement in question in a truncated form [e g, Bailey 1991: 226; Baxi 1992: 89]. The omission is grievous. Let me therefore put the record straight and quote the part of the argument that has been left out by Beteille and the others.

> It [secularism] is impossible as a credo of life because the great majority of the people of south Asia are in their own eyes active adherents of some religious faith It is impracticable as a basis for state action either because Buddhism or Islam have been declared state or state-protected religions, or because the stance of religious neutrality or equidistance is difficult to maintain since religious minorities do not share the majority's view of what this entails for the state And it is impotent as a blueprint for the future because, by its very nature, it is incapable of countering religious fundamentalism and fanaticism [Madan 1987: 748].

It will be seen that what occurs in my text primarily as a statement of the facts on the ground and only secondarily as my interpretation of them, appears, because of partial quotation, as an acerbic ideological attack on secularism. Now, I do have my reservations about this Enlightenment ideology, more so about the received wisdom regarding it, and so have many other scholars [e g, Toulmin 1990]. The statement in question was intended to state some of them and to draw attention to their implications for the Indian political experiment. A couple of my critics have, however, jumped to the conclusion that, since I have reservations about secularism as presented in the prevailing discourse, I must therefore be a supporter of communalism. This is patently absurd.

To return to the lecture itself, I had cautioned dogmatic secularists that in a democracy it is not easy for a minority to impose its will upon the majority. Beteille has referred to this argument also. There is, however, a double misunderstanding here. First, I did not say that the secularist minority was trying to impose secularisation upon the majority: what I mentioned specifically was the ideology of secularism. I agree with Beteille that it is 'useful'—I would say it is imperative—to distinguish between secularisation (in Beteille's words, "a social process that unfolds itself on its own, as it were") and secularism ("an ideology that some members of society strive consciously to espouse and promote"). I myself have made this very distinction several times over in my writings. For instance, I distinguished between secularisation as a 'process' and as a 'thesis' in the 1994 newspaper article to which he refers. I agree with him that not all of the secularisation that has occurred in Indian society "has been the work of a minority of intellectuals determined to impose their will on unsuspecting masses of people" [Beteille 1994: 560]. I do, however, maintain that those intellectuals who proclaim that religion is not only a 'fake' but also necessarily evil, and therefore present secularism as a morally superior soteriology, are trying to impose their will on the people.

Beteille makes a further point, namely, that "those who wrote [the Indian] Constitution were more representative [of the Indian people] than the authors of the Dharmashastras" (ibid). This is obviously true, but my argument was not about the representativeness or otherwise of the secularist minority: my argument was about the secularists being a minority and about the limitations which a democratic polity places upon the elected representatives of the people. They can lose their mandate to represent and may not therefore espouse

positions that their supporters reject or about which they feel unenthusiastic. The 1993 assembly elections sent precisely this warning to BJP. The issue, let me reiterate, is not of representativeness but of authority and influence. I do not think we have much evidence that the secularists have either of these in a greater measure than all their opponents.

To draw attention to the limitations of the original ideology of secularism and its Indian version, and of their promoters, does not necessarily imply that one rejects the ideologies totally or the institutions that embody them. Critiques may well result in the strengthening of the institutions concerned if the necessary corrective or reinforcing measures are carefully put in place. Beteille alleges that I believe that "the attempt to adapt [secularism] to the Indian environment is a snare and a delusion" (1994: 560). Actually what I am more sceptical about is the easy confidence of secularists regarding unproblematic adaptation. It was in this context that I made a distinction between 'transfer' and 'translation' of ideas [Madan 1987: 754].

Beteille concludes: "How we view the prospects for the co-existence of religious and secular ways of life will depend in part on how we think of religion"(1994: 561). My position on this may be quoted from the penultimate paragraph of my lecture: "the only way secularism in south Asia, understood as interreligious understanding, may succeed would be for us to take both religion and secularism seriously, and not reject the former as superstition and reduce the latter to a mask for communalism or mere expediency. *Secularism would have to imply that those who profess no religion have a place in society equal to that of others, not higher or lower*" [Madan 1987: 758, emphasis added].

But there is something else also that worries Beteille deeply, and this merits attention. "What causes the most anxiety to secular intellectuals is a conception of religion which demands that every aspect of every individual's life be brought under religious scrutiny and control" [Beteille 1994: 562]. He refers to it as the 'totalising aims' of religion, more demanding in some cases than in others. The crucial question is, he writes, "how much space will be allowed within society by doctrinaire religion for the growth of secular ideas and institutions" (ibid: 564). I agree that this is a key question and, as Beteille acknowledges, applies to all doctrinaire ideologies, religious as well as secular.

Now, it seems that I did perhaps overemphasise the holistic character of traditional relgions, particularly Hinduism, in the 1987 essay. Both Beteille and F G Bailey assert this in their critiques. Quoting from my essay 'Religion in India' (1989), Bailey points out that when I write that "religion is constitutive of society, and the traditional vision of life is holistic", I can be understood as saying that 'society is religion, an ideology' [Bailey 1991: 223]. An almost identical sentence exists in 'Secularism in Its Place': "For Gandhi religion was the source of absolute value and hence constitutive of social life" [Madan 1987: 752].

It seems that in the passage from the concrete case (Gandhi's position) to the general thesis (holistic character of Hinduism) I may have overstated my argument. It would obviously be a throw-back to an untenable Durkheimian sociological extremism to envisage a society in which the secular is non-existent, and I did not mean to propose such a monistic thesis. In 'Religion in India' I wrote: "the point is not that the religious domain is not distinguished from the secular, but rather that the secular is regarded as encompassed by the religious" [Madan 1989: 116].

I would like to emphasise that I do not read the Hindu tradition (so-called) as a denial of the existence of what may be called secular elements, but rather as a statement of a particular kind of relation between the religious and the secular, namely, the hierarchical (encompassing of the contrary). Although I use the language made familiar to us by Louis Dumont, the idea of encompassment itself may be derived from the key concept of purushartha, or the triple goals of human endeavour (dharma, artha, kama) as presented in, say, the Arthashastra or the Manusmriti.

Moreover, my reference to the traditional view of the hierarchical relationship of the sacerdotal and the royal functions is relevant to the extent that the Hindu tradition does not provide us with a dualistic view of the kind which Christianity does, although it admits of a diversity of religious traditions within its broad framework and outside it. The Christian distinction between the sacred and secular domains (two kingdoms, two cities, two swords, etc) is widely held to have contributed to the success of the modern ideology of secularism in the west. As I pointed out in 'Secularism in Its Place', a Hindu or a Sikh, or a Muslim for that matter, would find it more difficult to make sense of the notion of 'privatisation of religion' than, perhaps, a Christian does.

This does not mean that Indians have first to be converted to Christianity before they may be expected to appreciate the virtues of secularism in the sense of its being the ideology of secularisation. It only draws attention to the need for greater efforts on the part of Indian intellectuals to clarify the notion of secularism in a context-sensitive manner, drawing upon India's pluralist traditions. Contrary to what Beteille seems to think, there is sufficient historical and ethnographical evidence that it is the masses of this country, Hindus and Muslims alike, who are comfortable with religious pluralism and indeed practise it. The traditional elite, from whom the great majority of today's intellectuals are descended, disapproved of such pluralism as the superstitious ways of the masses.

Not only have Indian intellectuals to make greater efforts to clarify the notion of secularism, they also have to devise the most effective ways of communication, carrying the people with them, although not in the manner of politicians. Unless they do this, the intellectuals will succeed only in convincing one another. Secularism has to be rescued from the preventing semantic conflation, but this should not mean the imposition of one particular meaning on it. And it has to be made into a national ethos. This will take doing and it will take time. As Beteille puts it, "Secularism had become a shibboleth in Nehru's India, and it is the intellectual's obligation to bring every shibboleth under scrutiny" (1994:559). And this is precisely what I meant to convey through the title as well as the text of my 1987 lecture, 'Secularism in Its Place'. I am not therefore sure that I understand why he found the idea 'strange'.

References

Bailey, F G (1991): 'Religion and Religiosity: Ideas and Their Use', *Contributions to Indian Sociology*, (NS), Vol 25, No 2, pp 211-32.

Baxi, U (1992): 'Secularism: Real and Pseudo' in M M Sankhdher (ed), *Secularism in India*, pp 88-109, Deep and Deep, New Delhi.

Beteille, A (1994): 'Secularism and the Intellectuals', *Economic and Political Weekly*, Vol 29, No 10, pp 559-66.

Madan, T N (1986): 'Secularisation and the Sikh Religious Tradition', *Social Compass*, Vol 33, Nos 2-3, pp 257-73.

—(1987): 'Secularism in Its Place', *The Journal of Asian Studies*, Vol 46, No 4, pp 747-59.

—(1989): 'Religion in India', *Daedalus*, Vol 118, No 4, pp 747-59.

—(1991): 'The Double-Edged Sword: Fundamentalism and the Sikh Religious Tradition' in M R Marty and R S Appleby (eds), *Fundamentalisms Observed*, pp 594-627, Chicago University Press, Chicago.

—(1993): 'Whither Secularism in India?' *Modern Asian Studies* Vol 27, No 3, pp 667-97.

—(1994): 'Secularism and Pluralism', *The Times of India*, January 8.

Nandy, A (1981): 'A Counter-Statement on Humanistic Temper', *Mainstream*, October 10.

—(1985): 'An Anti-Secularist Manifesto', *Seminar* 314: 1-11.

Toulmin, S (1990): *Cosmopolis: The Hidden Agenda of Modernity* The Free Press, New York.

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road Bombay-400 038

We help Nature keep her true colours.

As reputed manufacturers of vital chemical products, we've been in the forefront of promoting safety and environment protection.

Our commitment to preserve the environment, improve safety and enhance the health and welfare of our employees and the surrounding community manifests itself in every facet of our operations - right from our choice of technology to process selection and engineering design.

Effluent treatment plants at both our factories render liquid wastes harmless. Sophisticated pollution abatement equipment keep emissions within tolerance limits.

Our R&D wing develops products that are environment friendly, searches for ways to recycle waste and constantly evaluates the effectiveness of our own pollution prevention and control efforts.

We've designed education programmes to inform, train and encourage our employees to actively participate in achieving safety and environmental protection goals; safety inspections and safety audits to assure continuous control; and, onsite and offsite disaster control plans to aid effective response to a wide range of emergencies.

It's all part of our integrated effort to keep our operations safe and harmless.

And to ensure that we help Nature keep her true colours.

Colour-Chem

A Subsidiary of Hoechst AG

Hoechst

HTA 2886

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication | Rs. 12.00 | Vol XXIX No 19 | May 7, 1994

- IDENTITY, COMMUNAL CONSCIOUSNESS AND POLITICS
- PROSPECTS FOR FDI AND MNC ACTIVITY IN THE 1990s
- RAILWAYS: HOME TRUTHS ABOUT GAUGE CONVERSION
- WOMEN'S MOVEMENT IN A SECULAR FRAMEWORK: NEW AGENDA
- SOCIOLOGY AND CHALLENGE OF GENDER STUDIES
- FOOD SHORTAGES IN RUSSIA
- MEXICO: THE ROOTS OF CHIAPAS

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
Director
S L Shetty

Communal Consciousness

To what extent do different cross-sections of society share the communal ideology which provides legitimacy to communal riots? To understand this, we need to explore people's perceptions and opinions on the communal division and related issues. A study of individual identity and communal consciousness and how they get manifested in the political arena based on a survey in Surat city. 1133

Waiting for FDI

Inflow of foreign direct investment into India is likely to increase, but this is contingent on the maintenance of high rates of industrial growth. Even so, inflows anywhere near the Chinese level seem quite out of the question. By contrast, international subcontracting by foreign firms could play a major role in India's manufactured export growth. This is an aspect which has attracted little attention in terms of policy. 1141

Food in Russia

The maintenance of living standards, public health, even life itself are gravely threatened by the scarcity of food in Russia. These circumstances are more the product of the unaffordability of food than its absolute unavailability. 1147

Changing Agenda

Internal positions in the women's movement need to be redefined as the external reality changes or else the movement will become redundant in the face of the newer challenges. This is a major lesson of the riots in Bombay following the destruction of the Babri masjid which dealt a severe blow to the premise that women have a separate existence away from their communal identity. 1123

High Cost

All that the railways' accelerated gauge conversion programme is likely to achieve is to extend the facility of broad gauge travel to people of some favoured areas, but at the cost of irreparable damage to the railways' finances and to real capacity expansion. 1109

No Celebrations

January 1, 1994 was to be celebrated in Mexican history as the opening day of the North American Free Trade Agreement. The rebellion in Chiapas changed all that. 1119

Questioning Liberalism

Intellectual and political debates since the 1980s have focused on the increasing inability of the Indian state to manage the economy and respond democratically to pluralist pressures. Although the points of departure are many, what is suggested is a new political agenda for the state, one that entails a redefinition of its underlying liberal principles. 1112

Broadening Movement

The peasant movement in Bihar which began on the issues of the most depressed sections of the landless peasantry has now caught the imagination of wider masses in Bihari society. 1111

Children's World

The authors of the UNICEF's annual *State of the World's Children* reports do not, for the most part, swallow the nostrums of the World Bank, so eagerly lapped up by our own policy-makers. 1116

LETTERS TO EDITOR

Education and Women's Empowerment

WHILE generally agreeing with the proposition that education of women in developing countries helps them to take an active part in socio-economic development, and is a critical factor in reducing fertility levels and infant mortality, one should not run away with the impression that education alone is good enough to reach these objectives. At the 'Education for All' summit of nine high population countries in Delhi, the question of gender gap in schooling came up at a panel discussion on girls' and women's education, population issues and women's empowerment.

The educational situation of girls and women at the ground level in most of the developing countries diverges considerably from the norms set, and the rhetorical claims made, by the governments of these countries. The majority of 'out of school children' in these countries are girls. Of the 948 million illiterate adults worldwide, over 60 per cent are women—the bulk of whom, needless to add, are concentrated in the developing countries. According to UNESCO estimates, in south Asia, sub-Saharan Africa and the Arab states, two out of every three women do not have basic literacy skills.

As for the causes of this gender disparity, a number of reasons were cited at the above-mentioned panel at the education summit. In many societies girls simply do not have any value other than their reproductive function, as a result of which parents do not 'invest' in the girl child from whom they expect no return on their investment; even if educated, or trained in vocational skills, these girls, their parents feel, will get employment only in marginal enterprises with scant remuneration; since girls will get married off into other families anyway, it is useless to invest scarce resources (of poor parents) in educating girls who will be of no help to their parents. From this list of identifiable causes of the 'gender gap' in education, one may infer that poor parents in developing countries treat their girl children not as objects of parental affection, but by the yardstick of their utilitarian value—or its absence.

But it is not as simple as that. As one of the panelists at the Delhi summit - -Nafis Sadik of the UNFPA—added, perhaps as an afterthought "It should also be noted that even when parents are inclined to send their daughters to schools, often the school situation is unfavourable—for example, the distance is too great, the facilities are inadequate for girls' needs, female teachers are lacking, and the curricula are poorly designed." Is it then the traditional patriarchal values (often internalised by the women themselves) or the lack of infrastructural administrative facilities that obstruct the access of girl children to literacy and schools—or both? It is necessary to go into these twilight areas of literacy and primary education programmes for girls and women.

Further, even when literate, or employed, do women automatically get empowered to take control of their lives? The only panelist who raised this question at the Delhi summit was Shabana Azmi, who gave a fictionalised account of the real life situation of a literate maidservant employed in a Bombay household who maintained her entire family by her earnings, and yet had to face harassment from her husband, an unemployed drunk who regularly beat her up. This is a common fate of female domestics in the metropolitan cities. As long as oppressive social values (e g, sanction and acceptance of male dominance) prevail and opportunities for independent living are denied, employment or literacy alone cannot bring empowerment to women. Instead of facing squarely this basic problem that was posed by Shabana Azmi, the capital's press corps covering a news conference pounced upon her for using living characters for fictitious purposes. Thus, the main topic was turned into a non-issue with the reporters flying off at a tangent, which again proves the point that even in the profession of journalism, education or employment alone does not make newspersons sensitive to controversial social issues, as long as the craze for trivialising serious subjects prevails in newspaper columns.

A Reader

New Delhi

On Secularism

ANDRE BETEILLE's article 'Secularism and Intellectuals' (March 5) is no doubt enlightening. His earnest efforts to give an exposition of the distinctions between secularism and secularisation could be considered positively provoking. However, the article does not indicate the indelible impact of the Renaissance and the French and Russian revolutions leading to secularisation. This was responsible for the tremendous transformations giving rise to the stimulating, salutary and sublime sway of humanism reflected in innovative implications of values of life: Liberty, Equality, Fraternity, Justice, Love and Peace. Nor has the article brought out the remarkable role of Jawaharlal Nehru in giving importance to secularism in the Constitution of India.

After having read the article, one is tempted to pose a question: Has Andre Beteille succeeded in making the distinctions between secularism and secularisation as comprehensive as they ought to be? Very few will give the affirmative answer.

T M Gnanapragasam

Madurai

ECONOMIC AND POLITICAL WEEKLY

New South Africa

SOUTH AFRICA's first multiracial elections have passed off smoothly, just as, almost unbelievably, has the entire process of the country's transition to black majority rule after F W de Klerk released Nelson Mandela from prison and lifted the ban on the African National Congress in 1990. The violence witnessed in the run up to the elections died down after the Inkatha Freedom Party's last-minute decision to enter the polls. In the end the most serious complaints appear to be only about the slow counting of votes. Not bad at all for a country whose racially oppressive political arrangements had, till just a few years ago, produced such bitter hatreds and bloodshed internally and universal opprobrium internationally.

The results of the elections again have run true to expectations. With some 15 million of an estimated 22 million votes counted at the time of going to press, the ANC is far ahead of the other parties, though somewhat short of winning the two-thirds majority in the national parliament which would enable it to have its own way in framing the country's permanent constitution. De Klerk's National Party has polled just over one-fifth of the votes and Mangosuthu Buthelezi's IFP about 8 per cent. The Indians and the coloureds have confirmed their known racial biases by voting for the white National Party, thereby contributing to the ANC's loss of two of the nine provinces (Kwazulu-Natal to the IFP and Western Cape to the National Party). In the other seven provinces, of course, the ANC has won most handsomely. The one party to have done more poorly than expected is the black radical Pan-African Congress, which is perhaps to be attributed, apart from that party's lack of resources compared to the well-oiled election campaigns of the ANC and the National Party, to the general conciliatory mood among the blacks in the euphoric atmosphere generated by the rapid progress to black majority rule. Even Buthelezi's decision finally to contest the elections appears to have been forced on him by the dominant sentiment among the rank and file and lower level leaders of his party against being left out of the polls.

Momentous as the smooth conduct of the elections and the ushering in of majority rule unquestionably are, apartheid was not just a political or legal phenomenon. The economic and social inequities systematically engineered by white rule go deep and will, of course, long survive the legal and political demise of apartheid. And the task of eliminating them will not necessarily be rendered more manageable by the essentially peaceful and conciliatory nature of the transition. By taking the initiative in formally dismantling apartheid and thereby emerging as one of the two architects of the new South Africa, F W de Klerk has in fact manoeuvred the whites into a position of considerable moral advantage, erasing as it were their long history of the most brutal racial oppression. This is undoubtedly going to count with Nelson Mandela's government of national unity in the measures it contemplates to curtail white privileges. The ANC has already forsworn any significant land redistribution by agreeing that the principle of 'willing seller, willing buyer' must operate and that the white owners should be entitled to fair compensation. Given Mandela's understandable emphasis on completing the process of national reconciliation, the tasks of racial restitution can also come to be so formulated as to benefit essentially the existing and aspirant black middle classes. A whiff of this can be caught already in the commitment to equalise civil service salaries between whites and blacks here and now, much before any steps have been thought of, for instance, to protect black tenants of white landlords or to improve the condition of black farm labourers. The civil service, of course, provides a quick and easy means of providing jobs to black youth with the requisite educational advantages; the resultant proliferation of the bureaucracy together with the generalising of white salaries and perquisites should produce an early flowering of a black middle class and the illusion of elimination of racial disparities.

Nor is the fund of international goodwill for the new South Africa going to make it easy for Mandela's government to resist the temptation to look for quick results and short-cuts in meeting black aspirations. The Clinton administration has already promised a doubling of US assistance to South Africa. The IMF had in December last year come forward with a $ 849 million loan to help compensate South Africa for export losses and to help pay for food imports made necessary by a severe drought. Both the IMF and the World Bank indicated at their recent meetings in Washington that they will not be found wanting now that South Africa has rejoined the comity of nations as a respectable member. With money thus flowing in from outside, at least in the short run, the government can be led to believe that, lo and behold, it can do a great deal to improve the blacks' lot -for instance, the 2.5 million jobs in a decade, the 3,00,000 housing units every year, the provision of clean drinking water and electricity to remote areas and so on which the ANC has promised in its election manifesto—with a minimum of unwelcome imposts on the whites (and on the swelling ranks of upwardly mobile blacks). By the time the all too severe limits of such economic salvation on the cheap are discovered, it may well be too late. While so much needs to change in South Africa, the few exceptions should perhaps be the low ratio of foreign debt, the positive balance of payments and the proven record of export growth and import substitution with which the country emerged from its period of international ostracism.

AKALI UNITY

Ineffectual

WHAT is significant about the latest events in Akali politics—culminating in the so-called Amritsar declaration—is not that the Akalis have come together under one umbrella. Nor even that their first and politically most potent demand is for a separate Sikh state. For, neither the attempt at unity nor the demand is news to those familiar with Akali history. What is significant is, first, that the Akalis have attempted to unify under the pressure of a religio-political authority, the jathedar of the Akal Takht. And what imbues the event with significance in this regard is that not so very far back they had *disintegrated* due to the pressure of a similar authority—the authority bestowed upon different persons or a combination of them at different points of time by a religio-political militant movement. Together, this attempted unity and the earlier disintegration signify that Akalis are not now, nor were they in the immediate past, an independent political force in their own right: they were, and are, just a potentially available political front for a religio-political force out to create a theocratic state. Which makes the religio-political force and not the Akalis the pivot around which the Sikh politics in the immediate future would move.

The second point of significance lies in this very centrality of the religious authority in Sikh politics that these events once again bring to the fore. The roots of this centrality go back to the very origins of the Sikh community which emerged and took shape as a religio-cultural entity as well as a political force as the result of a single linear process. The power of the religious authority to shape Sikh politics in our day and the absence of a strong secular force which could challenge this power from a purely political front show that the process which has cemented the religious and the political in the Sikh community continues to operate. It is this absence of a large enough crack between the religious and the political in the latter-day Sikh tradition that continues to make it different from, particularly, the Judaeo-Christian traditions which had similar origins but have, over the centuries, succumbed to the secularising pressures of modernity.

Since we live in an era in which modernity is either on the wane or has become confusedly mixed with what has come to be known as post-modernity, and since this latter is characterised by a re-efflorescence of the religious element in all traditions, we are likely to witness, at least for a time, a continuation of the influence of the religious authority in Sikh politics on a purely objective plane. Subjectively, however, no historical force has been beyond the moderating pressures of a counter force. In the context of Punjab, if such a counter-force has not yet fully emerged from within Sikh politics, or if it has failed so far to strengthen itself sufficiently to adequately exert against the powerful religio-political authority—the refusal of Parkash Singh Badal so far to join the unified Akali Dal and the statements of Akali Dal (Longowal) general secretary, Kanwaljit Singh, against the nature of the current unity moves show that the elements of such a counter-force do exist, howsoever tentatively and weakly, within the Sikh and Akali communities—then these pressures must come from outside Sikh politics. These pressures, needless to say, must be democratic and secularising in their essential make-up, for such precisely are the elements missing in current Sikh politics. Finally, to the extent that these moderating pressures would have to come from other political entities/formations, to that extent the Akalis, despite their sizeable numerical presence and following, would substantively remain marginal in the overall politics of Punjab. This holds a lesson for the Akalis.

VSNL FIASCO

Lessons to Learn

THE events leading up to the deferment of the much publicised $ 1 billion Euro issue by Videsh Sanchar Nigam (VSNL) should provide yet another warning of the untenability of hasty and wrongly-sequenced reform. Though there are many proximate causes of the fiasco linked to developments in the domestic and foreign financial markets, the root cause lies in the government's unsustainable economic policies—an obvious consequence of pandering to the appetites of foreign investors and fund managers.

Initially VSNL was to raise $ 500 million (Rs 1,500 crore) through the Euro issue, which amount was itself considered high, but the department of telecommunications became more ambitious towards the early part of 1994 and the size of the issue was upgraded to $ 1 billion. At the instance of the lead managers, disinvestment of VSNL shares in the domestic market in the latest phase was avoided so as not to conflict with the GDR issue abroad. Many other PSUs were also allowed to raise money through Euro issues in the form of GDRs, though Euro bond issues have been discouraged as they would raise India's external indebtedness. This was in the wake of the euphoria created by the success of some 25 companies mobilising about $ 2.5 billion through issues of GDRs or Euro-convertible bonds in 1993-94 and foreign institutional investors' sizeable investment in the Indian capital market. The interest of foreign fund managers and FIIs in the Indian capital market was stimulated by the ultra-liberal facilities offered by the government. The tax on dividend or interest accrued to foreigners on their holdings of GDRs, Euro-convertible bonds and Indian shares and securities has been fixed at a flat 10 per cent; similarly, they have to pay only 10 per cent tax on long-term capital gains on such investments. Initially, there was a two year lock-in period for conversion of GDRs into shares but this was removed in November 1992. While foreign fund managers thus succeeded in creating a sense of euphoria, domestic companies were enthused to mobilise funds from abroad because, as part of the capital market reform, all conditions regarding the end-use of funds were done away with. Also, interest rates on these borrowings are much lower than those in the domestic market. Despite the country's credit rating being low, the easy availability of liquidity in the international financial markets made foreign investors look for Indian company floatations.

The government adopted the same approach when the central cabinet accorded approval for the $ 1 billion VSNL issue on March 9. The foreign resources were being sought as a substitute for budgetary resources. The telecommunications sector was a coveted one among the multinationals and hence also among the Euro fund managers. At the same time, it was clear that the raising of some Rs 3,000 crore through GDRs by VSNL had no basis in the organisation's investment programmes. The book value of VSNL's gross fixed assets at the end of March 1993 was only about Rs 500 crore. The Eighth Plan had proposed for VSNL an outlay of Rs 800 crore for the five-year period, that is, Rs 160 crore per year. In the Annual Plan for 1993-94, the Planning Commission showed VSNL's annual expenditure at Rs 397 crore in 1992-93 and Rs 286 crore in 1993-94. On the other hand, the telecom sector's total outlay was pushed up from Rs 5,073 crore in 1992-93 to Rs 6,324 crore for 1993-94 and this had to be funded almost entirely by the resources mobilised by the telecom sector itself. In order to justify the Rs 3,000 crore GDR issue, VSNL has now come out with three major new projects outside the Eighth Plan.

On the face of it, there are substantive domestic and foreign market causes for the VSNL debacle. First, market conditions abroad have undergone significant changes. When the issue was approved on March 9 there were already signs of a slump, particularly in the so-called emerging stock markets, as a consequence of the hardening of US treasury rates and a surfeit of international equity issues since January this year. Investors are interest sensitive and prefer US assets when the US economy is doing well and yield rates on government bonds there are reasonably attractive. Second, practically every one of the 21 GDR and nine Euro bond issues of Indian companies (which together raised over $ 2.67 billion) during the past 15 months has been quoted at a discount; the discounts have ranged from 5 to 40 per cent. Thirdly, domestic stock markets in India experienced a downswing. Finally, a number of specific factors also emerged as constraints on the VSNL issue. Apart from the absence of any definitive programme for productive use of the funds, the original indicative price mandated by the cabinet at Rs 1,400 to Rs 1,600 ($ 44.60 to $ 51.0) per share turned out to be too high

and the foreign investors began putting pressure for the price to be reduced to the range of Rs 1,100 to Rs 1,200 per share. The foreign managers also raised doubts about VSNL's profitability which, according to market perception, depended on the volatile cost-sharing arrangement laid down by the department of telecommunications. Market reports indicated that the firm Morgan Stanley, which was initially favoured for the lead manager status and replaced at the last minute by the joint global co-ordinators, Salomon Brothers and Kleinwort Benson, apparently carried on a campaign to denigrate the issue. A secret document circulating in the European markets, hinting at a number of problems with the VSNL issue, has been attributed to the above source. It has also been suggested that the company's shares are overvalued in the domestic share markets, that the VSNL's profits would be much lower now because as a corporation it would have to pay corporate tax while earlier it was paying only annual dividend to the general revenues. Further, it has been revealed, obviously to the dismay of foreign investors, that there were serious differences between the minister of state for telecommunications, Sukh Ram, and the Telecom Commission chairman, N Vittal and, further, that no drastic reform in the direction of privatisation would take place until teledensity had reached 3 per cent, probably by the turn of the century. All these factors have obviously played a role in forcing the government to postpone the VSNL issue.

The lessons to be learnt from the episode are wide-ranging. The flow of funds into third world markets is largely governed by the liquidity position in the international financial markets. As a result, foreign investors and fund managers prove to be fair-weather friends. When they are in possession of liquidity, they put tremendous pressure on the governments of developing countries. In the Indian case, they had initially refused to respond because they thought that the price-earning ratios on the Indian share markets were prohibitively high. Then US interest rates fell and the second half of 1993 and early 1994 saw significant fund movements into the Indian and other 'emerging' markets where share prices shot up. The further rise in P/E ratios and the country's low credit rating did not evidently deter the FIIs. Foreign merchant bankers and their Indian associates have been arguing that even 0 1 per cent of the trillions of dollars of pension and other funds held abroad would fetch India more than $ 10 billion a year of portfolio investment. But what the VSNL experience has also shown is that the attempt to grab funds just because they are available can boomerang with the smallest of adverse developments. Now for quite some time the 50-odd Euro issues planned for this year will face an uncongenial environment in the foreign financial markets as the focus will be on the poor industrial and corporate performance here and there will also be misgivings regarding India's macro-economic stability.

KASHMIR

Certificate Denied

THE government of India has quite evidently got carried away by its own propaganda over its self-proclaimed success at the UN Human Rights Commission conference in Geneva some weeks back in having convinced all and sundry of the righteousness of its case on Kashmir. How else is one to account for its expectation that the group of 11 envoys, eight of them representing countries which are members of the Organisation of Islamic States, would hand it a good conduct certificate after a strictly stage-managed visit to the valley?

The least the ministry of external affairs could have done was to be discreet. If the visit of the group of envoys to Kashmir was part of the bargain that had to be accepted at Geneva to stave off a formal resolution charging India with human rights violations in Kashmir, as it undoubtedly was, it should have tried to get it over with as little fuss as possible. Instead it chose to claim, and the claim was as usual lapped up and prominently reported by the country's press, that the envoys' group had returned from Kashmir fully convinced of Pakistan's support for terrorism there. What is more, it was added for good measure, the envoys were thoroughly satisfied with the arrangements laid out for their visit which had left them free to go where they pleased and meet whomsoever they wished to. To anyone with the slightest notion of the situation in Kashmir, it was evident that these claims had more than a whiff of brazenness about them. And now they have boomeranged on the government.

One of the members of the group of envoys, Iran's ambassador in India, has been constrained to issue a formal statement charging the Indian government with "misleading the diplomatic group" and "not fulfilling the terms" under which the envoys had agreed to be taken to Kashmir. Now, if the government's propaganda were to be believed, persuading Iran of the justice of India's position in Kashmir had been the major success of Indian diplomacy at the UNHRC conference, causing that country to pressurise Pakistan to withdraw its resolution against India. In his statement, issued by the Iranian News Agency and broadcast over Iranian radio, the Iranian ambassador to India has pulled no punches: the pre-arranged itinerary of the envoys' visit "never materialised"; they had not been allowed to meet the leaders of the Hurriyat Conference, nor representatives of the people of Srinagar nor the ordinary people anywhere else; they were not allowed to go to Sopore and Bijbehara, scenes of two of the worst massacres by the security forces; they were also not taken to the Hazratbal shrine, as had been promised, and so were unable to verify the Indian government's claim that the army siege of the shrine had been lifted. In every case, the government of India had pleaded security considerations, giving the lie to its claim of the situation in Jammu and Kashmir being near-normal now. The Iranian ambassador's statement thus concludes, "the Srinagar visit has been incomplete and the aim of clarifying the situation in Kashmir is yet to be achieved. In Delhi we were told that the situation in Kashmir had improved and we had hoped to visit large areas of the state. The situation is totally upside down."

Confronted with the Iranian ambassador's statement, the government has now sought to take the position that the envoys' visit had never been meant to be a fact-finding mission What else was its purpose then? And had not the government itself earlier claimed— when it thought it could get away with that claim—that the envoys had, after their visit, endorsed the government's position in regard to the situation in Kashmir? The fact appears to be that the government has been led into an embarrassing diplomatic *faux pas* and all because the authorities have lost sight of the vast gap between their own propaganda and the reality in Kashmir.

Another reminder of the gap between the two has been provided by the findings of the National Human Rights Commission on the firing by the Border Security Force on the protest march against the army siege of the Hazrathal shrine on October 22 last year in Bijhehara town in which at least 37 people had been killed and some 73 injured. When the massacre occurred the authorities had claimed that the BSF had been forced to open fire after militants in the crowd had started shooting and this was what had been widely publicised by the official media and the newspapers. Now, on the basis of the evidence before it, the commission has found that "there were no armed militants in the crowd, the members of which were shouting political slogans and slogans against the siege of Hazratbal shrine by the defence forces". The firing by the BSF had been without any provocation and also without any warning. Confronted with the commission's report, the home ministry has predictably taken the stand that as "the terrorists in Kashmir are mostly operating from urban/built up areas and are mixed up with civilians, the BSF, while tackling the militants, cannot avoid involvement with the civilian population". The plea is, of course, totally irrelevant since what had happened in Bijbehara was that the BSF had opened fire, in the commission's words, at "an unarmed crowd of citizens because the latter were shouting slogans and complaining against the conduct of the armed forces".

The point, of course, is that the conduct of the security forces in Bijbehara, as in countless other instances, was not an aberration; it was essential to the government's strategy of 'pacification' of the Kashmiri people. But, when the government simultaneously seeks certificates of good behaviour from the international community, some odd situations are bound to arise.

IMF-WORLD BANK

US's Negative Role

THE International Monetary Fund (IMF) and World Bank have just concluded another of their joint semi-annual meetings. In recent years the annual and semi-annual meetings of the Bretton Woods institutions have been increasingly dominated by three factors: the interests of the industrialised countries; the stellar performance of the east Asian economies and the attempt to impose the alleged lessons of their experience on the rest of the developing world in Asia, Africa and Latin America; and the intransigence of the US in regard to practically every aspect of the functioning of the world financial and trading systems and in particular the roles of the multilateral institutions

At the latest semi-annual meeting there were some sharp exchanges on the IMF managing director's strong case—now being reiterated for more than a decade—for the allocation of additional special drawing rights (SDRs) which has been persistently opposed by the US Recommending in the Interim Committee that additional SDR 36 billion be created, Michel Camdessus argued that in the present situation where either countries get fresh SDR allocations or reduce imports, "it is an absurdity to constrain resources of countries interested in buying goods to fuel their growth", particularly at a time when economic activity is still sluggish in the industrialised countries. The IMF staff has been pointing out how there has occurred a shortage of liquidity in the world economy in relation to the growth of trade in goods and services and other activities and further that the available liquidity was very inequitably distributed with many poor countries facing acute shortages Reiterating the time-worn American stand that an additional SDR allocation would create excess liquidity and produce inflation, US treasury secretary Lloyd Bentsen stonewalled: "I am not persuaded that there is a general shortage of reserves of liquidity in the world economy. Therefore, I see no basis for a large allocation of SDRs". With this it was easy for the Interim Committee to shelve the issue for further consideration by the IMF's executive board and recommend instead that the developing countries should pursue strong structural adjustment programmes, ignoring the fact that countries in Africa, west Asia, south Asia, and Latin America continued to face an uncongenial world economic environment.

Despite the failure to get a fresh SDR allocation, the IMF managing director has proposed the institution of a cofinancing trust accounts (CTAs) system ostensibly to support both the developing countries and the 'economies in transition' of east Europe, but primarily to accommodate the pressing and large-scale balance of payments needs of the latter Even with regard to helping the 'economies in transition', America has been dragging its feet. The big bully attitude of the US is now being felt in all multilateral agencies, particularly when it concerns allocation of funds. It is known how, with its veto power, the US has been reluctant to release funds for the quota increases in the IMF and World Bank and, more significantly, for IDA replenishment. Even in regard to the latest subsidy account of the IMF's enhanced structural adjustment facility (ESAF) to which 24 developing countries have provided 21 per cent of the total contributions and which the IMF managing director hailed as representing the broadest possible participation, the US's contribution has been only SDR 73 million, while that of Britain is SDR 82 million and Japan and France SDR 250 million each; India has contributed SDR 11.3 million.

Apart from getting the Interim Committee to agree to commend a detailed study of the systemic risks associated with highly expanded trade in exotic financial products called derivatives, the US has proposed and got approved by the Development Committee the setting up of a task force to review the role that multilateral institutions, including the World Bank, play in the economic development of the third world The hidden agenda to constrict the activities of the IMF and World Bank became clear when Lloyd Bentsen said, "just as these institutions promote reform in member countries, they must also be alert to reforming their own administration and operation".

It is the same tactic to divert attention from more purposeful support for industrial and infrastructural development and social sector activities that was notable in the deliberations of the Development Committee. At the instance of the committee, World Bank president Lewis Preston has decided to sponsor a conference in early 1995 to study the impact of the Uruguay round on the developing economies. Secondly, with the aim of focusing increasingly on population and social sector issues and thrusting an integrated population policy on developing countries, the Development Committee agreed that the three objectives of development that deserved attention were improvement of primary school enrolment, improving access to family planning and related health services and reduction in maternal and child mortality in developing countries.

PALESTINE

PLO on Trial

THE latest agreement between Israel and the PLO, signed after more than seven months of protracted negotiations on May 4, is a mixed bag. While it concretises Palestinian self-rule in Gaza Strip and the West Bank town of Jericho, it leaves unresolved many of the issues that had delayed this agreement in the first place. The agreement nevertheless marks a step forward in the process that began with the signing of a pact on September 13 last year promising Palestinian self-rule in these areas. At the same time, it shows that Israel is not willing to give up its security interests in these areas even if it means compromising the PLO in the eyes of the interested Arab states, other Palestinian organisations and the Palestinian people.

Some of the crucial issues which had stalled the progress in negotiations were: (i) size of the area around Jericho to fall under Palestinian self-rule; (2) control of the border crossings from the self-ruled territories to Egypt and Jordan; (3) future of the Jewish settlers in these territories; and (4) release of the Palestinian prisoners held by Israel. While final decisions on the first three issues have for the moment been deferred and negotiations on them will continue, Israel will vacate the Gaza Strip and 64 sq km around Jericho within three weeks from signing of the agreement after which PLO will take charge of these areas. The first step towards this will be the deployment of 9,000 Palestinian police personnel. Meanwhile, Israel will release those of the 8,400 Palestinian prisoners, nearly 5,000, who are not involved in the murder of Israeli citizens and who are not members of the radical Islamic group Hamas that opposes the peace process.

The focus of attention will now shift from the Israel-PLO negotiations to the self-ruled territories of Gaza and Jericho. The clinching of this deal has opened up another role for the PLO: in addition to continuing the struggle for an independent Palestinian state, it will now have to govern the territories that have been handed over to the Palestinians, at least till the elections to the new governing bodies are held later this year. Apart from putting a new burden on PLO's already thinly-spread administrative and manpower resources, it will make it vulnerable to a new line of attack from organisations like Hamas which will try to project PLO rule as an oppressive and, possibly, a comprador regime protecting Israeli interests in the Palestinian territories.

A lot will depend, in this context, on how the PLO governs these territories and what kind of governing institutions it puts in place or allows to emerge. Given the fanatic opposition of the radical groups, it may like to deal with them with a firm hand. However, the fact that the radicals enjoy a great deal of popularity, particularly among the youth, and that the PLO will have to face elections in a few months may force it to adopt a softer and more diplomatic approach. Those who like to see the emergence, eventually, of a democratic Palestinian state, would pitch their support, no doubt, to the latter course. They will have to temper their optimism with caution, for Yasser Arafat is known to be a man with authoritarian leanings, a fact which is resented within the PLO. This indicates another question for the observers of Palestine to ponder. In the new environment that has now been created in Palestine, how long will Arafat remain the dominant leader in-charge of Palestinian as well as PLO affairs?

Gee El Woollens

GEE EL WOOLLENS is entering the capital market on May 11 with a public issue of 40.18 lakh equity shares of Rs 10 each at par. The issue is being made to part finance its Rs 4.82 crore project for expansion of spinning capacity from 600 tpa to 1,500 tpa as also for setting up a tufted and loom carpet unit by way of forward integration. The project is being set up at Bikaner in Rajasthan and is expected to go on stream in September this year. The company's equity which stands at Rs 33 lakh at present will go up to Rs 4.4 crore after the issue. The lead managers to the issue are SBI Caps and POL Leasing. Gee EL has reported a turnover of Rs 1.75 crore and a net profit of Rs 10.8 lakh for the nine-month period ended September 1993. It has projected a turnover of Rs 4.1 crore and net profit of Rs 30 lakh for the 18-month period ending September 1994.

Kesari Chemicals

Kesari Chemicals (KCL), a company engaged in the manufacture of H-acid, a dye intermediate, is undertaking a forward integration project into black-B (a reactive dye) and is also modernising its H-acid capacity. The former project is expected to entail an investment of Rs 3.05 crore and the latter of Rs 1.5 crore. To partly meet the cost of the two projects, the company has entered the capital market on May 5 with a public issue of 34.03 lakh equity shares of Rs 10 each at par. The issue closes on May 10 and is lead managed by Sterling Securities. The company's equity after the issue will go up to Rs 4 crore from Rs 60 lakh at present. While the H-acid modernisation project is expected to be completed by next month, the forward integration project is expected to go on stream by October. The company has projected a turnover of Rs 7.3 crore and a net profit of Rs 87 lakh for 1994-95.

Jai Mata Industries

Promoted by Jai Mata Rolled Glass, Jai Mata Industries is setting up a project to manufacture coarse cotton yarn of 4s to 14s count. The project cost has been estimated at Rs 8.5 crore and it is being funded entirely by equity. To this end, the company is entering the capital market on May 9 with a public issue of 81.34 lakh equity shares of Rs 10 each at par. The promoters will have a 30 per cent share in the post-issue equity capital of Rs 8.2 crore. The issue is being lead managed by SBI Caps and PNB Caps. The project is being set up at Rohtak and the company claims that it will be able to sell its entire output of 3,000 tonnes in Panipat, Sonepat and Ludhiana. According to projections, the company is expected to post a net profit of Rs 1.4 crore on sales of Rs 8.8 crore in 1994-95.

Lakshana Cotton

Part of the Sri Ramakrishna group of Coimbatore, Lakshana Cotton Spinning Mills has been manufacturing cotton yarn since 1982. It now proposes to enhance its capacity from 19,512 spindles to 22,392 spindles involving a capital outlay of Rs 2.9 crore. To part finance the project, the company entered the capital market on May 5 with a public issue of 22.20 lakh equity shares of Rs 10 each at par. Lead managed by Ceat Financial and 20th Century Finance, the issue closes on May 10. Having posted losses for two years, the company is optimistic of a net profit of Rs 75.8 lakh for 1994-95 on net sales of Rs 10.3 crore. The project is scheduled to commence commercial production in April 1995 though the company is confident of advancing this to October this year.

Vivid Chemicals

Originally set up to manufacture beta naphthol, a raw material for tobias acid which is a dye intermediate, Vivid Chemicals started manufacturing tobias acid itself. It is now augmenting its capacity of tobias acid from 720 tpa to 960 tpa at a cost of Rs 2.1 crore. To part finance the project, the company is coming out with a public issue of 16.30 lakh equity shares of Rs 10 each at par of which one lakh shares have been reserved for NRIs. However, it has been found that the expansion project is expected to entail an expenditure of only Rs 23 lakh and the remaining part of the funds will be used to repay Rs 1.36 crore institutional dues. The issue opens on May 10 and is being lead managed by PNB Caps. The company's equity will go up to Rs 4 crore after the issue from Rs 2.4 crore at present

Sheetal Filaments

Sheetal Filaments, promoted by Omprakash Verma and family, who have interests in two companies, Sheetal Organisers and Developers and Sheetal Fibres, is entering the capital market on May 10 with a public issue. The company is offering 21.57 lakh equity shares of Rs 10 each at par of which five lakh shares have been reserved for NRIs and another four lakh shares for mutual funds. The issue is being made to part finance its Rs 5 crore draw-twisting unit with a capacity of 470 tonnes per annum and sizing yarn unit having a capacity of 500 tonnes per annum. Both the units have already commenced commercial production and the company has projected sales of Rs 10.4 crore with net profit of Rs 1.04 crore for 1994-95. The company's equity after the issue will go up to Rs 3.4 crore up from the present Rs 1.2 crore. The management also has plans of merging Sheetal Organisers and Developers, which is in the construction and texturising business, with Sheetal Filaments. The lead manager to the issue is Bank of Baroda.

Moneycare Finanz

Moneycare Finanz, India's first specialist portfolio manager, is entering the capital market with a public issue of 28,00,000 equity shares of Rs 10 each at par aggregating Rs 2.80 lakh. The company is tapping funds from the capital market to finance the setting up of a branch infrastructure at various locations both within and outside the country to sell the company's products and services and the acquisition of information technology equipment The issue opens on May 27 and the lead manager is Kotak Mahindra Finance. At present the company deals through four stock exchanges—Bangalore, Bombay, Madras and Hyderabad— and has a network of brokers to support its secondary market operations. However, the company is currently investing only in equity markets. For the first 10 months of 1993-94, the company has posted a loss of Rs 15.4 lakh on total income of Rs 17.4 lakh. However, according to projections made by the State Bank of Mysore, Moneycare will show a net profit of Rs 89.74 lakh on gross income of Rs 755.8 lakh in 1995.

Interlink Petroleum

Interlink Petroleum (IPL) has entered the capital market on May 4 with a public issue of 68 lakh equity shares of Rs 10 each at par to part finance its Rs 10 crore project for providing seismic surveys The issue is being lead managed by S M Finance. Promoted by John Koshy and associates, Interlink Petroleum was set up to provide services related to the oil sector, including seismic surveys and work over operations, in technical collaboration with Zapadneftegeofizika (ZNGF) of Russia. The latter also has a financial stake in IPL to the extent of 28 per cent of its equity. IPL has signed three MoUs One, with ZNGF and Grynberg Production Corporation of the USA for the development of Boqueron High oil field at Paraguay in South America, two, with Hindustan Oil Exploration Company for oil field services work; and three, with ZNGF for carrying out seismic work for their ongoing contracts in Iran, Iraq, North Korea and Vietnam. After the public issue, the company's equity will go up to Rs 7 crore from the current Rs 20 lakh.

CURRENT STATISTICS

EPW Research Foundation

The latest data show a quantum jump in imports in the fourth quarter of 1993 94 a one third rise over January-March 1993 resulting in a total annual import bill of $ 23 2 billion With exports of $ 22 2 billion (20 4 per cent increase) the trade deficit stood at $ 1 billion in 1993 94 Among the major items of exports food and live animals (28 3 per cent) gems and jewellery (38 4 per cent) and chemicals (24 5 per cent) registered large increases, while capital goods exports showed a moderate rise of 12 3 per cent In imports the highest increase (14 2 per cent) occurred in capital goods while chemicals and iron and steel items registered declines With the prepayment of $ 1 13 billion due to the IMF foreign exchange assets (excluding gold) have declined to $ 14 58 billion

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82=100)	Weights	April 16 1994	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994 95	Fiscal Year So Far: 1993 94	1993-94	1992-93	1991 92	1990-91
All Commodities	100 0	260 4	1 7	10 6	7 1	1 4	1 0	10 2	7 0	13 6	12 1
Primary Articles	32 3	264 2	2 2	12 3	3 9	1 9	1 3	11 6	3 0	15 3	17 1
Food Articles	17 4	286 5	1 7	4 7	6 0	1 8	1 9	4 8	7 5	20 9	18 9
Non Food Articles	10 1	286 2	3 6	27 0	-0 2	2 7	0 4	24 2	1 4	8 1	19 3
Fuel Power Light and Lubricants	10 7	278 0	0 6	10 4	18 0	nil	2 4	13 1	15 2	13 2	14 4
Manufactured Products	57 0	255 0	1 7	9 8	7 0	1 4	0 5	8 8	7 9	12 6	8 9
Food Products	10 1	255 1	1 8	11 4	6 3	1 7	2 0	11 8	6 8	10 2	13 2
Food Index (computed)	27 5	275 0	1 7	6 9	6 1	1 8	2 0	7 1	5 8	17 2	16 8

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993 94	Fiscal Year So Far: 1992 93	1992 93	1991 92	1990 91	1989 90
Industrial Workers (1982 100)	263[1]	0 4	9 1	5 7	8 2	5 2	6 1	13 9	13 6	6 6
Urban Non Man Emp (1984 85 100)	220[11]	0 9	7 3	9 6	7 3	6 8	6 8	13 6	13 4	8 0
Agri Lab (July 60 to June 61 100)	1166[1]	nil	9 4	5 0	10 7	1 9	0 7	21 9	16 6	1 0

Money and Banking (Rs crore)	Apr 1 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1994 95	Fiscal Year So Far: 1993 94	1993 94	1992 93	1991 92
Money Supply (M3)	443760	14919 (3 5)	11714 (2 7)	15693 (4 3)	65827 (17 9)	49344 (15 5)	51653 (19 4)
Currency with the Public	82132	328 (0 4)	35 (neg)	271 (-0 4)	15159 (22 2)	7175 (11 7)	8050 (15 2)
Deposits with Banks	359100	15980 (4 7)	11749 (3 4)	15411 (5 3)	50112 (16 9)	41741 (16 3)	43392 (20 5)
Net Bank Credit to Govt	205925	1276 (0 6)	2564 (1 3)	990 (0 6)	27623 (15 7)	17975 (11 4)	18070 (12 9)
Bank Credit to Comml Sector	241158	6961 (3 0)	5266 (2 2)	10406 (4 8)	15577 (7 1)	32141 (17 1)	16225 (9 4)
Net foreign exchange assets of the banking sector	53727	4100 (7 7)	-	756 (3 0)	25912 (103 8)	3747 (17 7)	21205 (100 4)
Reserve Money (April 8 94)	143863	7105 (5 2)	5261 (3 8)	13245 (11 9)	26577 (24 0)	11274 (11 3)	11726 (12 4)
Net RBI Credit to Centre (April 8 94)	100772	196 (0 2)	3044 (3 1)	8606 (8 8)	1334 (1 4)	2175 (2 3)	5904 (6 7)
Scheduled Commercial Banks (April 15 94)							
Deposits	324203	10389 (3 3)	10389 (3 3)	6967 (2 6)	45242 (16 8)	37814 (16 4)	38216 (19 8)
Advances	169200	5578 (3 4)	5578 (3 4)	5850 (3 8)	11640 (7 7)	26390 (21 0)	9291 (8 0)
Non food advances	159996	7281 (4 8)	7281 (4 8)	6005 (4 1)	7476 (5 1)	24317 (20 1)	120922 (8 4)
Investments	138559	6166 (4 7)	6166 (4 7)	2267 (-2 1)	26737 (25 3)	15460 (17 1)	15031 (20 2)

Index Numbers of Industrial Production (1980 81 100)	Weights	Dec 1993	Average for Fiscal Year So Far: 1993 94	Average for Fiscal Year So Far: 1992 93	Variation (Per Cent) Fiscal Year Averages: 1992 93	1991 92	1990 91	1989 90	1988 89	1987 88	1986 87
General Index	100 0	230 9	214 7 (2 4)	209 7 (4 0)	1 6	0 2	8 4	8 6	8 7	7 3	9 1
Mining and Quarrying	11 5	[illegible]51 2	213 0 (0 2)	213 5 (2 5)	1 7	0 4	4 5	6 3	7 9	3 8	6 2
Manufacturing	77 1	230 5	204 7 (1 8)	201 0 (4 1)	0 9	1 8	9 1	0 6	8 7	7 9	9 3
Electricity	11 4	300 9	284 0 (7 3)	264 6 (4 7)	4 9	8 5	7 8	10 8	9 5	7 7	10 3

Capital Market	May 6 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year: 1992 93	1991 92	1990 91	1989 90	1988 89
BSE Sensitive Index (1978 79 100)	3715 (3 2)	3836	2219 (-37 7)	2037	3455	2281 (46 8)	4285 (266 9)	1168 (49 6)	781 (9 4)	714 (79 4)
National Index (1983 84=100)	1799 (3 7)	1868	1009 (36 3)	934	1659	1021 (-48 1)	1968 (234 1)	589 (39 9)	421 (13 2)	372 (76 3)

External Sector	1993 94 Quarterly Data: Apr Jun	July Sept	Oct Dec	Jan Mar	Fiscal Year So Far: 1993 94	1992 93	1991 92
Exports Rs crore	16073 (39 8)	16388 (27 0)	16721 (29 4)	20365 (27 1)	69547 (30 4)	53351 (21 1)	44042 (35 3)
US $ mn	5127 (27 8)	5224 (15 2)	5330 (17 8)	6492 (21 5)	22173 (20 4)	18421 (3 1)	17866 (-1 5)
Imports Rs crore	17018 (6 5)	16825 (5 8)	17634 (13 1)	21329 (38 1)	72806 (15 7)	62923 (31 5)	47851 (10 8)
US $ mn	5429 (2 7)	5363 (4 1)	5621 (2 9)	6799 (33 4)	23212 (6 8)	21726 (11 9)	19411 (-19 4)
Balance of Trade Rs crore	945	437	913	964	-3259	-9 572	-3 809
US $ mn	302	139	291	307	1039	3 305	1,545

Foreign Exchange Reserves	Apr 22 1994	Variation Over: Month	Year	Fiscal Year So Far: 1994 95	Fiscal Year So Far: 1993 94	1993 94	1992 93	1991 92	1990 91	1989-90	1988 89
Rs crore	45825	1451	24127	1451	2712	27430	5385	10223	-1383	-795	-647
US $ mn	14580	-515	7585	515	973	8724	731	3383	-1137	-854	-1386

Foreign Trade

Commodity Composition of Imports and Exports	April-December 1993-94 Rs Cr	April-December 1993-94 US $mn	April-December 1992-93 Rs Cr	April-December 1992-93 US $mn	1992-93 Rs Cr	1992-93 US $mn	1991-92 Rs Cr	1991-92 US $mn	1990-91 Rs Cr	1990-91 US $mn
Imports										
Food and live animals chiefly	1010 6	322.2	1216.0	425.9	1843	636	804	326	917	511
for food	(2.0)		(2.6)		(2.9)		(1.7)		(2.1)	
Cashewnuts, raw	221.6	70.7	251.5	88 1	360	124	267	108	134	75
	(0.4)		(0.5)		(0.6)		(0.6)		(0.3)	
Crude materials, inedible oil	2977 1	949.2	3947 5	1382.7	4420	1526	3268	1326	3363	1874
except fuels	(5 8)		(8 3)		(7.0)		(6.8)		(7.8)	
Fertiliser, crude	290 4	92.6	379 5	132 9	458	158	455	185	347	193
	(0 6)		(0.8)		(0 7)		(1.0)		(0.8)	
Mineral fuels, lubricants and	14723 3	4694.3	13556 3	4748.3	18532	6399	14160	5744	11606	6468
related materials	(28 6)		(28 6)		(29.5)		(29.6)		(26.9)	
Petroleum crude	13654 4	4353 5	12504 2	4379.8	17153	5922	13123	5323	10816	6028
	(26.5)		(26.4)		(27 3)		(27.4)		(25.0)	
Animal and vegetable oils,	120 3	38 4	154 6	54 2	174	60	249	101	326	182
waxes and fats	(0 2)		(0 3)		(0 3)		(0.5)		(0.8)	
Chemicals and related products	6714 9	2141 0	7327 2	2566 5	8862	3060	7526	3053	5447	3036
	(13 0)		(15.5)		(14 1)		(15.7)		(12 6)	
Fertiliser, manufactured	1539 6	490 9	1890.2	662.1	2020	697	1591	645	1141	636
	(3 0)		(4 0)		(3 2)		(3.3)		(2 6)	
Manufactured goods classified	10682 3	3405.9	9131.1	3198 3	12349	4264	9193	3729	8638	4814
chiefly by material	(20.8)		(19 3)		(19 6)		(19.2)		(20.0)	
Pearls, precious and	6130 0	1954 5	4965 6	1739 3	7011	2421	4825	1957	3738	2083
semi-precious stones	(11.9)		(10 5)		(11 1)		(10.1)		(8.7)	
Iron and steel	1666 0	531 2	1622.7	568.4	2092	722	1741	706	1892	1054
	(3 2)		(3 4)		(3 3)		(3.6)		(4.4)	
Capital goods	12103 5	3859 0	9646 9	3379.0	12926	4463	10432	4232	10465	5832
	(23.5)		(20.3)		(20.5)		(21.8)		(24.2)	
Others	3165 9	1009 4	2442.0	855 3	3814	1351	2220	901	2431	1355
	(6 2)		(5 1)		(6.1)		(4.6)		(5.6)	
Total	51477 1	16412 7	47421 7	16610 1	62923	21726	47851	19411	43193	24073
	(100 0)		(100 0)		(100.0)		(100.0)		(100.0)	
Exports										
Food and live animals chiefly	7634 2	2434.1	5415 5	1896 9	7792	2690	6861	2783	4665	2666
for food	(15 5)		(14 5)		(14 6)		(15 6)		(14 3)	
Tea	837 7	267.1	685 8	240.2	973	336	1212	492	1070	612
	(1.7)		(1 3)		(1 8)		(2.8)		(3.3)	
Cashew kernels	763 6	243 5	576.7	202.0	745	257	672	272	441	252
	(1 6)		(1 5)		(1.4)		(1.5)		(1.4)	
Beverages and tobacco	103 3	32 9	106 5	37.3	158	54	102	42	70	40
	(0 2)		(0 3)		(0 3)		(0 2)		(0 2)	
Crude materials, inedible oil except	2892 5	922 2	1740 3	609 6	2831	978	3022	1226	2926	1672
fuel	(5 9)		(4.7)		(5 3)		(6.9)		(9 0)	
Mineral fuels, lubricants and	982.5	313 3	1057 5	370.4	1379	476	1022	415	938	5359
related materials	(2 0)		(2.8)		(2.6)		(2.3)		(2.9)	
Animal and vegetable oils,	235 0	74.9	92.3	32.3	143	49	169	69	89	51
waxes and fats	(0 5)		(0.2)		(0.3)		(0.4)		(0.3)	
Chemicals and related products	4127.3	1315.9	3015.8	1056 3	4253	1469	4146	1682	2722	1555
	(8.4)		(8.1)		(8.0)		(9.4)		(8 4)	
Manufactured goods classified	27333.2	8714.8	21376.2	7487.3	30516	10536	23540	9549	17085	9764
chiefly by material	(55.6)		(57.3)		(57.2)		(53.4)		(52.5)	
Leather and leather	2984 9	951.7	2725.0	954.4	3693	1275	3127	1269	2566	1467
manufactures	(6 1)		(7.3)		(6.9)		(7 1)		(7.9)	
Gems and jewellery	8742 9	2787 6	5751.6	2014.6	8839	3052	6750	2738	5247	2999
	(17.8)		(15.4)		(16.6)		(15.3)		(16.1)	
Cotton yarn, fabrics,	3492 0	1113.4	2914.5	1020.8	3929	1356	3203	1299	2100	1200
made-ups, etc	(7 1)		(7.8)		(7.4)		(7 3)		(6.5)	
Capital goods	4465.5	1423 8	3618.1	1267.3	4985	1721	4054	1645	3087	1764
	(9 1)		(9.7)		(9.3)		(9 2)		(9 5)	
Others	1427.6	455.2	852.3	298.5	1294	447	1125	457	971	555
	(2.9)		(2.3)		(2.4)		(2.6)		(3 0)	
Total	49182.4	15681.1	37274.4	13055.9	53351	18421	44042	17865	32553	18604
	(100.0)		(100 0)		(100.0)		(100 0)		(100.0)	

(Figures in brackets are percentages to total)

Notes (1) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Unless otherwise specified, figures in brackets are percentage variations over the comparable previous period.

CEAT

New Joint Ventures

THE flagship company of the RPG group, Ceat has been able to retain its number one position in the car tyres segment even during a period when the tyre industry was saddled with a large idle capacity caused by recession in the automobile industry which led to low offtake of tyres by vehicle manufacturers. But though net sales increased by 5.7 per cent in 1992-93, a comparatively smaller increase in expenses notwithstanding, the company's profitability suffered a setback with operating profit and profit after tax declining by 11 per cent and 17 per cent, respectively. On the export front, the company sold tyres for light commercial vehicles, farm implements and earth-mover loaders and tubeless tyres specially developed for overseas customers, 50 per cent of which were sold in the US and European markets. On the whole exports doubled. Ceat also developed radial tyres for the Maruti Zen.

Research and development efforts have enabled the company to develop metric light commercial radial tyres for export to the US, besides widening the product range, reducing dependence on imports by endusers in view of superior processing and mechanical properties of indigenously developed glass fibres. These apart, Ceat has chalked out a number of projects that will further consolidate its position in the market.

First, in a joint venture with Goodyear Tire and Rubber Company of the US, the company plans to manufacture in Maharashtra radial tyres for passenger cars, light vehicles and trucks, in addition to very large off-the-road (OTR) tyres of conventional construction. Goodyear and Ceat will have 50 per cent stake each in the company and the plant will have an installed capacity of 5,00,000 tyres per annum. Second, Ceat is setting up a joint venture with Associated Motorways in Sri Lanka to manufacture automotive tyres involving an investment of 140 million Sri Lankan rupees. Third, the company is also setting up the country's biggest fibre glass company through an in-house transfer of assets. Ceat's fibre glass division will be transferred to the group's newly acquired company, FGP. Having a capacity of 10,000 tpa, the fibre glass division is the largest in the country so far. The company has plans to set up yet another joint venture in Vietnam

However, if the half yearly results for 1993-94 are any indication, Ceat's full year results are not expected to be that good. This is because its Nashik plant was shut in September 1993 following an indefinite strike by its employees. The plant manufactures all types of tyres for trucks, LCVs, two-wheelers and passenger cars with a daily production of 6,000 tyres. Although Ceat posted a 20 per cent higher turnover of Rs 424.6 crore, net profit fell by 30.2 per cent when compared with that of the corresponding period of 1991-92. The company is selling off its photocopier division as part of its restructuring strategy and its electronics division has been referred to the BIFR

ZUARI AGRO CHEMICALS

Good Response to Agri-Products

Promoted by Birla Gwalior (P) and Armour and Company of the US in 1967 to manufacture fertilisers and allied products, Zuari Agro Chemicals has come a long way. Besides its mainstay, fertilisers, the company has diversified into sugar as well as production and procurement of hybrid seeds. However, its performance over the years has been affected by the government's indecisiveness on fertiliser pricing.

During 1992-93, owing to lower consumption of phosphatic fertilisers, higher imports of DAP and steep rise in prices following the decontrol of fertilisers which affected the working of the indigenous plants, Zuari Agro's turnover, net of excise, declined by 1.6 per cent. However, a check on expenditure enabled the company to improve its profitability. It launched a new grade product (20:20:0:15), a sulphur-enriched NP grade which is widely applicable for a wide variety of crops. Its efforts to market agri-products also received good response with pesticides turnover going up by 42 per cent to Rs 11.7 crore. It has also commenced marketing of Biophos, an environment-friendly product, besides procurement of hybrid/high-yielding seeds of jowar, bajra, sunflower and tomato. An R and D farm and seed testing facility has been established at Hyderabad to promote marketing of seeds.

The company has also diversified into cement and has promoted a new company, Banas Cement, with a capacity of one million tonnes per annum (tpa). Further, apart from an argon recovery and purification plant at its existing plant in Goa, a sugar factory is being set up in Bidar district of Karnataka with a cane crushing capacity of 2,500 tpa. The capacity of the sugar unit is expected to be enhanced to 5,000 tonnes per annum.

During the first half of 1993-94, Zuari Agro posted a turnover of Rs 242.2 crore, up 19.5 per cent from the corresponding period of the previous year. Net profit increased by almost 10 per cent to Rs 6.7 crore.

HOECHST

Widening Products Range

Part of the worldwide German pharmaceutical group, Hoechst AG, Hoechst India is the largest producer of pharmaceuticals in the group outside Germany. Recently, the parent company increased its stake in its subsidiary from 40 per cent to 51 per cent.

Hoechst India, which changed its accounting year from calendar year to financial year in 1988, has seen its profitability dipping since then. Sales too have increased by only 4.5 per cent per annum over the past four years compounded annually. Except for 1989-90 when its profit after tax doubled, in the following years the growth rates in both profit before tax and profit after tax have been steadily declining. In 1992-93, while net sales increased by 8 per cent, profit after tax declined by 35.4 per cent. The company has put the onus of the fall in overall profits during the year on the low volume of exports, high interest costs and decline in other income.

During the year, while the pharmaceutical division's domestic sales recorded a growth of 19 per cent due to the introduction of research products, agro sales grew by 14 per cent. Domestic sales of animal health products also increased by 22 per cent but only a modest growth of 5 per cent was achieved in sales of feed supplements for poultry due to the crisis in the poultry industry.

During the year, the company received industrial licences to manufacture Baralgan Ketone and formulations, glybenclamide and formulations, Roxatidine, Novalgin, Lasiride and Batrafen and their formulations. Letters of intent have also been received for the manufacture of Ramipril and formulations, Tabalon tablets and Tarivil tablets (at Ankleshwar) and Cosavil Syrup and Streptase formulations at Mulund.

In technical collaboration with the Swiss Serum and Vaccine Institute, Hoechst India is introducing an oral typhoid vaccine, containing a special strain of the typhoid bacterium, Salmonella Typhi in live form. It is also introducing Ramipril, a drug meant for the high-risk patient group suffering from myocardial infarction.

During the first six months of the year ended September 1993, Hoechst India recorded a turnover of Rs 177.9 crore and a net profit of Rs 3.1 crore against a turnover of Rs 144.2 crore and profit after tax of Rs 2.6 crore posted in the corresponding half of 1991-92.

SURAT ELECTRICITY BOARD

Capacity Expansion

Surat Electricity Board ended fiscal 1992-93 with a mammoth 10-fold increase in

(Rs lakh)

Financial Indicators	Ceat June 1993	Ceat June 1992	Zuari Agro Chemicals March 1993	Zuari Agro Chemicals March 1992	Hoechst India March 1993	Hoechst India March 1992	Surat Elec Co March 1993	Surat Elec Co March 1992	Hyderabad Industries March 1993	Hyderabad Industries March 1992
Income/appropriations										
1 Net sales	61900	58549	41917	42604	26747	24673	16813	13990	16342	15624
2 Value of production	64470	60335	44867	42460	26479	24342	16813	13990	17228	15058
3 *Total income*	67173	62970	45796	43162	26954	25190	1707[illegible]	11228	17899	15728
4 Raw materials/stores and spares consumed	40713	38436	23894	27373	12870	11241	14510	12578	9782	8438
5 Other manufacturing expenses	3054	1973	5663	4647	4091	5566	2	3	689	646
6 Remuneration to employees	5009	4639	1173	1129	3335	2894	277	246	2275	2173
7 Other expenses	9382	7809	9677	5643	3721	3085	767	574	2679	2602
8 *Operating profit*	9015	10113	5389	4370	2937	2404	1516	827	2474	1869
9 Interest	7222	4897	1742	927	1622	1131	788	593	1459	940
10 *Gross profit*	5636	5071	3702	3575	1345	1162	728	231	1014	935
11 Depreciation	3668	2700	654	658	814	699	386	197	346	354
12 *Profit before tax*	1968	2371	3048	2917	531	463	342	34	668	581
13 Tax provision	0	0	1485	1570	232	0	0	0	103	133
14 *Profit after tax*	1968	2371	1563	1347	299	463	312	34	565	448
15 Dividends	667	620	588	557	192	192	28	23	173	170
16 Retained profit	1301	1751	975	790	107	271	314	11	392	278
Liabilities/assets										
17 Paid up capital	3090	2299	1645	1645	958	958	129	129	717	569
18 Reserves and surplus	24020	17916	8236	7262	10769	10814	2604	2109	6949	5835
19 Long term loans	42212	34319	2937	1391	5602	5408	1142	932	2617	1330
20 Short term loans	19166	14089	8218	7546	3282	2181	1745	2188	3556	1527
21 Of which bank borrowings	13652	6859	5140	5597	2959	1974	813	1036	3461	1445
22 Gross fixed assets	55637	51283	14003	13557	19005	18293	7963	6848	7531	7383
23 Accumulated depreciation	10809	9926	9821	9210	4712	3929	1822	1444	3167	2818
24 Inventories	15184	9204	8650	5668	4859	4431	463	374	6397	5861
25 Total assets/liabilities	110703	85586	25075	26230	24409	23218	11743	10379	20816	17884
Miscellaneous items										
26 Excise duty	13754	13274	0	0	1844	1441	0	0	1870	3262
27 Gross value added	20474	13293	6513	5605	6350	5598	1770	1052	4301	3633
28 Total foreign exchange income	8433	5444	77	20	1207	3077	0	0	229	177
29 Total foreign exchange outgo	24711	16312	6307	69	2569	1472	0	0	3400	2873
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	55.9	68.4	167.2	162.4	109.6	106.3	149.1	139.8	78.5	87.4
31 Sales to total net assets (%)	70.0	85.3	199.3	238.8	129.8	127.4	299.2	261.1	118.1	168.7
32 Gross value added to gross fixed assets (%)	36.8	25.9	46.5	41.3	33.4	30.6	22.2	15.4	57.1	49.2
33 Return on investment (gross profit to total assets) (%)	5.1	5.9	14.8	13.6	5.5	5.0	6.5	2.3	4.9	5.2
34 Gross profit to sales (gross margin) (%)	9.1	8.7	8.8	8.4	5.0	4.7	4.3	1.7	6.2	6.0
35 Operating profit to sales (%)	14.6	17.3	12.9	10.3	11.0	9.7	9.0	5.9	15.1	12.0
36 Profit before tax to sales (%)	3.2	4.0	7.3	6.8	2.0	1.9	2.0	0.2	4.1	3.7
37 Tax provision to profit before tax (%)	0.0	0.0	48.7	53.8	43.7	0.0	0.0	0.0	15.4	22.9
38 Profit after tax to net worth (return on equity) (%)	7.3	11.7	15.8	15.1	2.5	3.9	12.5	1.5	7.4	7.0
39 Dividend (%)	28.0	28.0	42.5	40.0	20.0	20.0	22.0	18.0	30.0	30.0
40 Earning per share (Rs)	6.37	10.31	12.32	10.55	3.12	4.83	265.12	26.36	7.88	7.87
41 Book value per share (Rs)	82.56	79.87	77.51	69.52	76.23	75.11	2118.60	1734.88	95.82	98.26
42 P/E ratio (based on latest and corresponding last year's price)	19.2	7.0	24.4	11.3	200.3	37.2	0.9	85.4	18.1	7.1
43 Debt-equity ratio (adjusted for revaluation) (%)	165.5	186.9	29.7	15.6	76.7	75.2	41.8	41.6	38.1	23.8
44 Short term bank borrowings to inventories (%)	89.9	74.5	59.4	98.7	60.9	44.5	175.6	277.0	54.1	24.7
45 Sundry creditors to sundry debtors (%)	72.4	65.4	70.4	261.6	93.8	128.0	90.1	86.6	51.6	63.3
46 Total remuneration to employees to gross value added (%)	24.5	34.9	18.0	20.1	52.5	51.7	15.6	23.4	52.9	59.8
47 Total remuneration to employees to value of production (%)	7.8	7.7	2.6	2.7	12.6	11.9	1.6	1.8	13.2	14.4
48 Gross fixed assets formation (%)	8.5	2351.4	3.3	5.7	3.9	288.6	16.3	17.8	2.0	789.5
49 Growth in inventories (%)	65.0	37.8	52.6	2.5	9.7	23.9	23.8	50.2	9.1	56.4

profit after tax on a 20 per cent increase in net sales The company has attributed the increase in sales to the increase in fuel adjustment charges and revision of tariff Had it not been for the heavy monsoon and riots, the company's distribution of energy would have been even better The increase in profits did not bring about a commensurate increase in the share of remuneration to employees in gross value added and value of production in fact, the former declined by as much as 7 7 percentage points

To better its performance during 1993-94, Surat Electricity Board has installed new transformers of higher capacity in 44 sub-stations in replacement of old ones and 12 additional transformers were installed in the existing substations, thus taking the total number of substations to 545 Further, a new receiving station near GIDC Katargram having an installed capacity of 15 MVA was commissioned, thus taking the total installed capacity of the company for import of power from GEB to 210 MVA and contract demand to 197 5 MVA The company also proposes to commission an additional 15 MVA transformer One more receiving station with an installed capacity of 15 MVA is proposed to be established in the Udhna-Magdalla area to meet the increasing demand in that area With this, the company's installed capacity is expected to go up by 30 MVA to 240 MVA

During the first six months of 1993 94, Surat Electricity has posted a net profit of Rs 1 6 crore, almost the same as in the corresponding period last year, on a turnover of Rs 102 7 crore as against Rs 84 7 crore in the second half of 1991-92

HYDERABAD INDUSTRIES

Higher Profitability

Hyderabad Industries a C K Birla group company, is a leading manufacturer of asbestos and cement products which are sold under the brand name Charminar' 1992-93 was a mixed year for the company, While sales increased by only 4 6 per cent because of recessionary trends and reduced industrial activity, profitability improved by 26 per cent through cost reduction and optimum utilisation of inputs In terms of volume, while production of asbestos cement products fell to 1 57 703 tonnes from 1 83,076 tonnes in 1991-92, that of mill boards, moulded thermal insulation articles, jointing thermal insulation products (refractories), crushers, screens and pumps were satisfactory The company's heavy engineering division is now planning to add new models of hydraulic excavators to the existing range with technical know how from Mannesmann Demag Baumaschinen of Germany

During the first six months ended September 1993 the company has posted a turnover of Rs 94 crore and a profit after tax of 2 8 crore up 10 7 per cent and 180 per cent, respectively

RAILWAYS

Home Truths about Gauge Conversion

M N Prasad

Diversion of scarce resources to gauge conversion of existing metre gauge and narrow gauge lines, ignoring the pressing needs of real capacity augmentation, is not unlike trying to solve the housing problem by giving priority to replacing existing smaller houses with bigger ones, rather than adding as many new houses as possible.

IN the railway budget for 1994-95, presented in parliament on February 24, the main thrust is on pushing ahead with the so-called 'Project Unigauge', the ambitious scheme of large-scale gauge conversion, launched by the railway minister two years ago. Neither the resource constraints nor the deteriorating financial and operating performance of Indian railways (IR), which is largely attributable to its lopsided investment priorities, has deterred the ministry from the relentless pursuit of the same for the third year running. On the other hand, there has been a conscious effort to make believe that all is well with the railways and that the overriding priority given to gauge conversion (GC) is about the best thing that has happened to IR since independence.

Introducing the budget, the minister stated on the floor of the house that "the project 'Unigauge' has been widely acclaimed and has received all-round support and encouragement". In saying so, he has, for obvious reasons, suppressed the fact that no less a body than parliament's own Standing Committee for Railways had sharply criticised the ministry, as recently as in December 1993, for the undue priority given to GC, without proper appraisal of its benefits and at the cost of neglecting other vital areas of development, both infrastructure and rolling stock.

IR's corporate mission, which is supposed to be the guiding principle for all its planning, is "to be a modern railway system, with sufficient capacity to meet the country's transport needs, both for passenger and freight traffic, based on an optimum intermodal mix, and to provide this transportation at the least cost to the society, while maintaining the financial viability of the system". But, of late, there has been a glaring lack of concern in the ministry for the vital aspects of 'sufficiency of capacity' and 'economy in cost to the society'. Even 'financial viability' is being maintained only through steep yearly increases in passenger fares and freight rates, or by cutting down investments in vital areas. The same trend is discernible in the latest budget, except for a sudden stepping down of hikes in fares and freight to levels even lower than the yearly escalation of input costs.

This has apparently been done for popularity sake, but at the cost of the following: (i) A drastic reduction in procurement of rolling stock, especially passenger coaches, instead of stepping up the same to achieve a healthy growth of traffic. (For 1994-95, the targets proposed are only 1,600 coaches, inclusive of EMUs, 18,000 wagons and 135 diesel locos, as against the average of 2,503 coaches, 23,065 wagons and 165 diesel locos achieved during the last two years.), (ii) The proportionate outlays on new lines, doublings and other traffic facilities, all of which are more cost-effective than GC in the matter of capacity augmentation, have been reduced still further, (iii) The yearly contribution to Depreciation Reserve Fund (DRF), which bears the cost of replacements and renewals of all assets, has been cut by Rs 300 crore, for the second successive year, reversing the healthy convention established early in the Seventh Plan. In the light of these realities, it is beyond comprehension what the minister meant by assuring parliament that "whatever resources the Indian railways mobilise will be used in an optimal manner and every rupee spent would be on need-based plan activity". Obviously, this assurance cannot be taken at face value, unless it is to be presumed that the sole mission of IR is to speed up GC.

As for the pros and cons of the 'Unigauge' programme, its main strength lies in the tremendous popular appeal it commands in that, once an MG section is converted to BG, people would be able to travel faster, with the added possibility of reaching several major destinations like Bombay, Calcutta and Delhi without changing trains *en route*. There is also a notion that BG will help usher in economic development of backward areas through freer and faster movement of goods, especially critical materials like coal, steel and cement needed for industrialisation, without the hassles of break-of-gauge transhipment. But, in reality, the materialisation of industrial growth will depend on several other factors as well, which can only be appraised through proper techno-economic studies. There are many parts of the country which continue to be backward, although served by BG lines from the very beginning. This is also the case with sections like Bangalore-Guntakal and Barabanki-Samastipur-Katihar where GC had been carried out over 10 years ago. On the other hand, there are some regions like south Tamil Nadu and parts of Gujarat which developed industrially even though served by MG lines. As a matter of fact, certain foreign countries, including the whole of south-east Asia and even some developed countries like Japan and part of Australia, are served exclusively by MG railway systems (except for the new high-speed lines of Japan which are meant for fast inter-city passenger traffic).

Another advantage of GC, which its protagonists often claim, is that it will open up alternative BG routes that will help relieve the existing saturated routes, thereby reducing the need for doubling of such routes. But, in reality, only very few of the MG and NG lines sanctioned for GC under the 'Unigauge' programme are so located as to serve as viable alternatives to the saturated routes. And even these few will not afford any appreciable relief to the saturated routes because they would only be single lines where movements are comparatively slow and there would only be very limited spare capacity for moving additional freight traffic, after meeting the needs of traffic on the erstwhile MG route. This is amply borne out by the experience on most of the converted routes, like the two mentioned in the last paragraph. If at all any of these is really to be developed into alternative routes for major traffic flows, they would first have to be doubled, to generate additional capacity and to ensure free flow of freight traffic. Cutting down on doublings and proliferation of BG single lines through GC, as is presently being done, will not be of much help for capacity augmentation.

On the negative side, the main drawbacks of the present 'Unigauge' programme are the following: (i) As a means of generating additional capacity, GC is far less cost-effective than new lines and doubling, since the net increase in capacity is only the difference between the capacity of the existing MG and the proposed BG, whereas the cost of GC is nearly 75 per cent of that of construction of a new line. (ii) In order to

maximise the progress of GC with the available resources, a 20 per cent reduction in the initial cost of GC is presently being achieved by deferring certain essential works like raising of platforms and provision of foot-overbridges to connect them and even strengthening or rebuilding of some bridges to suit BG standards. IR will find it extremely difficult to clear the accumulated backlog of such works at a later date, when faced with public outcry against lack of facilities or with bridges developing signs of distress. (iii) Proliferation of GC and drastic cutting down of doubling is bound to affect the pace of railway electrification in the near future, because the minimum traffic density needed to justify the heavy initial cost of RE cannot be carried by any of the BG single lines created through GC. Normally, RE can only be justified economically on routes laid with double or multiple lines. (iv) GC works carried out for development of backward regions are not likely to generate any significant additional traffic in the near future. Hence, the capital sunk on such projects will remain a dead investment for many years, entailing additional burden on IR in terms of dividend or interest liabilities. This, in turn, would have to be passed on to the users through steeper hikes in fares and freight rates. (v) As part of the logistics of doing GC projects on a crash programme, instead of the conventional method of spreading it over several years, the MG sections which are to be converted to BG are being closed down for about three months, or even longer, before being reopened as BG. This entails considerable loss of revenue to the railways and serious inconvenience to the users. (vi) The near-10-fold acceleration of the pace of GC, without a matching back-up in procurement of BG rolling stock, has resulted in large-scale diversion of available BG coaches, wagons and locomotives to operate services on the converted routes. This has greatly aggravated the shortage of BG rolling stock, while MG rolling stock is being rendered surplus and offered for export. (vii) With the deteriorating finances of IR, achieving a yearly progress of 1,600 km of GC, or even a total of 6,000 km during the plan period, has meant slowing-down of real capacity augmentation, including the much-needed additions to rolling stock. This, in turn, would impair the growth of traffic from year to year, affecting IR's finances very adversely. (viii) Even assuming that the targeted progress of 12,000 km of GC is achieved by the end of the Ninth Plan (which is highly improbable, considering IR's deteriorating financial health) there will still be about 15,000 km of MG and NG routes left in the country. In other words, the dream of 'Unigauge' would still remain unfulfilled, unless it is decided to close down these routes, which is easier said than done. (ix) The way GC is presently being executed, the MG system, which was a well-knit countrywide network until 1992, is fast getting reduced to a shambles. This will mean a steep decline in the quality of services available to the hapless people on the residual MG system. This would further be compounded by problems of safe maintenance of rolling stock and relief measures in case of accidents, on those MG sections which get isolated as a result of GC.

Unfortunately, the champions of the 'Unigauge' programme seem to have been conveniently shutting their eyes to these hard realities and painting a rosy picture, extolling the virtues of an all-BG railway system, the materialisation of which is itself an unlikely prospect. All that may actually be achieved would be to extend the facility of BG travel to the people of some favoured areas enjoying political patronage. In the bargain, the finances of IR would have been subjected to irreparable damage.

The manner in which the high-flown idea of 'Unigauge' was initially sold to the prime minister, in order to secure his support to the grandiose scheme and thus pre-empt any opposition from other quarters, especially the Planning Commission and the finance ministry, reminds one of the well known fable of 'the Emperor's New Clothes', a classic example of make-believe, where everyone, from the monarch down to the man in the street, was taken for a ride, at least for a while.

'Unigauge' enthusiasts have also tried to add a touch of patriotic fervour by misleading the people to believe that the bane of multiple gauges was the wanton creation of the British rulers. But the real fact is that, according to the original policy for railway construction in India, as formulated by the then governor-general, Lord Dalhousie, only Broad Gauge was to be adopted in India and "the evils of having two gauges, as had erroneously been permitted in the UK, should be avoided". This policy was strictly adhered to for the first 20 years of railway construction in this country. It was only in 1870 that the then GG, Lord Mayo, recommended the adoption of Metre Gauge as a cheaper alternative for those branch and feeder lines which could not justify the heavy investment on BG. This dispensation was mainly intended to facilitate provision of rail communication in sparsely populated and backward regions which could not otherwise have had any railway at all. It also enabled several princely states to have railway systems of their own, at a cost they could afford. But it was only after independence that a major effort was made to unify the entire MG system into one vast network, with interchange and transhipment facilities at junctions with BG. And now, under the guise of 'project Unigauge' the same MG system is being broken up, with the promise of its total elimination which may never materialise.

Another interesting, but little known fact of IR's history is that, in the year 1971, the then railway minister had launched a similar programme of GC, covering 4,000 km, with the almost identical objective of "doing away with the uneconomic drag of multiple gauges". But it was soon realised that GC could only be done at a modest pace if other more pressing needs of capacity augmentation and rehabilitation were to be met concurrently. Based on detailed studies carried out, it was finally decided that GC should only be done selectively, where the traffic density was heavy or transhipment at break-of-gauge points caused severe bottlenecks. It was also decided to upgrade other important MG routes to enable faster passenger trains (90 to 100 km/h) and heavier freight wagons to be run. Consequently, while presenting the budget for 1981-82, the then railway minister had informed the house that "despite the obvious advantages of an uniform gauge, the massive input of resources is a luxury which a developing country like ours, with perennial constraint on resources, can ill afford at this stage". Between 1981 and now, the resource position has only worsened, accompanied by widening of the gap between traffic demand and carrying capacity. What then has brought about the sudden reversal of approach to GC from 1992? It is basically a change in outlook and philosophy. Earlier, it was a case of 'discretion is the better part of valour'; now it seems to be 'valour without discretion'.

Since parliament is a political institution, one should not be surprised if the investment proposals contained in the railway budget for 1994-95 are finally voted as it is, regardless of whatever may be the adverse implications thereof or whatever the Standing Committee for Railways may have had to say in the matter. But wholesale gauge conversion, as is presently being attempted, with the professed objective of removing inter-regional disparities and ushering in economic development of backward areas hitherto served by MG and NG lines, is analogous to upgrading all roads in the country to national or state highway standard, in the hope that they will form alternatives to the existing national and state highways which are saturated and will help bring about uniform economic development of even the remotest parts. Diversion of scarce resources to GC of existing MG and NG lines, ignoring the pressing needs of real capacity augmentation, is also not unlike trying to solve the housing problem by giving priority to replacing existing smaller houses with bigger ones, rather than adding as many new houses as possible.

Changing Peasant Struggle

Amaresh Misra

One of the main themes of the mass peasant rally in Patna on March 18 organised by the CPI(ML) was the revival of the JP movement on a new basis under a Left leadership.

THE flaming fields of Bihar are in news once again. Two recent widely reported incidents have brought home the fact that the peasant movement which began on the issues of the most depressed sections of the landless has now caught the imagination of the wider masses in the Bihari society.

The first incident of the police firing on CPI(ML) activists in Sahar, Bhojpur which left seven dead occurred following a stand-off between CPI(ML) activists and the police when the former were gheraoing the local Congress MLA from the region and demanding that the said figure announce publicly her assets both before and after becoming the MLA. The CPI(ML) has launched this drive all over Bihar as part of a mass programme of democratic awakening which includes making the legislatures accountable to the people extending to the right to recall. The drive in itself is both a novelty and contentious in the charged atmosphere of Bihar where capturing political office is an accepted means for money accumulation and legislatures are notorious for their aggrandising methods.

The stand-off left seven dead and several injured but during the struggle with the police, the majority of the village and large sections from the surrounding areas came out spontaneously on the side of the protesters. Not only in Bihar but in UP also the incident was noted for its element of mass militancy and upsurge—the Delhi-UP based Hindi daily the *Rashtriya Sahara*, a right wing mouth piece wrote an editorial terming the incident as being "without precedence". It also went on to warn that mass involvement of this kind are a prelude to a gathering revolutionary storm and cited the one lakh plus turn out at the March 18 rally in this regard. It went on to warn in its own language that the governments of the day could ignore this event only at their peril as the peasant movement in Bihar had now taken on a mass political dimension.

Occurring in succession, the two events have once again focused attention on the tremendous potential of the Bihar peasant struggle which had dimmed following the coming to power of Laloo Yadav and the new social equation it fostered. The IPF-CPI(ML) had suffered a series of reversals in the 1991 parliamentary polls and thereafter Laloo Yadav had succeeded in driving a wedge in its legislative wing by weaning away a few MLAs. At the same time the media had started publishing reports about the rise of other ML groups like MCC in Bihar and the marginalisation of the CPI(ML). Yet, even when the party was facing rough weather during the height of the Mandal polarisation the predominantly poor peasant base of the party had remained intact. What is more, the dynamics of the CPI(ML) was not based on the permutations and combinations of parliamentary politics which guided the perceived split in its legislative ranks. The very contradiction on which the movement was based—that between entrenched feudal survivals and the wide masses of the peasantry—was a real one and kept it alive even when Laloo was riding high.

At the same time, the contradiction had crossed the earlier stage of isolated actions and was demanding a larger resolution based on political assertion and mass movement. In this, the old practices of formations like the MCC were clearly out of date: they could go on like this for many years but in a phase when an organised political force of the same social base was emerging their role could either be for or against it. The MCC chose to strike out on its own but was caught in the objective struggle between the political establishment and the CPI(ML) ultimately serving the interests of the Bihar chief minister in his bid to counter the CPI(ML) threat. At present, the MCC for all its militancy stands discredited in the eyes of democratic opinion for training its guns on the CPI(ML) instead of the landlords—a turnabout which perhaps lay in its very semi-anarchist political line of eschewing mass-political activity in favour of an absolute insistence on armed actions.

These threats however were countered by the CPI(ML). Cadres were restrained from counter attacking the MCC and its challenge was sought to be met politically. The party intensified land struggles and took even its armed dimensions to new mass-political heights. The blend of parliamentary and extra-parliamentary means with primary emphasis on the latter paid rich dividends and the growing public disillusionment with the present Bihar regime gave the CPI (ML) a new context to finally emerge against its principal adversary.

Here three broad and fresh tendencies were instrumental to a large degree. Firstly, as in a number of recent anti-Laloo caste rallies of mainly the non-yadav backward castes other depressed sections, a growing alienation of these forces from the Laloo regime is increasingly becoming visible. Secondly, many adherents of the erstwhile JP movement on the legacy of which the Bihar chief minister actually rode to power are also voicing their disenchantment and this feeling is being echoed by general democratic sections as well. Thirdly in the highly politicised environment of Bihar there is a growing demand for a state power which is more responsive to public needs. At all these three levels, the failure of Laloo Yadav is apparent—he has not succeeded in offering anything substantial to the poor by way of land reforms, etc, while failing far short of appeasing the middle classes. On the economic front, despite all its mineral wealth and resources, Bihar remains plagued by chronic lack of industrial development and all other evils of economic backwardness. There was hope among a section of the intelligentsia that Laloo's accession would see the rise of the more entrepreneurial backward classes and speedup development. But this turned out to be an illusion—the backward power groups that rose under the JD proved to be as capricious as their upper castes counterparts following the tradition of frittering away surpluses and resources in unproductive channels. Moreover, culturally these forces, instead of undermining the brahminical order and the larger *status quo* have proved to be the vehicle of a new brahminism of sorts seen eloquently in the Bihar chief minister's open advocacy of the Ashwamedha Yagya in Patna.

What is more, within the dominant caste configuration the most depressed remain unrepresented while their aspirations are aroused. This is perhaps the logical outcome of caste-based mobilisation which ultimately splits up along its very line of unity. But the very rise of new power groups and the conditions generated in the interregnum are also being reflected in the enhanced class democratic consciousness of the people in general and the deprived sections in particular. Such developments are furthering demands and creating an objective basis for a wider social change which are outside the limits of the existing framework of the Bihar government.

It is against such a backdrop that the land struggle unleashed by the CPI(ML) is acquiring the dimension of a wider struggle for social change, modernisation and democratisation in Bihar. Its new political dimension is evident from the fact of the March 18 rally virtually 'appropriated' the old JP plank of social revolution of the 70s in the changed context of the 90s—one of its major theme was the revival of the JP up-

surge on a new basis under the leadership of the left. The rally declared Laloo Yadav as the 'illegitimate' product of the 70s movement and projected the CPI(ML) struggle and the social forces unleashed by it as its true legatee. According to this logic the JP impulse failed because it could not link itself to the most oppressed sections of the populace which constitute the radical base for a genuine programme of social change.

Quite unsurprisingly, this argument is finding ready takers in Bihar and among democratic forces. At least in Bihar the anti-feudal struggle in the villages is becoming the converging point of a larger democratic urge also—the movement thus possesses tremendous potential in view of further socio-political change not only in Bihar but the country as a whole.

Alarmed by this trend, the Bihar government has unleashed a reign of terror and the Bhojpur killings perhaps indicated an evolving approach. Such methods however are not taking into account the changed situation which is forcing other left parties who normally shun joint activities to participate in common programmes. The Bihar bandh of the CPI(ML) called to protest against the Bhojpur killings was supported by CPI and CPI(M) and on this basis the CPI(ML) has given a strategic political call for an alternative left government in the state. This is being projected as a fresh concept of left unity based on the heat and strength generated by grass roots struggles finding their way to mainstream politics different in many respects from the primarily government-centred West Bengal model of left unity.

The lessons of this Bihar experiment cannot be exaggerated especially at a juncture when the Dunkel issue is creating the context for a widespread movement against the growing imperialist penetration. It is becoming clear that opposition to the Dunkel Draft cannot proceed along old lines—for a long-term sustenance it sooner or later will have to link itself with an impulse for a wider socio-economic change. In many respects therefore, despite appearing in terms of representing a general national issue, opposition to the Dunkel Draft is also very much a class directed issue and is related more to an alternative path of development than to opposing certain strictures of imperialism. As such the role of the left will be crucial in determining its outcome and here the flame ignited in Bihar will probably play a decisive role.

State and New Liberal Agenda in India

Gurpreet Mahajan
Sudha Pai
Niraja G Jayal

Two types of questions emerged from the discussions in a recent seminar on the neoliberal agenda in India: (1) What kind of political institutions are required by an economically liberalising multi-religious and multi-cultural society like India? (2) Can the political theory of neoliberalism retain an emphasis on redistributive and welfare goals?

INTELLECTUAL and political debates since the 1980s have focused on the increasing inability of the state to manage the economy and to respond democratically to pluralist pressures. These discussions of state capacity, in the face of growing economic and political crises, have brought into question the validity of the Nehruvian model of development that has underlain state policy and action for much of India's post-independence history. Every major element of this model has been jeopardised or challenged: a liberal democratic pluralist polity, industrialisation-linked development, a mixed economy, and an interventionist secular state have been critiqued from a variety of perspectives, including the Gandhian socialist and the environmentalist. The most effectuated critique, of course, has come from within the establishment itself, viz, from the official proponents of greater marketisation. This project takes as its point of departure the poor performance of the public sector, the large and recurring budgetary deficits, the declining growth rate and the breakdown of centralised planning.

The shift in governmental thinking and the strategies of development and planning have come at a time when we are also witnessing the resurgence of communal politics and the spread of separatist and ethnic movements. These challenges to the nation-state and the notion of secularism have, at the theoretical and analytical plane, been accompanied by attempts to legitimise communitarian ethics and politics. While some social scientists argue that principles of liberalism and secularism are alien to, and conflict with, the essence of Indian culture and society, others maintain that the predicament of the Indian nation-state is a reflection of the malaise of modernity.

Although the points of departure are many, almost all of them suggest a new political agenda for the Indian state: one that entails a redefinition of its underlying liberal principles, or, at least, a critical dialogue with the inherited tradition of liberalism.

The Centre for Political Studies, Jawaharlal Nehru University, convened a seminar titled 'Explaining Indian Politics: The State and the New Liberal Agenda' on January 19-21, 1994 to debate these issues. The seminar addressed itself to the changes that have occurred in the economic ideological spheres, and their implications for the Indian polity. It sought to consider whether these constituted a decisive shift to the right. Since similar and almost concurrent ideological and economic changes in the western world—e g, Thatcherism and Reaganism—have been characterised as a shift to the right, the seminar examined whether the Indian experience warranted the same characterisation; also, whether changes in India could be seen as part of a universal trend towards neoliberalism. In particular, it reflected upon the implications of the new agenda for the welfare state, and the possible ways in which questions of equity and justice could be addressed in our society.

Cultural and Ideological Right

The increasing communalisation of politics and society has been a major concern for analysts of Indian politics. The seminar shared this concern by reflecting upon the nature and practice of communalism and identity politics, and the viability of secularism in the Indian context. Discussion of these questions was prefaced by analyses of the concept of 'the right'. Initiating this discussion, Gurpreet Mahajan argued that while rejecting an essentialist definition of a concept, we need, nevertheless, to identify attributes which have, over time, been associated with particular usages of the concept. Since concepts discursively limit the reality they can absorb, we need to specify elements in terms of which certain kinds of realities can be appropriately covered and represented by a concept. Informed with this methodological understanding, she argued that the concept of the right has two regnant attributes: (a) support for free enterprise; and (b) emphasis upon tradition and cultural bonds in the life of the individual and the nation. Over time, conceptions of the right have evoked either or both of these attributes. In the 20th century, an emphasis upon the former has been the distinguishing attribute of what might be called the 'economic' right, while centrality to the latter has characterised the 'cultural' or the 'ideological' right. The economic right does not, it must be noted, advocate social conservatism; in fact, by granting primacy to the individual, it frequently questions the basis and value of collectivist and communitarian ways of life. The cultural right has, however, been associated with social conservatism, even at times favouring xenophobic nationalism, elitism and racism. In the Indian context, the 'cultural right' has been a vehicle for protecting and

promoting community (defined usually in religious terms) interests.

Focusing on the RSS, through an analysis of its paper *Organiser*, Mahajan argued that the RSS could be characterised as nationalist-communalist: its rabid patriotism being manifest in its opposition to foreign capital (MNCs in particular), strengthening of the defence forces, protection of territorial integrity and designation of movements against the centre as secessionist; and communalism in its politics of 'friend and foe'.

Kiran Saxena maintained that the "amorphous and multifaceted nature of right politics" defies the use of a "single yardstick"; moreover, 'conservatism' and 'progressivism' associated with the right and the left, respectively, are "situational". Tracing the development of right-wing politics and organisations from the colonial period to the present, Saxena argued that the structure of right-wing politics could not be isolated from "capitalist development" and the "unfinished renaissance" in India. The latter was confined to the middle classes; besides, it was initiated by a foreign agency which was responsible for the economic misery and cultural subjugation of the large mass of the people. Consequently, resistance to the British on the cultural plane took the form of "an uncritical admiration of the past". In the politics of the extremists, a "strong anti-imperialist fervour was coupled with a strong dose of Hinduism". This helped, once again, to mobilise the upper caste Hindus. At the time of independence, the "mainstream right-wing within Congress" rejected the idea of a theocratic Hindu state, and it did not share the "communal approach of Hindu nationalism". The "extreme right-wing Hindu communal politics" evident today is, therefore, different from liberal right-wing politics. If anything, it is rooted in "the anti-liberal, anti-democratic Hindu communalism as crystallised in the Hindu Mahasabha."

Reflecting on the recent popularity of the BJP, Saxena said that the party is helped by the many fronts of the RSS. Zoya Hasan also saw the influence and success of the BJP as a consequence of the communalisation of politics. Referring specifically to recent political developments in UP, she maintained that the "politics of identity" has taken over the space previously occupied by the "politics of social transformation". This shift has been assisted by fissures within the Congress Party and the appeal of the VHP's programme for the traditional Hindu-upper caste, which constitutes almost 40 per cent of the electorate in the state. The failure of the Congress to concede the Muslim demand for the restoration of status quo in Ayodhya has also contributed to the decline of the party.

Yogendra Yadav endorsed the view that the 'poor' performance of the BJP in the 1993 assembly elections was not a sufficient indicator of the erosion of its political influence. The results should not be interpreted as a vote "against communalism". Despite its inability to win a majority of the seats in individual states, the BJP had won more seats in this election than any other party; and it remained a party with the largest percentage share of votes in the states of north India. Moreover, it had actually managed to expand its support in new areas, such as north Rajasthan and west UP, and among social groups like Sikhs in Rajasthan and Delhi, and jats in UP. Hence, its defeat was "more symbolic and notional, than substantive".

According to Yadav, the BJP faces two challenges today: first, to decisively re-occupy the discursive space of Hindu nationalism—its ideology, images and symbols—which is no longer a suspect ideological programme; and second, to express the aspirations of the dalits, backwards, tribals and the poor in general. A "stapling" of social concerns to its core ideology is, Yadav argued, not enough: a "thick ideological fusion" of these is necessary if the BJP's bid for power is to come to fruition.

Ashis Nandy emphasised the distinction between the communalisation of politics and communal violence. Referring only to the latter, he pointed out that incidents of communal riots had increased almost six-fold between 1954 and 1985, while the annual casualties in these riots had increased ten-fold. However, these incidents were concentrated only in six states while 10 others were virtually free of riots. Comparing the total number of homicides in a north American metropolitan city with people killed in communal violence in India, he argued, that there was an "over-concern" with the latter. Against those who claim that "communalism as an ideology is the ultimate source of communal riots", he noted that "as modernisation and secularisation of India has progressed, communal violence too has increased". Most religious and ethnic riots are concentrated in cities and industrial areas where modern values are more conspicuous and dominant, and money, politics and organised interests play an important part in them.

Explaining why riots are concentrated in cities which have a larger proportion of Muslims, he suggested that these happen to be areas where Muslims have either been able to take advantage of competitive democratic politics to assert their rights, or, else, where there is a sizeable number of unemployed Muslim youth. In the former, it is easy to use the stereotype of socio-economically aggressive ethnic groups, while in the latter, fear against urban crime tends to feed into communal politics.

More generally, Nandy maintained that the self-interest of competitive political parties and the concept of the nation-state have contributed heavily to the growth of communal hostilities in the country. Nivedita Menon expressed agreement with Nandy's insight that both communalism and secularism share the same discursive space of post-enlightenment rationality and the ideology of the nation-state. The project of the nation-state coincided, in her view, with the secularist attempt to privilege the identity of the citizen while simultaneously disavowing all other loci of identities. Radical democratic politics must reflect on the fact that the homogeneous subject constructed by the discourse of secularism fits well with the needs of "a highly centralised", "capital intensive" and "high technology" based capitalist development. The left and democratic forces in India are, she argued, caught in a dilemma where, as advocates of secularism, they want to banish religion from the public arena, while for social reform, they seek active intervention by the state.

Rajeev Bhargava, on the other hand, argued that there *is* place for secularism in India, and that secularism can be defended even in a society of believers. Distinguishing between ethical and political secularism, he maintained that the former might appear unsuitable for India, but the latter, interpreted as "exclusion or principled distance", would not be seen as threatening by the believer. Besides, it is not a culturally specific doctrine. There may, however, be one serious objection to the doctrine of political secularism: namely, that it depends upon a low degree of community which is not sufficient for a "healthy" society. Hence, it would at best be a "stop-gap" arrangement.

While participants generally endorsed the view that the politics of identity continued to prevail in northern India and that the influence of BJP was not declining in this region, some maintained that recent developments suggest that, as a party, the BJP may not eventually be significantly different from the Congress, and also that it may not pose a serious threat to the principles enshrined in the Indian Constitution. In this context, S K Chaube emphasised the need to differentiate between various forms of identity and their evolution over time. Bishnu Mohapatra raised the question of the relationship between the cultural and economic right in India. In contemporary India, he considered it important to examine the way in which the cultural right is trying to structure society, and asked whether we should allow questions of identity and religion to be appropriated by the right. Expressing reservations about the characterisation of the cultural right in India as "nationalist", Bhambhri wondered whether there was a 'left' version of nationalism. Madhavan Palat reminded us that we might learn from the experience of other countries. The difficulties with the proposed characterisation of the right arise because we in India see nationalism as a progressive policy of integration. However, in Soviet Russia, nationalism was the source of decisiveness and disintegration. Alok Rai queried the distinction between communalism as an ideology and communal violence. The fact that there are, as Nandy had argued, more homicides

in the US than people killed in communal violence in India, does not mitigate the potential for violence that is contained in communalism. Besides, were murders and killings the only actions that need to be condemned on moral and ethical grounds? The question that surfaced in discussion was—'On what grounds can a communal ideology and politics be defened?' Neither the problems inherent in the idea of secularism nor the analytical distinction between communal ideology and violence was, it was felt, sufficient for defending the former.

Political Economy of Neoliberalism

The discussion on the political economy of neoliberalism was initiated by Y K Alagh, in his keynote address. Alagh argued that the new liberal agenda has a definite ideological content inasmuch as it seeks to protect private property and provide for the rule of law. Its major objectives have been to internationalise the economy, generate employment, abolish controls, reduce tariffs, and sustain a rapid pace of economic growth. However, he advised a cautious approach which does not treat neoliberalism as a universal agenda for restructuring. Globalisation, he argued, should be an open agenda that can provide space for community initiative and action at the local level. Given the established relationship of communities to natural resources such as land and water, for instance, the environmental aspects of economic development have to be handled at the community level. Thus, community efforts and decentralised markets have, in his view, a distinctive role to play even in the new liberal order.

In the Indian context, the new liberal agenda, particularly policies of economic liberalisation, has been seen as a significant departure from, if not a decisive break with, the social-democratic approach of the Nehruvian model. Sarah Joseph contested this argument, pointing to the continuity of goals in the two programmes: both uphold the modernising goals for Indian society and rely on capitalist and liberal-democratic institutions to achieve them. Both also reserve a crucial role for the state in the process, though the mode of state regulation may be somewhat different. While the contemporary debate has focused on deregulation and privatisation *per se*, the more worrisome aspect, for Sarah Joseph, is the subtle changes being brought about in notions of democracy, justice and welfare, where citizens' empowerment in the new context means "preparing them for competing effectively in the market". Marketisation, she fears, would remove some decisions from the political arena and thus reduce the scope for political pressures on the state. This would occur despite the emphasis on 'good governance' placed by the World Bank.

G Haragopal stated that the present agenda is neither new nor liberal. Using an historical approach, he argued that the term 'liberal' carries different connotations in postcolonial societies. In the west, liberalism, associated with the industrial revolution, opened up debates on "individual initiatives" in the political and social spheres. In India, colonialism led to the establishment of coercive state instruments of extraction and not development, and the freedom movement and independence failed to transform this. Up to the mid-1960s, the Nehruvian model of consensus held together a multi-class alliance without introducing structural changes. It is the inability of the state to fulfil the promise of redistributive social justice, and the rising discontent of the masses who had hoped for radical change, which underlies the increasing levels of state repression. The new liberal agenda is the outcome of economic collapse and the resulting policies of structural adjustment. This has led to loss of political sovereignty and increased economic dependency. In such a situation, Haragopal argued, democracy cannot exist, and this has serious implications for human rights in India. The new "brutal path of development" hence combines a liberal market economy with an authoritarian fascist polity.

In another discussion of the impact of the new liberal agenda on democratic rights, Aswini K Ray posited a "direct positive correlationship over time" between the nature of the Indian state, its linkage with the global order, and the relative salience of coercion in domestic conflict resolution. The less the leverage of the state within the global order, the greater, he argued, has been the degree of repression in domestic politics, and vice versa. State sovereignty can thus be judged by its resistance to external influences in domestic policy-making, on the one hand, and its ability to assert independent policies in international relations, on the other. Within this perspective, we can assess the possible implications of the neoliberal agenda on the democratic right of citizens in a postcolonial democracy like India. If the conditionalities of globalisation constrain the domestic and foreign policy options of the Indian state, then it follows, as a logical corollary of this framework, that the salience of coercion in domestic policies could be greater, negatively affecting democratic rights.

Kuldeep Mathur addressed the inability of the new liberal agenda to provide a solution to the economic and political crisis. Neoliberal theory, he argued, fails to capture the complexities of state failures and market failures in third world societies and presumes that its prescription of debureaucratisation has universal application. In the Indian context, he argued, it is necessary to go beyond the polar opposites of the market and centralised bureaucracy to a third alternative, namely, voluntary organisations. Reducing state interventionism provides political and institutional space to work out these alternatives. Since neoliberalism is known more for efficiency than for a distributional thrust, the state must continue to play an active role. The government must create conditions to support and protect these organisations through creating legal and contractual mechanisms to help sustain them. In the Indian situation, marked by weak markets and ineffective bureaucracy, Mathur felt, these would be viable alternatives.

The question of reform of the vast public sector apparatus has been a key issue in the debate on changeover to a market-oriented economy. Arun Kumar's paper argued that the public sector has played a substantial role in the industrialisation of the economy and in fact provided the base for the further growth of the private sector. Weakening of the public sector by elimination of budgetary support, divestiture of its equity and giving it a marginal role in the economy, jeopardises not only the goals of development but also of equity. It would also, over time, undermine India's relatively autonomous industrial base which has been a major achievement since independence. Recent policy changes in the public sector are reflective, in his view, of the "sub-optimality" of the ruling classes as well as the assertiveness of international capital. He questioned whether privatisation would resolve the current economic problems and felt that the public sector should be reformed to make it more efficient.

Focusing upon the economic aspects of the shift, Sudha Pai argued that the main impact of liberalisation of industrial policy has been a shift from developmentalism based on the strategy of growth with justice towards an elite-oriented model of growth. The role of the state is being redefined and the new instruments of intervention, in the industrial sphere, would be located primarily in the fiscal and monetary sectors. The role of the state in the market economy of the future would be two-fold: streamlining and improving the efficiency, competitiveness and "financial health" of the system, and reorienting subsidies and support-structures towards the really "needy", preventing "leakages" to those who do not need them. Thus the new liberal state attempts to combine market efficiency with state welfarism.

Against the background of the implications of GATT and the Dunkel Draft for Indian agriculture, Muzaffar Assadi's paper examined new agrarian movements in the specific context of Karnataka. Earlier, farmers' movements were directed against specific economic issues such as remunerative prices, subsidies, etc, given by the state. Today, due to external pressures, larger questions such as the entry of foreign companies and protection of farmers' rights by the state have emerged.

The possible threats to national sovereignty posed by globalisation and integra-

tion into the world capitalist system were the underlying concern of two papers. C P Bhambhri made a strong plea for defending the nation-state and Rakesh Gupta felt that the issue of security would remain paramount even in the changing international scenario. Bhambhri pointed out that while the state played a key role during the period of modernisation in Europe, today it is under assault in postindustrial capitalist societies. The end of the cold war provided an opportunity for issues embedded in civil society such as ethnicity, ecology, human rights, gender, etc, to emerge. At the global level, third world countries face political, economic and ideological pressures to conform to these new ideas. He cautioned against the western postmodernist emphasis on the autonomy of civil society, as the Indian state is the product of third world anticolonial nationalist movements, and any analysis of Indian problems must focus upon internal contradictions.

Analysing the current phase of globalisation, Rakesh Gupta argued that, despite the neoliberal agenda and the trend towards economic integration, security issues will dominate the relations of states in the coming decade. He disagreed with the interpretation of the present "unipolar moment" as representing the "enlarged possibilities...of a world of peace based on capitalism", reinforcing mutuality and stability rather than national security and conflict. In his view, contemporary trends—including the instability of the multi-polar world, nuclearisation in Europe and Asia, military doctrines emerging in Russia, China and Japan, SAARC's incapacity and ASEAN's fledgling attempts to discuss security, and the ethnic blood bath in Bosnia, etc—will continue to be preponderant in the international system, despite the greater attention given to women's rights, ecology and self-determination. When the contradictions of the unipolar moment have been exposed, "new great powers will replay the games that the nations have continued to play in history".

On the more general question of the nature and characterisation of the new liberal agenda, most of the participants maintained that in India, policies of liberalisation would not necessarily imply the 'rolling back' of the state. What is more likely is that the role of the state would change: it would now intervene in different sectors and attempt to regulate rather than actively participate in the economy. Its envisaged task would be to create opportunities in which markets and investments would grow. Since this would necessarily imply alterations in the priorities and commitments of the state, it was felt that concerns of redistributive justice and equity may now take a back seat. E Sridharan pointed out that analysis of policies in terms of class interests must be supplemented by discussions of the changes in the class character of the Indian society. Support for the new economic policies comes from a new and vastly expanded middle class. Consequently, concepts such as 'elites' need to be defined more vigorously. The economic policies of the Indian state, either under the Nehruvian model or under the present regime, did not provide for an egalitarian society or distributive justice.

Rights, Community and Justice

The papers in the last session addressed the question of social justice and attempted to provide a theoretical framework within which questions of justice, equity and rights could be resolved. Since these issues have, in the Indian context, been particularised in terms of claims from diverse groups and communities, the papers examined the strategies adopted by the state in specific cases and reflected upon the pressures that have been placed upon liberal theory from advocates of group rights.

Speaking of the tribal population of India, Manoranjan Mohanty argued that the needs and claims of this group of people justified support for the 'right to earth'. He argued that the earlier strategies adopted by the Indian state emphasised cultural assimilation. The new tribal movements had, however, been able to place the issues of economic exploitation and deprivation on the agenda. We need today to recognise that the state and commercial interests have been equal partners in the denudation of forests, the displacement of tribal people from their habitat, and consequent loss of tribal control over the natural resources by which they live. Given the economic and cultural disentitlement of the tribal people, he maintained that we need to extend the right of self-determination to incorporate also a right to earth as a fundamental human right. This would imply that the "people of an area have a right to protect the resources that 'mother earth' possesses in that area for their use and have a right to negotiate the terms under which they can share those resources with others".

The need for rooting claims to welfare and justice in the language of rights and entitlements was emphasised by Niraja Gopal Jayal and Dipankar Gupta. Unpacking the assumptions and justifying principles of welfare in India, Jayal argued that the Indian state has adhered to a needs-based conception of justice in theory, while in practice following a philosophy of welfare based on ideas of charity and benevolence. Illustrating this argument with reference to the problem of hunger, she argued that in the Indian context rights could provide moral, legal and political force to welfare claims, inviting rather than warding-off state intervention to meet the ends of social justice. This is only facilitated by the fact that "since rights have not been central to the conception of welfare in India, they have also not been central to the critique of the welfare state", as in the west. Jayal examined two sorts of challenges facing the welfare state in India today: (a) the challenge from the proponents of marketisation and a minimal state; and (b) the challenge from votaries of group rights seeking a state that is selectively interventionist, e g, the demand for reservations in employment and education. The experience of historically disadvantaged groups demands that the task of rectifying such injustices be built into a model of welfare that is sensitive to the specific types of inequalities that obtain in India, not to a derivative catalogue of them.

Dipankar Gupta argued that the special needs of the underprivileged in society are most effectively addressed by invoking the principle of fraternity. Rights and entitlements are, he maintained, intrinsically related. To say that the former emphasises individual freedom and the latter social and redistributive justice is to forget the original conditions that gave birth to the language of rights. Criticising Rawls' attempt to arrive at a theory of justice or fairness through the initial condition of the veil of ignorance, Gupta argued that it would be more consistent to speak of a "thin theory of good", that is an emergent property of "a minimal set of resemblances", on which all societies are necessarily based. "This set of resemblances, once established, allows for individual freedom and the development of specialities. It also provides the grounds for justifying and legitimising claims and entitlements". Entitlements then are not to mop up the weak and keep the poor alive but to establish and even enlarge the minimum set of resemblances so that the moral core of societies may be consolidated. Seen from this perspective, entitlements are enabling devices for enhancing empathy and should not be understood as instances of sectoral sympathy. Reservations, as entitlements, should accordingly enable greater empathy in society, and allow those who had hitherto no attributes to cultivate them so that they can participate in the general conditions of empathy. If this is to be, then entitlement provisions should not be permanently attached to primordial groups for that would undermine those "minimal sets of resemblances" and promote instead 'thick' and contrary articulations of the good, sans empathy.

If the liberal idea of the political community as constituted by abstract individuals took no account of their cultural identities, community-based claims for rights and justice have gained momentum in recent years. In her analysis of the tensions between individual rights and group rights, Veena Das cautioned against overemphasising community rights which necessarily claim ownership over individual members. Drawing upon memories of "collective pain" and "secretion of victims", she said, they create a new text in which the biography of the individual self is completely subsumed by the equally imaginary biography of the group. The individual is thus subjugated to the

group and becomes hostage to a created past.

For Vineet Haksar, though some group rights have constitutional sanction—e g, affirmative action—rights are derived from humanity. Groups are not moral beings in the way that individuals are—they lack, for instance, the capacity to suffer and they have no phenomenology apart from that of the individuals who compose it, to whom all legitimate rights-claims are, and must be, ultimately reducible. Group demands for the protection of "ways of life" may even conflict with individual rights. The state, Haksar argued, should uphold liberal values and, in a multi-religious society, should also protect the essential values of different religions. These core values may be authenticated by consultations with religious leaders.

Javeed Alam drew attention to the fact that a politics of "collective personalities"—such as cohesive religious communities in search of identity or constellations of disadvantaged groups seeking empowerment—deny individuals what they claim for themselves and render the vocabulary of rights ineffectual, because it is individual-centred. The state, in turn, has failed in terms of its intolerance of class-based agitations, and its relative responsiveness to the demands of ethnic communities. It has also, in its withdrawal from welfare functions, rendered citizens vulnerable, and forced them to resort to support structures of kith and kin for material and emotional sustenance.

In his comments, A S Narang argued that we are continuously witnessing the emergence of new groups within the nation state. It is exceedingly difficult, in the affairs of everyday politics, to accommodate these diverse and sometimes conflicting points of view. We should, therefore, acknowledge and uphold the basic rights of individuals as human beings. Neera Chandhoke cautioned that in contemporary India, group, or, more appropriately; community identities and claims cannot be easily dismissed. The existence of communal violence and hatred reinforced perceptions of the self as a member of a community; and in these circumstances, the community provided both the sources of self-identity and security. She also pointed out that the attempt to reduce the group to an aggregate of individuals would only legitimise the game of numbers. Implicitly, this would forsake the commitment to minority rights, and such redefinitions of democracy could have serious implications in the Indian context.

In his valedictory address, Ravinder Kumar argued that the new political and economic agenda is likely to be powerfully influenced by the hitherto dispossessed sections of Indian society, viz, the minorities, the backward classes, and the harijans. On the economic front, the country was on the brink of collapse in 1991, when the state initiated reforms to globalise the economy, increase productivity and stimulate efficiency. The economic agenda of the 1990s should include substantial investment by the state in agriculture and agro-industry which, if located in district towns, can provide the basis of a more enduring federalism. Despite the growth of communal polarisation, he maintained, it had become clear that "the sacred compact" between people of different religious communities was as necessary today as it had been in the colonial and early post-independence period. The increasing self-assertion of the backward classes, and of the harijans, also heightened the awareness that poverty and deprivation require policies of affirmative action.

Reflecting upon the discussions that took place in the course of the seminar, two types of questions appear to have emerged suggesting significant lines of inquiry for future research by political scientists: (a) The first set of questions relates to the institutional and administrative arrangements required to effectively and equitably handle the new economic agenda of the Indian state. In the social sphere, too, we may ask, what sorts of political institutions are required by a multi-religious, multi-cultural society like India? Do we need to move away from the framework provided by secularism and the procedural republic? (b) Secondly, can the political theory of neoliberalism retain an emphasis on redistributive and welfare goals, and address the rights-claims and demands for justice of disadvantaged groups? Further, does the Indian experience warrant a justification of group rights, and in what way can these be accommodated within the framework of liberalism?

Some Good News, Much Bad

The World's Children

Thomas George

The authors of the UNICEF's annual State of the World's Children *reports do not, for the most part, swallow the nostrums of the World Bank, so eagerly lapped up by our own policy-makers.*

FOR much of the 20th century, countless millions of people all over the developing world—the majority of humankind—have watched their children dying, diseased and starving, while the fruits of humankind's labour and the triumphs of technology were being turned into military machines capable of wiping the human species off the face of the earth, not once, but many times over. As we rapidly approach the end of the century, the paradox of human achievement amidst such soul-destroying poverty is more poignant than ever.

Economists and policy-makers in the developed world and their fellow-travellers in the developing world, have never ceased to tell us that the causes of third world poverty are overpopulation, inefficient management, lack of enterprise, etc. All this mumbo-jumbo has become the received wisdom of the middle classes in countries like India. But the truth will be out.

It should come as no surprise therefore, that writers of the annual *State of the World's Children* reports published by the UNICEF do not, for the most part, swallow the World Bank's nostrums, so eagerly lapped up by our own policy-makers.

The good news is that measles, a major killer, is now on the wane. From 75 million affected children a decade ago, the number is now down to one million. Polio is on the verge of eradication and the World Health Organisation feels that eradication can be achieved by 2000 AD. Deaths from neonatal tetanus, will soon be a rarity. All this means that immunisation has now become widespread. Almost all developing countries have reached a coverage of 70 per cent or more; and the number is increasing (*State of the World's Children*, 1994). What this reveals is that it is possible to put a trained health care worker within reach of every family, on a sustained basis. As a logistical achievement it is unparalleled in human history.

But as we go to bed each day, the sun still sets on a world in which 35,000 more children have died. A world in which the new evil of the inhuman abuse of children in war has become just another statistic. A world in which starvation is the daily companion of the poorest quarter of the world's children both in the developing and the developed worlds, and just another picture on the television screen for policy-makers. This "last great obscenity" as last year's report called it, is made worse by the fact that it is absolutely needless. The resources and the technology exist today to banish malnutrition, poverty and ill-health forever.

However, the naive optimism of the 1993 report which saw the rolling back of socialism (of whatever kind), and the end of the cold war, as the beginning of a new era, of an "age of concern" has been replaced by a more realistic pragmatism of a growing realisation, that 'democracy' of the kind practised in the industrialised west, does not automatically confer prosperity on all its peoples, that the life-

style propagated by the power elites of these nations is neither desirable nor sustainable.

The report identifies, poverty, population growth and environmental stress ('The PPE Spiral') as the three major problems facing humankind. UNICEF pulls no punches in identifying the causes of poverty as "the industrialised world's policies on aid, debt, trade and finance which restrict the growth of employment opportunities". It quotes the Brundtland Commission (1987) report "Diversification (of the economies of the developing world) in ways that will alleviate both poverty and ecological stress is hampered by disadvantageous terms of technology transfer, by protectionism, and by declining financial flows to those countries that most need international finance" (p 31). The governments of the developing countries are not spared either: "(They) have given too little priority to the needs of the poorest."

UNICEF correctly identifies the solution: 'Growth from below', to be brought about by a combination of land reform, labour-intensive employment strategies, credit schemes, training opportunities, the right kind of technologies, investments to help maintain the stability and productivity of soils. The big boys at the World Bank must be laughing at the vain cries of little brother, UNICEF; for contrast this with: "Because cuts in government spending are usually central to an adjustment programme, health spending is likely to be reduced" (*World Development Report*, 1993) and the recommendation against food subsidies; "There is a strong case for government intervention to improve health by improving nutrition, but not for interfering generally in food markets, except in extraordinary conditions such as famine. In other words,'Throw the beggars a few crumbs'. The World Bank has a touching faith in markets which UNICEF does not share. "Market economics is not a panacea for social progress... if governments abandon their responsibilities then the result will be societies in which inequalities continue to increase and in which economic demand counts for everything and human need counts for nothing. The classic example is the US where, although the 1980s were a period of continuous economic growth, the poorest got no share in it.

Chicken and Egg

The report puts the right perspective on the population problem when it emphasises the organic link between poverty, deprivation and population. The causes that maintain a high birth rate are identified as: lack of progress in health care which makes people have many children as a form of insurance against the anticipated deaths of at least some of them; lack of status, education and opportunities for women, which is strongly associated with early marriage and frequent and prolonged childbearing; lack of minimal security which makes large families attractive as a source of support in emergencies; lack of investment in basic services and labour-saving technologies, which makes large numbers of children desirable, even essential, as a source of help in fields and homes; lack of family planning information and services; and lack of hope in the future, which is the great enemy of planning in general.

It is clear, therefore, that any amount of coercion or cajoling will not lead to a sustainable birth rate, unless the basic causes, poverty, deprivation and the lowly status of women are addressed. At forums worldwide, the governments of the industrialised west are championing the cause of the environment. However, the homilies about sustainable development are only for the consumption of the deprived. In their own countries they continue to promote a life-style such that 20 per cent of the world's population is responsible for 75 per cent of the world's energy use, 66 per cent of the green house gases and 90 per cent of the chlorofluorocarbons, that threaten the earth's ozone layer. Worse, by bullying and offering blandishment they maintain a world economic system that forces millions in the third world into farming marginal lands, over using fertilisers, felling forests, and other such practices which, today, have forced the world's ecosystem to breaking point. The paradox is that the present western life-style is unsustainable—the impact of an average American on the global environment is 35 times that of an Indian, 140 times that of a Bangladeshi, and more than 250 times that of a citizen of Sub-Saharan Africa—yet the 'American Dream' has been successfully sold and continues to be sold worldwide as the kind of life to aspire to. As the report pithily puts it "nothing could be more unrealistic than expecting millions of people to continue travelling by bullock cart and washing their clothes in streams and rivers before settling down to watch reruns of 'Dallas' and 'Dynasty'". UNICEF is realistic about the prospects. It quotes *Beyond the Limits* by Meadows, Meadows and Rendels: "A sustainable society would not freeze into permanence the current inequitable patterns of distribution. It would certainly not permit the persistence of poverty. To do so would not be sustainable for two reasons. First, the poor would not and should not stand for it. Second, keeping any part of the population in poverty would not, except under dire coercive measures, allow the population to stabilise." But, as the experience of India's "Emergency" showed, there are some governments who would like to try. Recently, Maurice King of the University of Leeds, has been expanding on his 'human entrapment' theory, which, by implication, suggests that measures to improve child survival should be withheld to the developing world, or else, due to falling death rates, their populations would grow beyond the capacity of their economies, and their populations will be 'trapped' in famine (Maurice King, 'Human Entrapment in India', *National Medical Journal, India*, 1991, 4:196-201) The sheer cruelty of the suggestion apart, it is based on shoddy social analysis as has been shown earlier in this article. So there is no shortage of people who would like to try coercion.

UNICEF feels that the way forward is a co-operative international effort to: resolve PPE problems by ending poverty, slowing population growth and improving the environment; changing life-styles in the industrialised countries in order to improve the quality of life while reducing the environmental impact, developing countries should also be able to aspire to the same life-style without exceeding the planet's capacity; and assisting all developing countries to develop the kind of economies and technologies which will allow them to pursue their chosen path of material development without overstepping local and environmental limits.

But are these objectives attainable? Is it reasonable to expect statesmanship of such high order? UNICEF thinks so. But it is one thing to believe that there is no alternative and quite another to believe that such fundamental changes will come about just because the rich and powerful see the wisdom of it. UNICEF undoubtedly has its heart in the right place, but its more powerful cousins, the World Bank and the International Monetary Fund, do not. Consider for, e g, their recommendation on the provision of safe drinking water, something which UNICEF considers extremely important in improving child survival: "Broadly based subsidies are not necessary for ensuring access to safe water ..." (*World Development Report*, 1993). Health benefits alone do not generally provide a rationale for public subsidy of water and sanitation. There are similar recommendations with regard to food subsidy and other welfare activities. Although the Bank admits that the effect of adjustment programmes are uncertain and may adversely affect the poor, they still suggest compression of social welfare spending. The horrendous results of these policies in Latin America have done nothing to dim their enthusiasm. Statesmanship and the industrialised west do not seem to be even nodding acquaintances Change is inevitable. But the course it will take may be quite different from UNICEF's projections. The end of history is nowhere in sight

TAMIL NADU

A Tax on Saraswati?

Though the sales tax on books proposed in the Tamil Nadu budget for 1994-95 has been withdrawn, an idea once mooted is relatively easy to revive. Saraswati might one day be actually required to contribute to the exchequer.

MOST budgets cause a flurry, in one section or the other, for one reason or the other. The much publicised outcry that followed the Tamil Nadu budget for 1994-95 basically reflected astonishment—that such an impost could at all have been considered, and that too in this state. The proposal was an extension of the sales tax network to cover the sale of books. The immediate reaction of the book trade was one of shock and disbelief, for more than one reason. That the idea was mooted despite the national priority given to the spread of literacy and education was one, for the proposal covered all books, not sparing textbooks and exercise books. And Tamil Nadu had been in the vanguard in the introduction of free primary education! Also, the government had demonstrated—very recently and quite generously—its concern for the book trade. When a fire destroyed most of the stalls in the annual Book Fair of Madras last January, the government came forward with an *ad hoc* grant to each affected party of Rs 12,500 as well as a further Rs 12,500 as an interest-free loan. As many as 100 stall-owners benefited from this largesse. Perhaps the unkindest out of all was that the suggested tax should have received the approval of the chief minister. Jayalalitha is well known as an avid reader and as the owner of a sizeable personal library. When further enquiry revealed that the proposal had its origin in a report prepared by B Vijayaraghavan, a senior IAS officer (since retired), astonishment reached a new pitch. For Vijayaraghavan is well known in the book circles of Madras as a scholar and frequenter of book shops.

Actually Vijayaraghavan had been asked some time ago (while he was still in service) to look into and report on all aspects of commercial taxes in the state. He had, in the course of this work, listed the items that were outside the tax network—which included books as also coconut fronds and firewood—without looking into the implications of an extension of the tax coverage. When the current year's budget exercise began, the bureaucrats apparently just tucked-in this list for additional resource mobilisation, again without analysis of the implications.

The levy proposed was not immoderate—3 per cent on the sale of books at the first point of sale which, with the surcharge, would have worked out to an effective 3.6 per cent. The attendant turnover tax was pitched at 2 to 3.5 per cent. What was lacking was an appreciation of the likely impact of the tax in the context of the structure of the book trade, especially as it operates in Tamil Nadu. A relevant vital fact is that there is no sales tax on books in any other state and the publishing and sale of books is a nationwide activity, with considerable inter-state movements. The seeming simplicity of a single-point levy disappears when it is seen that the first point of sale could be any one of the different segments of the trade—publishers, distributors, agents or retail booksellers. The shifting of the tax from the first point of sale to subsequent levels, ending with the book buyer, is fraught with difficulties arising from competition reflecting differences in commissions given, access to alternative sources of supply, etc. At the same time, no segment, it is claimed, can absorb the tax. Publishers in Tamil Nadu mainly bring out Tamil books. They are proprietary or partnership concerns and have to face the problem of large stocks because of the sluggish demand for their output. To them, the tax would have meant an intolerable burden. As for distributors and agents (suppliers to institutional buyers), their position is currently strong because they also serve book-shops and institutions in neighbouring states—a link that obviously cannot withstand the burden of a tax. Even book buyers in the state would resent the tax and seek to transfer their custom to tax-free zones. And it was not only the tax burden that bothered the trade hitherto unexposed to the tax authorities. There was, at all levels, worry over the hassles of compliance, accounting and book-keeping complications, with the need to maintain separate books for transactions within and outside the state.

Altogether, what was proposed was a messy tax—difficult to administer and possibly not very productive. No indication was given in the budget of its anticipated yield but enthusiastic overestimation seems likely. No data are available on book sales according to category but it is a reasonable guess that textbooks account for a goodish chunk. Government schools are provided with free supplies of textbooks and the addition of a tax to these would merely increase the subsidy.

Because of the nature of its ware, the book trade has always fancied itself as being in a unique position. And it has come to expect immunity from harassments such as taxation. This assumption received a rude shock in Tamil Nadu. Initially, many attributed it all to some reporting error—the reiteration of an exemption wrongly presented as a new impost. But soon disbelief gave way to distress and despair. Vociferous protests followed but the lurking fear was that the government would never go back on a proposal and lose face. Several distributors, agents and even booksellers began to plan to shift out of the state to neighbouring Pondicherry or Bangalore. To everyone's vast relief, however, within a week of the presentation of the budget, the government announced the withdrawal of the proposed tax on the sale of books (as also on coconut fronds and firewood). It was officially stated that the government "was anxious that the taxation should be minimal and not result in a burden to the poor". The Book-Sellers' Association attributed the success to its persuasive reasoning. Others said that the chief minister, furious about the slipshod preparatory work, had ordered the withdrawal.

Whatever the reason, books—an acknowledged symbol of the Goddess of Learning—have been spared for now. But there is a lurking fear too. The idea once mooted is relatively easy to revive. Tamil Nadu (then Madras) was the first state to introduce sales taxation. It could revive its pioneering spirit to be the first to tax book sales! Or other states could take up the idea. Sales of books are taxed in some other countries. Revered she might be even by iconoclasts, but Saraswati too might one day be required to contribute to the exchequer.

The Roots of Chiapas

Jonathan Fox

It is already clear that the Chiapas rebellion has transformed Mexican politics, from bottom to top. Although an authoritarian backlash is still possible, for now democratisation and social reform have moved to the centre of the national agenda. How could this have happened? And where might it lead?

JANUARY 1, 1994 was to be celebrated in Mexican history as the opening day of the North American Free Trade Agreement (NAFTA). The rebellion in Chiapas changed all that. According to Jose Juarez, leader of the Chiapas Union of Ejidos of the Jungle: "When president Salinas went to bed on New Year's Eve, he thought he was going to wake up a North American. Instead, he woke up a Guatemalan." While the government security forces were on leave or still asleep, as many as 2,000 indigenous rebels took over four major county seats, including the colonial capital of San Cristobal de las Casas. Not all were armed, but they displayed the uniforms, cohesion, and discipline of a well-trained military force. From their first 'Declaration of War', however, their strategy seemed clearly to be more political than military.

The rebellion caught Mexico's national leaders completely by surprise. When a small military confrontation last May led to news reports of secret training camps, the minister of the interior, a former governor of Chiapas, declared "There is definitely no guerrilla activity in Chiapas". That certainty was not shared in Chiapas itself, where underground military preparations were an open secret. When I visited San Cristobal last June, it was clear that an armed conflict was coming.

Still, the impact transcended expectations. No one imagined that an uprising in a handful of municipalities would open huge cracks in the national political system, shake the Mexican government to its foundation, and enable a vast array of social forces to seize the opportunity to pry the system open still further.

Mexican Politics Transformed

The red bandannas and dramatic declarations that provided the uprising with its popular imagery resonated with central America. Observers have long suggested that Chiapas—once part of Guatemala—has more in common with central America than with the rest of Mexico. And in terms of social polarisation, open racism, and the impunity with which local elites use repression, the resemblances are strong.

The Zapatistas, however, are not the central American revolutionaries of a dozen years ago. They do not propose to impose their alternative project on Mexican society as a whole, their official statements do not mention socialism, and their main political demand is for a government of transition to hold free and fair elections at all levels of government.

More fundamentally, Chiapas is part of a national political system quite different from any in central America: the ruling party is much broader, and civil society much stronger. The decisive political importance of these national differences was sharply underscored when, after less than two weeks of fighting, Mexico's president Salinas declared a unilateral cease-fire and sat down to negotiate. He agreed at least partially to the Zapatistas' conditions, and a political solution became possible. Mexican civil society and important factions within the regime were, for the time being, strong enough to hold off the initial military response.

To be sure, the regime remains deeply divided, and it is too soon to predict how the conflict will finally be resolved. But as I write in mid-March, the cease-fire has held, and negotiations have begun. The colonial Cathedral of San Cristobal was the first site of political negotiations between the federal government and the Zapatista political and military leadership, complete with ski masks and weapons. (The Mexican army had taken the position that only criminals wear masks. They apparently did not have the last word.)

The fate of these peace talks depends in part on two other sets of negotiations that grew out of the January rebellion. In Chiapas, a broad coalition of indigenous social and civic groups has formed to promote peace with justice and democracy. Many communities in the region in revolt, after months of assemblies and internal debate, divided over whether to take up arms. Now groups on both sides of the question have come together, and the federal government has given the new statewide network unprecedented respect and recognition. The government may have intended to isolate the rebels politically, but to no avail. The statewide coalition has declared support for Zapatista demands, though not their decision to take up arms. At the same time, a third set of negotiations—between the national government and the major political parties—has produced an agreement promising unprecedented democratic electoral reforms.

With negotiations moving forward both regionally and nationally, it is already clear that the Chiapas rebellion has transformed Mexican politics, from bottom to top. Although authoritarian backlash is still possible, for now democratisation and social reform have moved to the centre of the national agenda. How could this have happened? And where might it lead? The beginnings of answers to these questions lie in the economic and political life of Chiapas itself.

Untouched by Agrarian Reform

Chiapas is a region of large cattle ranches and coffee plantations, alongside tiny family plots; its notoriously unequal distribution of land remains largely untouched by agrarian reform. Indeed, Chiapas accounts for fully a third of the agrarian reform department's backlog of unresolved conflicts and land distribution decrees that were never carried out on the ground. For the campesinos, it is a backlog of broken promises. And their hope to see those promises redeemed within the system was dashed by recent reforms of the Mexican constitution. The government, moreover, for years unwilling to redistribute land in Chiapas, encouraged landless families to move to the Lacandon jungle, cut down the forest, and raise subsistence crops, coffee, and cattle. This policy produced a long and bloody history of land conflicts; uncounted dozens, perhaps hundreds, of community leaders have been murdered with impunity over the last two decades.

This class conflict is deepened and intensified by the racism of the Chiapas ruling elite. Discrimination in Chiapas is much more overt than in most indigenous regions of Mexico—until the mid-1950s, San Cristobal was literally an apartheid city.

The mainstays of the peasant economy, too, were in deep trouble in the period leading up to the rebellion. Prices for coffee, cattle, and corn were down and logging was banned (at least for peasants). These problems aggravated long-term crises of the regional peasant economy, including a shortage of land and erosion in the highlands and poor soils in previously forested lowlands. Meanwhile, the national government slashed farm support programmes—agricultural credit and technical assistance—deepening the regional economy's downward spiral.

NAFTA: 'A Death Sentence'

The insertion of NAFTA into these already unpromising conditions signified a deepening of rural problems—the end of

land reform, increased polarisation within Mexico between north and south, and the exclusion of indigenous peoples from the national debate. The trade opening especially threatened corn, a crop with great symbolic as well as economic significance. The intense debate about NAFTA in the US also may have prompted the Mexican government – more worried about international embarrassment than local turmoil—to pretend that nothing was happening in Chiapas. In fact, some analysts suggest that Salinas appointed the hard-line governor of Chiapas, Patrocino González, to become minister of the interior precisely to keep the lid on during the NAFTA debate. González would have run the 1994 presidential elections, had he not been removed as part of Salinas's turn to a political solution.

By launching the revolt on the first day of NAFTA, the Zapatistas guaranteed themselves international press attention. Their official statements stressed that their main goal was simply to draw attention to the political and economic crisis in Chiapas. And Subcomandante Marcos's charge that NAFTA is a 'death sentence' for Mexico's indigenous peoples became the emblem for the rebellion. Some US specialists on Mexico were puzzled by this emphasis on NAFTA. One said that it could not be an indigenous rebellion: how could Indian peasants know about NAFTA? Another suggested that the timing was just a coincidence. The experts ought to have known that the pro-government media have been trumpeting the onset of NAFTA throughout the country for a long time.

But there is a puzzle here: if the rebels' main goal was to attack NAFTA, they would have launched the uprising the week before the US congressional vote instead of waiting for the treaty to take effect. Still more fundamentally, the grievances that led to the rebellion cannot be understood exclusively by reference to the rural economic crisis and NAFTA. For, although their effects were felt throughout rural Mexico, only Chiapas rebelled. What, then, is different about Chiapas?

Underlying Political Problem

Part of the answer is politics. Consider the Zapatistas' two main targets. While in command of the region's power centres, they destroyed the town halls and the police stations, but touched little else. In Altamirano they whacked away at the 'municipal palace' with sledgehammers for two days. Before the army began sweeping through the region last spring, the main sources of repression in Chiapas were the local and state authorities—police under the control of 'elected' officials. Since the mid-1980s, Amnesty International, Americas' Watch, and Minnesota Advocates for Human Rights have documented a systematic use of torture and political violence by the state and local police.

The problem of repression in Chiapas came briefly to national attention in 1992 because of an indigenous march from Palenque to Mexico city (a distance of about 1,000 kilometres). The protest was called Xi Nich—the 'Ant March'—and with support from the progressive church the marchers made it to the gates of the capital, prompting national authorities to negotiate. The government promised to meet many of the demands, but after the marchers returned home few agreements (they charge) were ever carried out.

The underlying political problem in Chiapas is the lack of free and fair elections for all levels of government: basic freedoms are not respected and election numbers are regularly cooked. According to a study of the 1988 presidential elections by the non-partisan Fundacion Arturo Rosenbleuth, the remote rural Ocosingo federal election district—one of the centres of the uprising—reported one of the highest rates of voter turnout in the country: Of those on the rolls, 81.5 per cent reportedly voted, a figure well above the reported national turnout of 50.3 per cent. When compared with the population figures, this meant that 99.5 per cent of the voting age population of the district voted, giving Salinas 95.6 per cent of their votes. Borrowing from Gogol's *Dead Souls*, the official 1988 rolls included more than 105 per cent of the voting age population in another 35 rural election districts around the country, including 125 per cent of the adult population of the Comitan district, also one of the areas in revolt.

As the turnout numbers suggest, these authoritarian enclaves are not simply remote rural backwaters, cut off from national politics and as yet untouched by the government's modernisation project. As national elections are contested more and more, the winning margins narrow. So the national leaders of Mexico's ruling party need these controlled districts more than ever. Authoritarian enclaves made the difference in the 1988 presidential race, and could swing the vote in 1994 as well. That is why Chiapas is so important: the struggle for political democracy at the national level depends on the fight for local democracy.

But politics in Chiapas is not simply a matter of electoral fraud; force, too, plays a central role. The political class in the Chiapas state government is especially authoritarian, and recent governors have been particularly brutal—which led the Zapatistas to take one as a prisoner of war. This general-turned-rancher was later released unharmed, to facilitate the negotiations. The governor at the time of the rebellion (a political appointee, now also fallen) was especially irritating to the citizens of Chiapas because he was considered an imposed foreigner—Elmar Selzter Marseille, from a plantation family of German descent. His charges that the rebellion was 'foreign-inspired' were not well-received.

More immediately, political conflict last fall convinced many that prospects for peaceful change within the system had closed up, contributing to the popularity of the Zapatistas among the indigenous peoples of Chiapas. Right-wing forces in the Mexican government, together with the Papal Nuncio and his allies in the Catholic church, openly tried to have Bishop Samuel Ruiz removed from the diocese of San Cristobal. Don Samuel is the 'Archbishop Romero of Chiapas', a towering figure whose defence of the rights of the indigenous is legendary. He organised the first statewide indigenous congress in 1974, in honour of Fray Bartolome de las Casas, the chronicler of the conquest and first European defender of indigenous rights. Much of the rich web of social organisations built by the indigenous peoples of Chiapas trace their origins to this first taste of freedom of expression and assembly. The public attacks on Don Samuel brought over 15,000 indigenous people down from the mountains to march in his defence through the streets of San Cristobal last fall—the largest protest in the history of Chiapas, even larger than the 1992 protest against the 500th anniversary of the Spanish conquest.

History, Interest and Conviction

If poverty and authoritarianism explain what makes rebellion possible, they do not explain why rebels choose to take the extraordinary risk of directly confronting state power. Who, then, are the Zapatistas? What mix of history, interest, and conviction brought them together?

Contrary to early claims by the government about foreign involvement, the Zapatistas are Mexican, mostly indigenous. Some Mexican participants may well have had combat experience in central America, but no evidence of foreign participation has been presented. Starting with their 'Declaration of War', the official Zapatista communiques are written in the tradition of the Mexican Revolution, citing Article 39 of the Constitution which vests national sovereignty in the people.

The Zapatistas' early origins are quite murky, but for at least a decade they have sunk roots in rural Chiapas and possibly elsewhere in Mexico. They organised in total isolation from the rest of the Mexican left, and reliable information about them is very limited. Politically, they may have begun as a convergence of splits from an influential neo-Maoist political group called Politica Popular with more central American-style revolutionary ideas. Recent re-

ports suggest that since the end of the cold war their ideology has shifted much closer to the mainstream of Mexico's broad democratic movement. Since the rebellion, all their official public statements call for constitutional democracy and social reform. Their initial 'Declaration of War' called for the "Powers of the Nation" (the legislature and judiciary) to "restore the legality and stability of the nation by removing the dictator [meaning Salinas] from office". In Subcomandante Marcos's words, "we demand the formation of a new government of transition that would convene free and democratic elections for August 1994". They deny that they are trying to impose their project on Mexican society by force.

More radical demands have been heard from fragments of interviews with militants on the ground. This may reflect differences between leadership and base, or political differences within the Zapatista Army(EZLN). Given the alphabet soup of Chiapas rural politics, it would not be surprising to discover that several distinct groups came together in recent years to form the EZLN.

Whatever their ideological roots, the Zapatistas gradually won over many activists who had long tried organising for change within the system. Chiapas is full of independent peasant organisations, many with two decades of tough organising behind them. Some are spiritually-inspired while others are more secular. Some focus on community economic development projects while others are more culturally and ethnically identified. Some are affiliated with national groups, like the National Network of Coffee Organisations, the National Union of Autonomous Regional Peasant Organisations, the Independent Central of Farmworkers and Peasants, The National 'Plan de Ayala' Network, and the Independent Front of Indian Peoples, while others prefer to stick to local and regional alliances. Some fight for land rights and against human rights abuses, while others steer clear of such dangerous issues.

The Zapatistas come out of this world—a dense network of associations seeking to change the system but consistently encountering more repression than reform—and they have already helped to transform it. Until the January uprising, the community-based indigenous and peasant organisations of Chiapas had operated largely independently from one another But in the wake of the January uprising and the political space it opened up, they have come together in a statewide network of unprecedented political breadth and diversity.

In spite of the Zapatistas' clearly local roots, government spokespeople have sought to discredit the movement by claiming that it cannot be truly indigenous. Indigenous revolts are supposed to be 'spontaneous', but the January events were well-planned in advance. The government alleges that the many indigenous people who participated were actually duped by non-indigenous professional revolutionaries. Indigenous peoples are also supposed to have only local, immediate demands; the official view is that they are not concerned with national politics. For this reason, the Zapatista emphasis on political democracy is offered as conclusive evidence that this is not an authentic indigenous movement.

In response to government charges, the Zapatistas claim that their top leadership is exclusively indigenous. This message was a bit muddled since their principal spokesperson, Marcos, is not indigenous (though he has made it clear that he is merely a 'Subcomandante'). When the top leadership met with the press for the first time in early February, though, the confusion began to clear up. Spanish is a foreign language for all of the leaders—indeed, Commandante Ramona reportedly speaks only Tzotzil. They affirmed that their Clandestine Revolutionary Indigenous Committee is the highest political authority, though Marcos is the main military strategist. They said that Marcos is their spokesperson because "he has such a facility with Spanish. We still have a helluva lot of trouble with it. That's why we need him to do lots of things for us. ... But we make the political decisions." No one seems to know who Subcomandante Marcos is, other than those who have pointed out that his name stands for Margaritas, Altamirano, Rancho Nuevo, Comitan, Ocosingo and San Cristobal, the main towns in the zone of conflict.

Moreover, the Zapatistas' initial de-emphasis of ethnically-specific demands may reveal more about the extreme complexity of the ethnic map of the main region in revolt than about the social origins of the EZLN. The Canadas region is an area of relatively recent settlement, mostly by indigenous homesteaders from other parts of Chiapas, especially from the densely-populated Altos region, but also by some *mestizos* from other Mexican states. Thus the different ethnic groups are not settled in their own geographically and culturally distinct areas. The result has been a great deal of inter-ethnic mixing, and Tzeltal has reportedly become a lingua franca, along with Spanish. This mixing may help to explain why the rebellion shows signs of a broader pan-Mayan identity. It also accounts for the relative absence of ethnically-specific demands based on primordial claims to the region where they live, and for the central place of the demand to be treated as full citizens of Mexico—though the Zapatistas have recently proposed the creation of indigenous co-governors, as counterweights to *mestizo*-dominated state authorities.

Military Response and Its Reversal

When the rebellion began on January 1, the government was initially paralysed by surprise. Eventually, more than 12,000 troops were sent in from all over the country. In most of the towns occupied by the rebels, the army waited for them to leave before moving in. In San Cristobal, the rebels left at six in the morning, just as they had arrived, with no combat. The army arrived at six that afternoon. In the end there were relatively few battles, though it took the army some time to dislodge the rebels from Ocosingo, and the EZLN kept the army pinned down for several days at the Rancho Nuevo military base.

By January 6 the president made his first public appearance, taking a very hard-line stance The government was trying a military solution, complete with widespread torture, disappearances, and reports of secret graves. Soon, however, the combination of international and domestic pressure for a peaceful solution led Salinas to change strategy. In a clear shift from the post-NAFTA afterglow of positive news coverage, the international press was, from the beginning, remarkably critical of the Mexican government. Liberal US advocates of NAFTA, having bet heavily on its democratising impact, were relieved when president Salinas declared a unilateral ceasefire. He called in the former mayor of Mexico City, Manuel Camacho, runner-up in the secretive inside competition to become the ruling party's presidential candidate, to head a peace and reconciliation commission. Camacho is widely respected for his political negotiating skills, and has important family ties to Chiapas. He immediately called on Bishop Ruiz to help. As Camacho came back into play, after having lost the most important political game in town, speculation spread—with Camacho's encouragement—that he might re-enter the race for the presidency. Some Mexico city conspiracy theorists even suggested that Camacho himself was behind the revolt. (A more plausible conspiracy theory would predict efforts by powerful opponents of serious political change who remain entrenched within the state to throw a monkey wrench into the delicate peace talks.)

Within civil society, the government's early hard-line response had the unintended consequence of mobilising and unifying a broad, disparate range of groups, including the Catholic church, independent print media, a nascent human rights movement, non-government development organisations, indigenous rights groups, and national political parties. A small announcement published in Mexico's most important newsweekly gives a sense of the response. It comes from the Mexican Centre for Children's Rights: "Now is the time for us to

know who we are. Thanks to the EZLN for the days of light you are giving us." The response was so strong that when Salinas first announced his shift to a political approach, he described it as a response to the calls for peace from civil society, suggesting that their pressure helped to tip the balance in the secret, high-level debate over military versus political solutions.

Remarkably, even strong critics of the Zapatistas and their big city sympathisers have recognised the legitimacy of their demands. Reacting to a government offer of amnesty, Subcomandante Marcos asked: "Why should we be the ones to ask for pardon?" Acknowledging his eloquent challenge, Nobel Prize-winning writer and Zapatista critic Octavio Paz said, "it really moved me---it's not the Indians of Mexico, but we who should be the ones who ask for pardon. I don't close my eyes to the responsibility of our authorities—especially those in Chiapas--nor to the no less serious responsibilities of the selfish and narrow-minded comfortable classes of that rich province. But the responsibility also extends to Mexican society as a whole. Almost all of us, to a greater or lesser extent, are guilty of the iniquitous situation of the Indians of Mexico, since we have allowed, with our passivity or our indifference, the extortions and abuses of the plantation owners, the ranchers, the caciques [local bosses] and corrupt politicians."

One of the most influential institutions in civil society, the Catholic church, has responded by closing ranks in support of Bishop Ruiz. The earlier attacks against Ruiz appeared to fit the classic central American-style image of church hierarchy versus liberation theology. But things turn out to have been more complicated. The church's institutional interests were involved, since the Pope's Ambassador, a foreigner, had pushed the top leaders of the Mexican church aside to become president Salinas's main church ally. He also angered many bishops by agreeing to accept the government's story about the 'accidental' airport murder of the Cardinal of Guadalajara (by machine gun at point blank range). Now that Ruiz has become the key link in the new peace talks, the balance of power within the Mexican church seems to have shifted to the national authorities.

Will Government Keep Its Word?

Prompted by economic distress and political subordination, rooted in a rich network of regional associations, and protected by a broader Mexican civil society, the Zapatista revolt is as important as the student movement of 1968, citizens movements after the Mexico city earthquake, or the 1988 movement for democratic presidential elections. As pro-democracy elements within the church have increasingly joined with human rights, civic, grass roots and indigenous movements throughout Mexico, civil society seems to have gained strength in its long-term, two-steps-forward/one-step-back struggle to weaken authoritarian rule.

One sign of this progress is the government's pact with the national political parties. It promises independent oversight of the election commissions, independent auditing of the voter rolls, fairer access to the media, and lower campaign spending ceilings. Whether the government will keep these promises is another matter, but the broad sympathy for the Zapatistas throughout urban as well as rural Mexico indicates that the government will pay a very high price if it commits fraud in the upcoming presidential elections.

At the bargaining table in Chiapas, the government preferred to deal with local and regional issues, making national concessions only on some general principles to defend indigenous rights. That approach misses the point, and could carry dangerous implications. As Bishop Ruiz put it, "From the beginning the Zapatistas raised national issues... Those who think they can isolate the problem of Chiapas from the national context as the way to solve this problem didn't understand anything. This is a problem that is raised to the national level because the indigenous are not only in Chiapas. Their situation is the same all over, and all of them have been identifying with the [Zapatista] cause, though not with the means." As of this writing, an agreement has been reached and the Zapatista leadership is consulting their rank and file. They seem to be relying on civil society in the rest of Mexico to further the struggle for democratisation at the national level. But the draft agreement—now being debated in the villages—does not seem to require them to turn their weapons in. They may simply wait and see whether the government fulfils its promise of a free and fair election in August.

The Zapatistas are not going to accept the usual promises, and if peace talks break down the revolt could spread, well beyond Chiapas. Indigenous peoples represent at least the bottom 10 per cent Mexican society. According to one rank and file Zapatista militant near Guadalupe Tepeyac, "we don't know much about the proposals, but even if we did, that wouldn't be enough. I think that agreements have always been paper that the government takes to the bathroom. I want to see what happens to the land. That's why Emiliano Zapata died."

When asked what happens if the negotiations break down, he replied: "If they break down, they break down. We're here. Then we'll play our role. We'll see who's more ready. Maybe the army soldiers are more ready to die. Or maybe we're more ready to die."

Women's Movement within a Secular Framework

Redefining the Agenda

Flavia Agnes

The riots in Bombay which followed the demolition of the Babri masjid dealt a severe blow to the premise that women have a separate existence away from their communal identity where they can discuss problems of rape, divorce and maintenance on a common platform. If social action means reacting to external social reality, then as the external reality changes internal positions have to be redefined or else the movement will become redundant in the face of the newer challenges.

BOMBAY has the reputation of having been the home of many progressive social movements during the pre-independence and later. Although the first communal riots recorded in the history of Bombay took place in 1893,[1] the city grew into an industrial capital and acquired a cosmopolitan image, with the migrants providing the necessary vibrancy for the growth and expansion of the city. This character of the city made it possible for many refugees to take shelter here after partition. The riots during the later period did not affect Bombay in any significant way. Hence the scale and intensity of the riots which followed the demolition of the Babri masjid at Ayodhya took Bombayites by surprise. They dealt a serious blow to the cosmopolitan and progressive image of the city. The city which had welcomed with open arms refugees of all natural and man-made calamities and provided them with the basic minimum means of sustenance witnessed a large-scale exodus. Many of its age-old trades as well as its endeared traditions went up in flames with the tacit approval of thousands of spectators.[2]

The riots posed a new challenge to the social movements in the city. And sadly, they failed miserably. It was evident that building a counter secular force had not been in their agenda and hence they could not counter the rising wave of communal passions. The feeble voice raised by a few groups was drowned in the sea of venom and hatred into which the city had plunged. Even worse, some trade unions and community organisations became the fertile collective on which this venom was nurtured and nourished.

As the city 'went back to normal' and the organisations tried to pick up the threads they sensed a sharp cleavage. The beneficiaries of a programme or the members of a union had been divided into two sectors—the majority and the minority. The question foremost in the minds of secular-minded persons was an obvious one, 'Why did this happen... and when...? And where did we go wrong?' Did the venom of communalism spread overnight? If not, did the movements themselves consciously or unconsciously participate in this process? The riots affected different social movements in different ways. Since my work has primarily been within the women's movement, I am posing the questions within its confines.

Women's Movement in India

Around late 70s and early 80s the autonomous women's movement began to take shape mainly around the issue of rape and bride burning. The groups which mushroomed in various cities consisted of women from left and liberal backgrounds many of whom were professionals from middle and upper strata of society.[3] To focus attention on the issues, women walked the streets in protest marches shouting slogans. The initial spontaneous protest marches led to more sustained activities like counselling centres and support services.[4] Women from both lower and middle strata approached the centres for help in a crisis situation. These centres subscribed to a pro-women ideology which can be termed as broadly feminist, although some groups refrained from using this term. They challenged the traditional and conservative role of women as subordinate partners within domestic and social relationships.

Although the groups remained small in number, the movement was highly visible as it received wide media publicity. This acted as a pressure tactics and the state was forced to respond. Women's issues were placed on the agenda of state-sponsored developmental schemes, social work programmes and sociological research. The government set up anti-dowry police cells to help victims of domestic violence. There were also several cosmetic efforts at legislative reforms although the inadequately formulated laws did not have the desired effect.[5]

While the counselling centres remained at the crisis intervention level, several community organisations and non-governmental agencies (NGOs) formulated programmes to address the economic issues concerning women particularly in the unorganised sector. Some of these NGOs were headed by women who subscribed to this new ideology and hence were able to transgress the narrow boundaries of 'women's welfare' and incorporate the new concept of 'women's empowerment'. Although they did not directly challenge the subordinate role of women within marriage nor address 'personal' issues like domestic violence, they indirectly helped in the empowerment of women through developmental work.[6]

The autonomous women's movement focused on issues which challenged the patriarchal power structures within a broad liberal framework. There were several instances where the movement addressed issues concerning dalits, tribals and landless labourers.[7] The movement was also active in providing relief during communal riots and worked in broad secular forums.[8] During community conflicts resulting in police excesses or during human tragedies, it was able to place gender concerns on the agenda of human rights and civil liberties.[9] But overall, it worked from a presumption that gender lines can be drawn up clearly and sharply in a patriarchal society and within these parameters sexual assault and domestic violence affect women equally across class, culture and religious barriers.

Secular Culture as an Agenda

The leaders of this autonomous movement remained predominantly urban and upper class Hindu. Their work centred mainly in areas away and outside their own immediate neighbourhood and community context. In order to reach out to women from a different class, caste and culture and to propagate the new ideology of the strong and assertive woman, the movement adopted a populist approach and relied upon mythical symbols of 'shakti' and 'kali' to convey the newly-constructed feminist ideology. The movement relied more upon myths and fictions rather than on the history of a pluralistic society encompassing within its framework cultural idioms of minority commu-

nities The intention of using the symbols from the dominant culture was not to propagate the Hindu ideology But since the movement did not have 'secularism' as one of its prime objectives no conscious efforts were made to evolve alternate symbols Hence the cultural expressions with which the women who were in the forefront were familiar had surreptitiously crept into the women's movement

The feminist movement also had to constantly counter the allegation that it was 'western' So in order to establish the 'Indianness' of the movement it relied on Hindu iconography and Sanskrit idioms denoting woman power thus inadvertently strengthening the communal ideology that Indian, Hindu and Sanskrit are synonymous Within this social milieu of a high caste Hindu culture the handful of minority women who were vocal and articulate had also internalised the dominant culture and hence did not protest against this trend In order to prove their secular credentials they willingly divorced themselves from their own traditions and cultural symbols of women's strength and power and accepted not just cultural symbols but even food habits and dress codes of the dominant section

With the women's concerns gaining prominence in both governmental and non governmental organisations during the 80s, women's issues became an important agenda for all political parties Initially political parties refrained from raising issues of domestic strife and male dominance within party organisations The women who needed support against violent husbands or male colleagues had to approach a women's organisation to deal with this issue This conservative approach was maintained not for traditional and reactionary reasons of preserving the family but more in order to preserve the existing *status quo* within party cadre But over the years some party-affiliated women's organisations started addressing issues of women's oppression within the family through counselling centres [11]

In Bombay, during the mid 1980s, the communal party Shiv Sena which was gaining popularity among the lower middle class was able to mobilise a large number of women around support activities like income generation creches and mid day meals for children civic amenities, ambulance services etc The movement also appropriated cultural forums of public celebrations of Hindu festivals like *Ganesh Utsav* and *Satya Narayan Pooja* which were popularised by Tilak during the nationalist struggle in the pre independence era In addition the 'son of the soil' theory propagated by the Shiv Sena had also managed to attract women—as mothers of these sons of the soil women were bestowed a special role and responsibility Through a systematic hate campaign the Shiv Sena was able to whip up communal tensions among its women cadre The image of the modern Hindu woman which was constructed while advocating the communal Hindu ideology was not the traditional subservient and docile domestic being but a new modern *Durga* the destroyer of evil, an angry and rebellious woman This construction of the modern Hindu woman resembled very closely the Indian construction of the new 'feminist' woman This new woman could come out on the street with men from the community to avenge the wrongs And in this action she had the blessings of the political party and the community leaders Hence women found this role not only exciting but also more comfortable in comparison to the protests against a violent husband or a rapist from within the community because then they would not have the protective mantle of the party nor the blessings of the community elders

Though the ideology of the feminist movement could not be transmitted Hindu communal forces usurped the external usages popularised by this movement of protest marches and road blocks which are contrary to the conservative domestic role of the traditional Hindu woman The irony lay in the fact that the communal parties were able to mobilise women far more easily using the image of the modern Durga than the movement which had popularised these forms in the first place

To its dismay the women's movement found that the new found strength, the *shakti* of the modern Durga was not directed against violence within the home and community but externally towards the Muslims both men and women In this process the myth that all women are equal and could be mobilised around a common issue on a common platform lay shattered Hence slogans such as 'sisterhood is powerful' or 'hum sab ek hai' (we are all united) lost their relevance But what was even more distressing was that women from communal organisations mouthed slogans coined by the women's movement 'hum bharat ki nari hai phhol nahi chingari hai' (we are the women of India not delicate flowers but fire flames) while leading the demonstrations during the riots or while the Babri masjid was being torn down

Merging of Demands

The merging of lines between communal forces and women's organisations did not stop at an abstract level of symbols and slogans but also found an expression through some of the more concrete demands raised by the movement

Obscenity is one such issue The women's groups had taken up a campaign against obscenity in the media The aim was to protest against using women bodies as sex objects or in derogatory and subservient roles The campaign received the support of people from varied tendencies—from Victorian moralists to Hindu revivalists The issue became very popular with communal parties In Bombay the women's wings of the Shiv Sena and BJP organised demonstrations and stormed the Doordarshan studio to protest against the late night screening of classic films on the television including films which portrayed an assertive woman In the hands of communal forces the issue took a dangerous turn - of imposing informal censorship curtailing freedom of speech and expression for secular issues In an agreement signed by the Film Makers Combine (FMC) the producers of Hindi cinema have given an undertaking that they will not portray the demolition of Babri masjid the performances of maha aratis (which ignited communal frenzy in Bombay in the month of January) or any other issue hurting Hindu sentiments along with an undertaking not to portray images of women in derogative roles

The second such issue is the demand for a uniform civil code The women's movement had a sustained campaign for reforms within the segregated and religion based marriage laws and pressurised the state to evolve a non sexist secular code This demand found an echo in a similar demand by the communal forces The family laws in India are termed as 'personal laws' and are divided along religious affiliations rather than territorial jurisdiction Even after independence no effort had been made to evolve a uniform civil code in spite of the constitutional mandate The ruling party, in order to lure the minority vote continued to sacrifice the rights of minority women Examples of this tendency can be found in laws governing Christian and Muslim minorities The only exception is the recent reform in laws governing Parsis [11]

The archaic and anti-women Indian Divorce Act was enacted by the British in 1869 to facilitate the smooth functioning of the colonial regime But today it is applicable to Indian Christians (who are referred to as 'native Christians' in the act) Under Section 10 of the act while a man can get divorce only on the ground of adultery the woman has to prove an additional ground such as cruelty or desertion [12] Repeated pleas to change this oppressive provision by Christian Women's organisation[13] as well as recommendations by the Law Commission have fallen on deaf ears [14]

In a similar vein the Dissolution of

Muslim Marriages Act of 1939 governing the divorce of Muslim women which has no provision for custody of children or for maintenance has remained unchanged. Further, the customary privilege of the Muslim male to a unilateral 'talaq' is held valid in spite of protests from Muslim Organisations.[15] But the most stark example of this tendency was the passing of the Muslim Women (Protection of Divorce) Act 1986. A judgment in 1985 popularly known as the Shah Bano judgment[16] which reaffirmed the divorced Muslim woman's right to maintenance aroused the wrath of the leaders of the Muslim community because of certain adverse comments made by the judiciary against Islam. The adverse campaign led to passing of laws which deprived divorced Muslim women of their hard won right to maintenance under a secular code.[17]

It was not surprising that the demand of uniform civil code raised by the women's movement aroused contradictory response from fundamentalists depending upon whether they hail from the majority or the minority communities. It was opposed strongly by Muslim and Christian religious leaders who perceived it as a threat to their cultural identity and violation of fundamental rights guaranteed by the Constitution.[18] But it became an important plank upon which the hate for the Muslims could be ignited. Through it, the Hindu communal organisations were not only able to gain popularity amidst the Hindu male who envied his Muslim counterpart for his freedom to practise polygamy[19] but could also pose as the champions of women's cause.

There was a very clear difference between the demand made by the women's movement which was based on a pro-woman, secular and non-sexist ideology and the anti-Muslim demand of the communal forces. But this did not clearly manifest through well-publicised campaigns. Although most of the initiators of the movement were culturally Hindu they perceived themselves as secular beings. Hence they did not focus sharply and minutely on the Hindu code and the challenges to the sexist bias within it.[20] But at the other level the movement could rally around important cases initiated by a few minority women challenging the sexist biases within their personal laws.[21] This resulted in the women's movement focusing primarily on lacunae within laws governing minority communities.

Perhaps a few examples of the extent of sexist biases within laws governing Hindus are necessary to clarify the issue. The first and concrete example is the Hinduisation of the Special Marriages Act. While the Muslim Women's Bill which deprived Muslim women of their right to maintenance under a secular code was strongly criticised, the amendment of 1976 to the Special Marriages Act of 1954 went unnoticed. This was the forerunner to the Muslim Women's Act and the first instance after independence when the trend towards uniform secular code was reversed. A religious group was taken out of the purview of the secular code and placed within the purview of a code based on religion. By this amendment if two Hindus married under the Special Marriages Act then the secular code which granted equal rights to men and women—the Indian Succession Act of 1925 would not apply to them and parties continued to be governed by the Hindu Succession Act which ensured male coparcenary rights.[22]

The amendment was both anti-women and anti-minority. It sought to protect the property interests of a Hindu male who married any woman within the broad Hindu fold by not depriving him of his coparcenary rights. Since the concept of coparcenary (through which a male member by birth becomes a partner in the ancestral property and a woman can never be a coparcener) *per se* is anti-women this amendment was *de facto* against women's rights. At the other level it served as a deterrent to a Hindu male wishing to marry a woman from the minority religious communities because then he could be penalised by forfeiting rights to his ancestral property. This amendment aroused no public furore from progressive organisations. Perhaps it is apt to point out that this amendment was passed at a point in history when the legislature enacted major changes in laws governing women's rights, as a response to the Status of Women Committee report of 1974 *Towards Equality* and the International Women's Year, 1975.

Several other lacunae within the Hindu Code also went unnoticed. For instance the procedure of solemnising the Hindu marriage at one level remained brahmanical, but at the other level the code validated customary rituals and ceremonies. To this confusion the Hindi films have contributed their bit by creating a fiction that exchanging garlands or applying 'sindoor' to the forehead of the girl constitutes valid marriage. This confusion coupled with non-registration of marriages has enabled the Hindu male to contract second marriage with impugnity.

In a divorce proceedings, a Hindu male can, at his whim and fancy admit either his first or his second sexual relationship as a valid marriage. This places the woman in a polygamous relationship extremely vulnerable, while it permits the man to enjoy the fruits of the relationship without any financial responsibility. When the man refuses to validate the marriage, the woman loses not only her right to maintenance but has to face humiliation and social sigma as a 'mistress'. So much is at stake for the woman that it is not an uncommon sight at the family court in Bombay for two women who are vying with each other for the status of a wife to come to blows.

Only the Hindu Marriage Act permits the scope for ambiguity regarding the solemnisation of marriage. Under other laws the officiating priest has to provide the necessary document by way of a 'nikha nama' or he is required to register the marriage with the Registrar of Births, Deaths and Marriages.

In criminal prosecutions for bigamy under Section 494 of the Indian Penal Code, years of litigation fails to end in conviction for the errant male due to the courts adopting a rigid view that only Saptapadi and Vivahahoma are valid marriage ceremonies.[23] If these ceremonies could not be proved in the second marriage the courts held that the second marriage was not valid even though the couple is living as husband and wife and the community accepts them as such.[24] Hence the progressive sounding provision of monogamy not only turned out to be a mockery but in fact even more detrimental to women than the uncodified Hindu law which recognised rights of wives in polygamous marriages.[25]

Continuation of coparcenary concepts within the Hindu Succession Act denied of equal property rights and the right to ancestral home and property.[26] The daughters had equal rights only in the self-earned property of their father. This provision made it easy for men to turn their self-earned property into a joint property and deny women property rights. While introducing the provision of property rights to women in parliament, this lacuna was pointed out to appease the Hindu revivalists who had vehemently opposed the provision granting property rights to women.[27] Some southern states like Tamil Nadu, Andhra Pradesh and Karnataka have tried to rectify the discrimination to women through state amendments.[28]

Under the Hindu Adoption and Maintenance Act, a Hindu wife can neither adopt nor give her child in adoption.[29] The father remained the natural guardian of the child under the Hindu Guardianship and Adoption Act. But based on the deep rooted desire to control women's sexuality, the law continued its distinction between legitimate and illegitimate children and made mothers the natural guardians of their illegitimate children absolving the fathers of any moral responsibility towards the child.[30] While at one level equal property rights were denied to the Hindu woman both in ancestral as well as marital home, under some strange and perverse notion of equality a Hindu woman was called upon to pay maintenance to her

husband a provision which thankfully was non-existent in other personal laws [11]

But unfortunately none of these anomalies and anti women bias within the Hindu code received wide media publicity They remained hidden in statute books and legal manuals The women's movement did not rally around litigations challenging these anti women biases in its campaign for a uniform secular code Hence the demand by the women's movement could not clearly position itself away from the sexist Hindu code So by default, the movement contributed to the fiction popularised by the fundamentalist that the Hindu Code is the perfect family code which ought to be extended to other religious denominations in order to liberate women

The women's movement could not allay the fears of the minorities that the Hindu code would not be thrust upon them under the guise of 'uniformity' in order to crush their cultural identity Hence the brunt of this default will have to be borne by women from minority communities who are already burdened under sexist and archaic laws The severe opposition from fundamentalists of both Christian and Muslim communities to the uniform civil code and assertion of their cultural identity means further obstacles to the rights of minority women

Till recently women leaders of communal organisations have been advocating a conservative role for women The public statements of Rajmata Vijayaraje Scindia and Mridula Sen, the president of the Mahila Morcha publicly supporting the derogative practices of sati and dowry are well known Although out of the 2,00,000 kar sevaks who went to Ayodhya 55,000 were women, their role was mainly behind the curtain— cooking and feeding the male counterparts [12] But as large numbers of women enter the public arena under the banner of communal forces slowly but steadily the older and conservative notions about women's role and status in society will give way to a struggle for equality within the organisational structure This can be seen from the recent rebellion among a group of BJP women MPs against the sexist insult of Uma Bharati Newspapers reported rumblings of discontent in the mahila morcha of BJP which is demanding a broader representation within the organisations Even the most conservative Hindu organisation the Rashtriya Swayamsevak Sangh (RSS) imparts physical training with a special accent on the martial arts to its women members, the Rashtra Sevikas [13]

Indicating this shift in the party's attitude to the women's question Mridula Sen, stated in an interview that women leaders are working on a perspective paper on 'BJP and Women' She added that it is important that women know their rights and only by educating them and making them independent entities can women access these rights Further she condemned the Muslim Women's Act as a backward step According to her the BJP has never discouraged women from standing for elections During the 1989 the BJP fielded the highest number of women, i e, 5 5 per cent as compared to the 4 5 per cent of the Congress and 3 3 per cent of the Janata Dal Even the Shiv Sena has been taking a more active interest in women's issues in recent times In a case where a minor domestic worker was repeatedly raped by her employer which resulted in pregnancy, the issue got public attention when a Shiv Sena MLA raised it in the state legislature

With women's concerns gaining prominence the women's organisations will be forced to choose their political allies within the existing political set up For instance the recently constituted women's commissions both at central and state level will be broad forums which includes representations from women's organisations along with other political parties While this will provide the opportunity to influence policy decisions, the representatives will have an option either to be co opted by the ruling party or form broad alliances with the opposition including the communal organisations The question which needs to be addressed is whether in order to strengthen women's interest it would be strategical to join hands with communal forces in broader forums which might amount to a tacit endorsement to their anti Muslim propaganda Or should commitment to secularism and minority rights be a pre condition to forming coalitions for women's rights?

New Challenges

While these issues have not been adequately addressed, the complexities of the post riot situation have brought minority concerns to the centre stage Some groups feel that women's issues could no longer be addressed merely within a patriarchal framework along gender lines but would have to be re-examined within the newer challenges to democracy, secularism and minority rights The questioning is not limited to controversial issues like personal laws but extended even to seemingly non controversial issues like domestic violence

Here is one example of the choices which were thrust upon women's groups in the context of the riots, Around October 1992, the joint commissioner of police R D Tyagi issued directions to the subordinate police stations that cases of domestic violence should not be registered against women who do not bear visible marks of physical injury on their person This direction was a set-back It is through a sustained campaign that a special provision was incorporated within the Indian Penal Code, i e, Section 498(A) which recognised both physical and mental violence against women within the matrimonial home Although the officer later retracted his statement, to counter the allegation that women misuse this provision, a seminar was planned with police and legal authorities and was scheduled for January 1993 But the riots of [illegible] 1992 changed drastically the [illegible] of the seminar In the wake of the [illegible] scale police brutality where groups of [illegible] young boys picketing on the roads were sh[illegible] down by the police, the faith of the minority community in the law enforcing machinery had totally broken down Large numbers of Muslim youth with bullet injuries were hiding in their homes haunted by the fear that they will be locked up if they come into the vicinity of the police stations [14]

In such a situation where one whole community was being held at ransom, the issue of domestic violence had lost its earlier context By organising a seminar on domestic violence we would be helping the police to defuse the more pressing issue of police excesses during the riots Interaction with the law enforcing machinery in a forum on women's issues would amount to condoning their brutality towards Muslims

The police were too eager to arrest Muslim men under any pretext They would have entertained a Muslim women's complaint with undue eagerness and responded to it promptly Viewed within the context of the women's movement, it would have been an ideal situation, but the response would in fact be anti-Muslim rather than pro-women By applauding this move on the part of the police the movement would be segregating the issues affecting the Muslim women into isolated compartments of gender and religious identities During these months of political instability the number of women approaching the agencies for help had decreased The number of Muslim women following up their court cases had gone down even more drastically The violence and instability had corroded the social fiber an essential pre-condition for raising the question of domestic conflict

But ironically the social space which is denied to women in peace times was now being offered to them on a platter in the face of grave adversity Women from both communities were being used or became willing martyrs in aid of the community defying traditional norms and roles In

predominantly Muslim localities women became the buffer between police and the community youth and hence suffered casualties.

The elderly neighbours of 50-year-old Neelam Bano who was shot dead on December 8, 1992 in a slum in Bandra east say, "As the police opened fire, a group of us elderly women came out. We did not let the boys come out as the police might fire at them. We did not think that the police would fire at a group of elderly women."[35] In many 'bustis' while men went into hiding, the women braved the bullets to fend for the children with a great sense of pride and honour. It is the women who stood in long queues to claim relief at the collector's office or went to police stations to lodge complaints.

On the other side, the Shiv Sena was able to mobilise a large section of women to hold traffic blocks and demonstrations outside police station to protest against detention of community youth, even at midnight. Women slept on the roads to prevent army trucks from entering the area to rescue Muslim hostages or put off the blazing fires.[36] The slogans which the left groups had used to strengthen collective actions were now used to whip up communal frenzy among violence mobs. For instance the slogan—'Hum se jo takarayega, Mitti me woh mil jayega' (Those who confront us will be destroyed or in other words might is right) rent the air. But sanction to oppose traditional norms did not imply that they would not be victims of sexual jealousy and domestic violence within the homes. So the women who threw stones at the Muslim men who were set on fire in the middle of the road, would yet have to approach a women's organisation for help in personal problem.

With the Muslim community the equation was in the reverse. The community leaders who were fighting for a legitimacy and a right to dignified existence in a riot-torn situation became our allies in anti-communal forums. But at that moment we could not dare to ask them their views on the Shah Bano judgment or triple talaq. And even while we were being welcomed with open arms during peace rallies we are apprehensive that riot time allies might become peace time adversaries. The same men may deny us access to the women once normalcy is returned if we work on the issue of maintenance to the divorced Muslim woman.

Women leaders of left political parties like Ahilya Rangnekar while confronting the fact that women had played a significant role in the riots admitted that the left parties and women's organisations had failed to counter communalism. It was evident that gender unity could not withstand communal hostility.[37] A section of women most difficult to mobilise, i e, housewives had responded to the call of Hindutva and marched under the banner of Shiv Sena and Durga Vahini, the women's wing of BJP. Sadhvi Ritambara and Uma Bharati addressing mammoth public meetings of devout followers became the living incarnations of shakti.[38]

The riots dealt a severe blow to the premise that the women have a separate existence away from their communal identity where we can discuss problems of rape, divorce and maintenance on a common platform. The same issues affect different women in different ways at different times. We also realised that our allies and adversaries would change depending upon the external realities. If social action means reacting to external social reality, then as the external reality changes the internal positions have to be redefined or else the movement itself would be redundant in the wake of the newer challenges.

In conclusion it is necessary to emphasise that the critique of the movement is made from within, having participated in all the different stages of the development of the movement. The contradictions and confusions are as much a part of the movement as its gains and are signs of a movement which is alive and growing while reformulating its positions in response to external shifts in the configuration of powers.

The women's movement does not stand in isolation and is an integral part of other social movements. Hence the contradictions and ideological shifts expressed here within the context of the women's movement hold true for other social movements as well. During the last decade the trade union movement in Bombay has become communalised with the Shiv Sena dominating many important trade unions in the city. The Sena-dominated unions in Larsen & Toubro, Oberoi Towers, Bombay Dyeing and other private companies not only led the riots but also demanded that Muslims be removed from the workforce.

But the hostility towards the Muslims was not limited to Sena-dominated unions but was also widespread among left party affiliated unions which resulted in many stabbing and burning instances within factory premises. This led to large-scale absenteeism of Muslims. Less than 30 per cent of the Muslim labour force in the organised sector returned to work even after a month of the riots. In an effort to restore normalcy, establishments like Tatas issued a public satement inviting the Muslim workers back to work and promising them adequate protection. But some others sent their Muslim workers on leave on the grounds that they could not guarantee their safety.[39] The severe blow to the commercial activities of the trade centre led industrialists like JRD Tata and Nani Palkhivala to demand a partial emergency or to declare the city as a union territory in order to bring the riots under control.[40] This is an indication of the level to which the trade union movement was divided.

Analysing the developments, one trade unionist felt that the Shiv Sena had been able to provide the space for the cultural assertion of the workers, however narrow and excluding in nature it might be. On the other hand the left organisations had rallied mainly around economic and political issues which perhaps might have been limiting in its scope. The dalit and other caste-based movements also had to confront similar issues... The Mandal issue which had divided the Hindu community along caste lines stood united as a cohesive Hindu force against the Muslims. The progressive organisations which had supported the Mandal campaign found that this alliance could not withstand the stress of communal pulls. Within the government bureaucracy those who were occupying reserved seats expressed deep rooted communal biases even while implementing relief programmes declared by the government. In Dharavi and other bustis the corporators belonging to the Republic Party, a political forum of the dalits led the riots against the Muslims. Shanta Dharia, a Republican Party woman corporator was shot down by the police while leading a rioting mob.

A similar rescrutiny of earlier presumptions and premises of other social movements might help in building up a consolidated secular force which can stand the onslaught of rising communalism and counter its challenges effectively.

Notes

1 See Jim Masselos(1993). 'The City as Represented in Crowd Action: Bombay, 1893', *Economic and Political Weekly*, January 30, pp 182-88

2 For detailed account of Bombay riots see two articles titled 'The Winter of Discontent' (pp 12-41) and 'A City at War With Its Self' (pp 42-121) by Clarence Fernandez and Naresh Fernandes in *When Bombay Burned* edited by Dilip Padgaonkar (1993) (A *Times of India* Publication).

3 Forum against Oppression of Women, Bombay, Stree Sangharsh, Delhi, Stree Shakti Sanghatana, Hyderabad, Sachetana, Calcutta

4 Saheli, Delhi, Vimochana, Bangalore, Women's Centre, Bombay, Ahmedabad Women's Action Forum (AWAG), Ahmedabad.

5 Flavia Agnes (1992), 'Protecting Women against Violence?', *Economic and Political Weekly*, April, p WS-19.

6 Annapurna Bombay Self Employed Women s Association (SEWA) Ahmedabad Working Women s Forum Madras Women s Voice Bangalore

7 Burnard Fatima (1983) Despite Heavy Odds Organising Harijan Women in Tamil Nadu Villages *Manushi* No 19 Alaka and Chetna (1987) When Women Get Land a Report from Bodhgaya *Manushi* No 40 Peter Custers (1986) *Women s Role in Tebhaga Movement* An Interview with Bimla Maji Sunderlal Bahuguna *Herstory* *Women s Non Violent Power in the Chipko Movement*

8 Madhu Kishwar (1984) Gangster Rule The Massacre of the Sikhs *Manushi* No 27 SEWA Report on Communal Violence (1986) Why This Slow Murder *Manushi* No 33 Sonal Mehta (1986) We Know the Weapons Will Finally Turn on Us Recurrent Anti Muslim Riots in Ahmedabad *Manushi* No 36 Lalita Ramdas and Jaya Srivastava (1986) From Day To Day Envisioning Tomorrow Working with Victims of Anti Sikh Riots at Tilak Vihar *Manushi* No 36

9 Civil Rule Threatened in North East in *The Lawyers* Vol 4 No 2 (February 1989) Shashi Sinha (1985) Bhopal— How Women Suffered *Manushi* No 29 p 36

10 Bharatiya Mahila Federation of CPI Janwadi Mahila Sanghatana of CPI(M) Mahila Dakshata Samiti of Janata Dal and Stree Mukti Sanghatana of Lal Nishan Party

11 Amendments to the Parsi Marriage and Divorce Act 1936 by Act 5 of 1988 (with effect from April 15 1988)

12 Heera Nawaz (November 1988) Section 10 of the Indian Divorce Act—Need for Amendment *The Lawyers* Vol 3 No 10

13 Joint Women s Programme (1986) Christian Women Demand Reform *Manushi* No 33

14 Law Commission of India 90th Report on The Grounds of Divorce among Christians in India S 10 Indian Divorce Act 1989 (1983)

15 Shikhare (1986) Talaq Mukti Morcha in Maharashtra *Manushi* No 32

16 Mohd Ahmed Khan vs Shah Bano Begum AIR 1985 SC 945

17 The Muslim Women's Act excluded a divorced Muslim woman from the purview of the beneficial social legislation under Section 125 of the Criminal Procedure Code of 1973 which provides for maintenance of wives children and parents

18 Articles 25 28 of the Constitution guaranteeing freedom of religion

19 To give an example in State of Bombay vs Narasu Appa Mali AIR 1952 Bom 84 it was contended that banning polygamy among Hindus violated the provision of equality under article 15(1) of the Constitution

20 Is a Father Natural Guardian Hindu Guardianship Act Challenged *Manushi* No 35 Madhuu Bala vs Arun Khanna AIR 1987 Delhi 81 reported in Natural Mother as the Custodian of Her Child (October 1989) *The Lawyers* Vol 4 No 10, Shainona Khanna April 1992 'Challenging the Unequal Position' *The Lawyers* Vol 7 No 4

21 Challenge to the Inheritance Laws of Syrian Christians by Mary Roy (Mary Roy vs State of Kerala AIR 1986 SC 1011) and Challenge to S 10 of the Indian Divorce Act by Mary Sonia Zacharia (Mary Sonia Zachariah vs Union of India) (1990) *Kerala Law Times (KLT)* These litigations were supported by Christian Women s Organisations i e Young Women's Christian Association (YWCA) and All India Council of Christian Women (AICCW) and Joint Women s Programme (JWP) Similarly the issue of triple Talaq was raised by Talaq Peedit Mahila Morcha Pune Shahnaz Sheikh filed a case in the Supreme Court challenging various discriminatory provisions under the Muslim Personal Law in 1984 Challenge to the Muslim Women s Act P K Saru reported in *The Lawyers* (November 1987) Vol 2 No 11 The cases are pending in the Supreme Court

22 Section 21(A) of Special Marriages Act 1954 instituted by the Marriage Laws (Amendment) Act 1976 (68 of 1976) Section 22 (with effect from May 27 1976)

23 Section 7 (1) and (2) of Hindu Marriage Act 1955

24 Bhau Rao vs State of Maharashtra AIR 1965 SC 1964 S Varadarajan vs State of Madras AIR 1965 SC 1564 Priyalata vs Suresh AIR 1971 SC 1153

25 Anupama Pradhan vs Sultan Pradhan 1991 *Cri L J* 3216 Orissa HC

26 Section 6 of the Hindu Succession Act 1956 see P M Bakshi (April 1988), 'Partition Rights of Female Heirs' *The Lawyers* Vol 3 No 43

27 Rachana Parasar (1992) *Women and Family Law Reform in India*

28 Heera Nawaz (July 1988), Equal Property Rights to Women in Karnataka Vol 3 No 6

29 Section 8 (c) of the Hindu Adoption and Maintenance Act 1956

30 Section 6(a) and (b) of Hindu Minority and Guardianship Act 1956

31 Sections 24 and 25 of the Hindu Marriage Act 1955 The 1988 amendment to the Parsi Marriage and Divorce Act 1936 has granted Parsi men the right of maintenance under Sections 39 and 40 of the Act

32 Diva Arora (1992) *The Telegraph* December 27 Women Cooking at Ayodhya'

33 Tanika Sarkar (1992) The Crucible That Moulds *Pioneer* December 23

34 Madhu Kishwar (1993) Safety Is Indivisible—The Warning from Bombay Riots' *Manushi* Nos 74 75

35 Interviews of Muslim women in a documentary by Madhusree Dutta titled I Live in Behrampada (1993)

36 Flavia Agnes (1993) Behrampada A Besieged Basti *Manushi* Nos 74 75

37 Sharmila Joshi (1993) Women as Messengers of Peace *The Independent* March 10

38 Kalpana Sharma (1993) Can Gender Unity Override Communal Hostility? *The Hindu* March 7 1993

39 *Sunday Observer* January 31 1993

40 *The Bombay Riots—the Myths and Realities* A Report by Lokshahi Hakk Sanghatana and Committee for the Protection of Democratic Rights Bombay March 1993

An Indian Intellectual's Anguish

A G Noorani

Bewildered India: Identity, Pluralism, Discord by Rasheeduddin Khan, Har-Anand Publications, Rs 350

THIS book expresses not so much the bewilderment as an anguish of an Indian intellectual. Like many in the country, he seems to cry "This is not the India we once knew, still less the India we dreamt of". Rasheeduddin Khan writes "Frankly I am passing through a mood of despondency, despair, anguish and anger, by witnessing the erosion of values in social and political life, the steady deterioration in practically every aspect of collective existence, and our incapacity or unwillingness to resist it.

"Normally given to normative and optimistic writing on the national problems one now realises how unrealistic, irrelevant and ivory towerish some of us of the idealist and ideological mould have been in our otherwise well meaning zeal to portray only a positive picture. Out of the politeness of our style and innate sense of balance often we have avoided calling a spade a spade."

With equal candour one might add for this state of things Indian intellectuals share a significant proportion of the blame. How many of them lionised the leaders of the Sangh parivar. Saw virtues in the RSS, the Jan Sangh and the BJP. Lauded Indira Gandhi's authoritarianism and condoned Rajiv Gandhi's crooked ways. Condoned Morarji Desai's hypocrisy, Chandra Shekhar's frauds, and V P Singh's falsehoods. Condoned violence, ignored the lies and the false values systematically propagated. Those who in the name of the rule of law ignored the plight of millions to whom the rule of law could mean nothing were and are as culpable as the political thug out to undermine the rule of law.

Rasheeduddin Khan's anguish is expressed without rancour, is embellished with Urdu poetry, and is enriched by a marshalling of historical facts which should instil an Indian with pride. Provided of course, that the composite culture of India and Indian nationalism mean something to him.

On this, the caution administered by the man the Sangh parivar hates bears recalling. Very many in the party that professes, hypocritically, to be the bearer of his legacy need to be reminded of it as well. Jawaharlal Nehru told the AICC on May 11, 1958 "The communalism of the majority is far more dangerous than the communalism of the minority." Not that he condoned the latter. But, as he explained later "Communism is a part of our society." He did not accept the view that one community was communal and not the other. However, and this is of *crucial* relevance today "When the minority communities are communal you can see that and understand it. But *the communalism of a majority community is apt to be taken for nationalism*." This is what happened in Russian dominated Soviet Union and Serb dominated Yugoslavia with consequences for all to see. This vital distinction lay at the root of Lee Kuan Yew's query to the Malay leaders of Malaysia "Will it be a Malay Malaysia or a Malaysian Malaysia?" They saw the point and *expelled* Singapore from the Malaysian Federation. For long the expression "nationalist Muslim" was in vogue in arrogant disregard of its insulting implications which Mushirul Hasan so ably pointed out in his introduction to the collection of seminar papers *Islam and Indian Nationalism: Reflections on Maulana Abul Kalam Azad*. The Sangh parivar today is the single biggest threat to the Indian Constitution deserves to be asked which of them is the "nationalist Hindu".

This is not to deny other threats to our polity. Every thinking Indian has his own perceptions of them. Rasheeduddin Khan has rendered high service to India's federal credo. To him India is "an evolving federal nation". Four core areas are covered in this book—Indian identity and pluralism, Muslims, communalism, and secular polity. It is a powerful plea for India's composite culture, its federal polity and its plural society. Each theme is properly linked and placed in perspective. "The Muslim situation and problems should be located and understood in the larger context of the contemporary Indian reality in its implications and ramifications." The India of today has been shaped by all its communities. The author's survey of the Muslim contribution compels admiration, because it places that in its context. He is at pains to demolish stereotypes about Muslims.

Islam first came to India in Malabar. Mohammed Ali Jinnah was not the only ignoramus to characterise the Muslim majority provinces of India as their "homeland". In truth their homeland was India entire. Islam's experience in India was fundamentally different from that in Egypt, Iran, Afghanistan and other places. The rich and resilient Hindu civilisation survived and flourished even under Muslim rulers. A composite culture grew up. Rasheeduddin Khan's recital of the contributors bears quotation *in extenso* for two reasons: the facts are not well known in our clime today and the recital reveals the author's learning and approach.

The trend of composite culture from 13th century onward has had a galaxy of names of enlightened rulers in different parts of India, sufis and theologians, writers, poets and artists. Among the rulers for instance, one can mention Sikandar Lodi of Delhi (1489 1517), Zainul Abidin of Kashmir (1420 1470) Ibrahim Adil Shah (1535 57), and his son Ali Adil Shah (1557 79) of Bijapur, Ibrahim Qutub Shah (1550-81) and his son Quli Qutub Shah (1581 1611) of Golconda, Sher Shah Suri (1539 45) Mughal emperor Akbar (1556 1605). Among theologians and sufis, Baba Farid (1173-1265), Nizamuddin Auliya (1238 1325) Nasiruddin Chiragh Dehli (1296 1356) Shaikh Abdul Quddus Gangohi (1456 1538) and his son Shaikh Ruknuddin (d 1575) Mirza Mazhar Jan-i-Janan (1699 1780). There is a long list of writers and poets whose lives were devoted to the values of composite culture. Some of the eminent are Ziauddin Nakshabi who translated 52 Sanskrit stories in *Tuti Nama* in 1330, Qutban Jaunpuri who wrote the masnawi *Mrigavati* in 1501 in Awadhi, Malik Muhammad Jaisi (1493 1542), whose masnawi *Padmavat* (1540) and *Akhravat* established a new trend in Hindi. Hammad, who compiled the first book in Persian on Indian music called *Lahjat e Sikandari* in Sikandar Lodi's time. Shah Manjhan Jaunpuri whose masnawi *Madhumalati* (1545) was popular in Akbar's time, Shaikh Nabi Naunpuri whose masnawi *Jnan Deep* was written in Jhangir's reign. Shah Miranji's (d 1563) masnawi in bhakti strain, Sultan Ibrahim Adil Shah's pioneering book on Indian music called *Kitab i Nauras* (1600) Mulla Nusrati of Bijapur's masnawi *Manohar and Madhumati* (1657), Ishrati's nasnaw *Dipak Patang* and *Chaat Lagan* in Jaisi's style. Muqimi's masnawi *Chandar Bhan we Mahyar* a romance of a Muslim boy and a Hindu girl (1657) Mulla Wajhi's masnaw *Qutub Mushtari* (1610) in Dakhini Urdu, Ibn Nishati's *Phul Ban* (1656) Ghulam Ali's rendition of Jaisi's *Padmavat* in Dakhini (1680) Miran Hussaini Shah of Hyderabad's *Tuhfatul Ashiqain*. Faizi's (1547 95) translation of *Mahabharata* and *Nal and Damyanti* into Persian. Abdur Rahim Khan-i-Khanan's (1556 1627) poetry especially his *Nayik Bheda* in barve meter. Raskhan's (b 157?) *Sujan Raskhan* and *Prem Vatika*, and Nu Muhammad's masnawi *Indravati* (1744) patterned on Jaisi's *Padmavat*.

They are disruptionists who reject th heritage. It is this rejection of the composite character of India's culture which lies at th root of the crisis of India's secularism. The author lists seven disasters which followe in train "(i) division of the emerging pan Indian political fraternity, (ii) partition of a integral country and its unified civilisation (iii) trifurcation of the subcontinent's Muslim segment (iv) set back to the process of composite culture, (v) destabilisation of Urdu, its heritage and of its votaries (vi) emergence of Muslim fundament

lism in Pakistan, Bangladesh and India; and (vii) the spread of bigoted, belligerent Hindu revivalism in India and among some Hindu NRIs."

The book is not meant to be 'an academic monograph', the author cautions. It is intended to be "a stimulant for greater awareness of the many interlinked problems of a bewildered India". Ours is a country of continental dimensions. It has a distinct, unified civilisational unity and a wealth of diversities. He does *not* regard India as a union of nationalities but as a federal nation—"unity of polity and plurality of society". For all our problems, we need not be pessimistic. In little Belgium, the Flemish and Walloons still squabble over Brussels. Witness Ireland, Canada, the US. Our diversities are greater. Nor is it fair to demand, as some do insistently today, that all Indians should have the same perception of the country's history. The southern American's perception of American history is different from that of his fellow citizen on the East Coast. A New Yorker's perception will be different from that of the Californian. It is the lust for unification, for obliteration of diversities which has blighted modern India.

Besides federalism, the author's other dominant concerns are the place of Muslims in India and the future of secularism. His demolition of myths is graceful and effective: "Probably no other language of India reflects the ethos of composite culture as fully and in all its nuances as Urdu does. And no other language has such a wide repertoire of poems on almost all major occurrences of political life in India in the last three hundred years as Urdu has. Indeed it is one of the greatest repository of poems on aspects of social life, festivities, cultures, natural beauties of India, and the vicissitudes of politics. The span from the decline of the Mughal power covering events and episodes to the rise of the British colonial system, the long-drawn struggle for national liberation in all its phases, and almost five decades of independence are recorded with sensitivity, pathos and patriotic verve. This is partly because of the heritage of acute political consciousness among Urdu poets in every age of its evolution, and partly because Urdu has always had a pan-Indian outlook and national vision."

There are two chapters which are of particular relevance and merit high praise. One is on 'Muslim Perception of India' in which the author gives a fine selection from the works of Muslim poets reflecting their concerns *about India*. The very next one is entitled 'Toward Understanding Hinduism: Reflections of Some Eminent Muslims'. Both testify to the author's erudition and his fine impulses.

Alas, we have fallen on sad days. Violence is endemic in large parts of India. There is an atmosphere of intolerance. The blame is fairly laid:

> The vulnerability of the Indian Muslims to the upsurge of political Hindutva is due in part to the decline in the secular role and political efficacy of the Congress and the Janata Party—the two major platforms of democratic consensus in India, and to a large measure due to the inept, short-sighted and unimaginative political leadership of the Muslim community itself. The fragmented and divided erstwhile Janata Party, which had earlier come to power in 1977, in the wake of loss of popular support by the Congress, could not eventually emerge as an alternative focus of power at the federal level. Splits and dissension had made its several parts—Janata Dal, Lok Dal, Samajwadi Janata Party, etc—a marginal political force, with limited role in checking the drift of the electorate towards the BJP and the Hindutva combine. For years the Congress, due to lack of internal democracy and plagued by factionalism due to its regional, caste and personality-based politics, had lost its will and political power to fight communal and caste-based forces. The sordid inefficiency, incompetence (or, shall we say, connivance) of the Congress government at the centre, in the events leading to, and the occurrences of December 6-8, 1992 in Ayodhya, shocked and bewildered even those who are close and sympathetic to the Congress.

Indian political parties have failed the nation. Unlike, say Sri Lanka, India has failed to develop a viable, functioning democratic party system. Every one of the political parties has compromised with communal parties some time or the other. The CPI was the Jan Sangh's coalition partner in the SVD ministries in late 60s. Political morality is at its lowest today. Exploitation of religion comes naturally to desperate seekers of power.

The author holds that "The process of federal nation-building involves for its fuller realisation the synchronisation and convergence of at least those five major processes on which a considerable consensus exists. These are: (i) mass mobilisation and political participation (based on equality of status and opportunity of the citizenry); (ii) democratisation of politics (involving pluralism, competitiveness and distribution of power between the centre, states and local governments); (iii) secularisation of the polity (based on uniform laws, non-discrimination of citizens as citizens, irrespective of caste, religion, language, race, gender, etc); (iv) rationalisation of administration and bureaucracy (achieved through their unbiased commitment to public responsibilities according to the goals enunciated in the preamble to the Constitution; and (v) national integration (of the discrete segments of the polity)."

The task before us is the reconstruction of the Indian polity as envisioned by the founding fathers. Analyses like these can help immensely.

An Affair to Remember

M S

My Economic Affair by Ashok Desai; Wiley Eastern, 1993; pp xi + 332, Rs 300.

THE title of the book creates an expectation that the author would let the readers have a peep into his involvement in the myriad intricacies of policy-making and provide an account of his brief encounter with the other actors in the inner circle of government. That expectation is not fulfilled except by reading between the lines. What the book does however is to give a lucid and highly readable statement of the author's position on a wide range of economic policy issues. This position, again, is stated in two parts. Part I, which is called 'A View from the Foothills' is written before Desai became chief economic consultant in the ministry of finance and is a review of reforms in the first few months after June 1991. Part II, ponderously described as 'A View from the North Col', are reflections on economic policy in the light of his experience within government. The progress to Mount Everest was, however, abruptly halted after 18 months, when Desai decided to leave the government. The book as such gives only a hint as to the reasons which impelled him to do so. But elsewhere in public pronouncements he has left no doubt that he left because he was dissatisfied with the pace of reforms. The early promise of swift moves on a broad front, which was implicit in the dramatic initiatives taken by the government soon after it came to power in mid-1991, was not fulfilled. Desai's impatience with slow progress must have led to frustration. The policy-maker is subject to many pulls and pressures, not all of them are ideological. Vested interests and political and bureaucratic ambitions predominate in these. It seems the author did not quite succeed in coping with these. His honesty is transparent in what he says in the Introduction:

> But the career of an economic advisor is always precarious. His job is to tell it as it is and advise as he sees right. But the basic instinct of the government is political survival. To tell it as it is would be treason if the facts gave ammunition to the opposition; to advise what the government should but cannot do would point to its impotence. So an economic advisor must not do his job too well. I did not either, but I never quite got the hang of when to do it well and when to mess it up. Finally I decided that the game of snakes and ladders, which those aroun

played with such ferocity, such guile such subtlety, such flair, was not the game for which I had joined the government, and left

Even so, while he was there, Desai seems to have enjoyed every bit of it. The thrill of being 'in it' at a historic time is evident. And if the finance minister missed it under strain Desai was there to remind him. 'These are the days about which you will tell stories to your grandchildren", he told Manmohan Singh. For obvious reasons we are not told any stories. What we have instead is a manifesto of economic reform, Desai's credo in short.

The general approach to economic policy which permeates the various chapters of the book will not be questioned except by those who cannot still give up their faith in the efficacy of a command economy. The regime of controls and licensing has failed. What is being put in its place is still in transition—a painfully long transition which creates new distortions. Hence it is important to keep going without losing momentum. This seems to be the central message of the book. The reason why the momentum seems to have been lost is the continued hold of the bureaucracy. Government's style, he says, is bureaucracy-intensive and has thus a tendency towards complexity. If the government wants more gold it will not simply buy it in the market but would instead issue gold bonds with complicated conditions. The penchant for convolution, however, stems from caution. And what the author calls the corporatist style of managing the economy is inescapable in a democracy. How else can a step-by-step reform process be introduced? If laws have to be amended the process will still appear to be bureaucratic—ministries have to be consulted, parliament has to debate and pass the amendments. All privileges cannot be abolished at the same time and it is through the spoils of reform that a constituency for reform can be built. The impatience displayed by the author may, one might surmise, have influenced the practice of resorting to ordinances to bring about changes in economic legislation in the last two years. Such a practice may be defensible when there is a time constraint, but not on the ground of getting around bureaucratic and legislative complexities. The general point is valid that the attempt should be to move away from discretionary interventions and towards market-determined outcomes, but the move itself cannot always be a simple act of abolishing this and that.

Instead of dealing with the specific prescriptions of the author in the different areas of economic policy, all of which follow the logic of market-orientation, it is instructive to draw attention to a few striking ideas. On the issue of stabilisation policy, there is, for instance, spirited rebuttal of the oft-repeated argument that inflation is a result of cost push and hence a reduction in fiscal deficit will fail to control it. That this view is not consistent with the view held by the same group of people that inflation hurts the poor since the poor are not able to get their wages and incomes adjusted shows up the glaring contradiction in their belief. Again, for those who are so easily convinced that there should be a full scale value added tax, Desai offers a word of caution. He would prefer an excise duty on the basic inputs, along with a conversion of all taxes on business profits into a value added tax. It is unfortunate that such a potent idea as this—and there are many such in the book—is not analysed in detail. In more senses than one, the book is an appetiser—the full menu one hopes will follow.

On the financial sector, Desai would propose a two tier system—small banks affiliated to bigger ones. Do not eliminate the village moneylenders, he says, since his costs are lower, he has better knowledge of the credit risk and he delivers. Instead bring him under the discipline of the market. Emergence of small banks would do this. On capital market reform in general the author favours prudential regulation. The attempted over regulation of the capital markets by SEBI comes under heavy fire.

There are chapters on industry, infrastructure, R and D (which is a subject on which the author has done considerable work in the past), labour and even agriculture. In all these the theme is the same—use the market. But each case is dealt with pragmatically and with creditably a heavy dose of common sense. The most difficult problem is in respect of the so called exit policy. The author's remedy is an insurance scheme along with a voluntary agreement among workers and employers not to avail of their rights under the Industrial Disputes Act. Here again, a more detailed analysis and elaboration would have been of help.

The canvas of the book goes beyond economic reforms *per se*. In line with the current fashion of putting good governance at the centre of pre conditions of development, the author has provided a chapter on how to redesign government. There are some innovative ideas here such as that there is no need for a special electoral machinery but instead the post offices would keep the relevant electoral records. "The election commissioner, of course, should not be abolished" says the author. "He is a gem." The author believes that the basic unit of government should be much smaller than the present states. Although he does not say so he seems to favour the strengthening of the panchayat system and a direct relationship between the centre and local bodies. He does not seem to have appreciated that there might be perverse political reasons for promoting such a reform and might have unwittingly provided the rationale for it. The notion that states need not be based on "synthetic nationalism" sounds nice, but how practicable is it to think in terms of popular votes in favour of mergers with neighbouring states? Federal financial arrangements, he says, should be pre-ordained and there is thus no need for periodic Finance Commissions. He has some suggestions as to how the Planning Commission could play a more useful role but in its present form he would regard it as an encumbrance. It is just as well that the author has not shown a preference for one institution rather than another and would rather junk both! There is no need to comment on such a sweeping judgment. That the functions of the two commissions overlap is well known and has been noted by successive Finance Commissions. That the Planning Commission may need to redefine its role in the context of the new economic policy is also obvious. But in a federal system, there is need for some institutional machinery which smoothens the relationship between the centre and the states. This aspect of the matter has not received enough attention of the author.

All said and done the book is a refreshing one, indeed provocative in many places, and contains many new ideas which however need to be worked out in greater detail. It must be prescribed as compulsory reading for anyone seeking a degree in economics and would provide an excellent agenda for initiating debates on the various policies which are discussed by the author. It is obviously a hurriedly put together book. There are a few typographical errors, at times references are not fully cited and at least one table is missing. But some of these pitfalls would, no doubt, be corrected in the second edition which the book fully deserves. One also hopes that next time around it will be a fuller menu complete with sauce and salad.

Identity, Communal Consciousness and Politics

Ghanshyam Shah

To what extent do different cross-sections of society subscribe to the communal ideologies which provide legitimacy to communal riots? To answer this question we need to explore people's perceptions on communal divisions and related issues. An attempt is made in this paper to examine individual identity and communal consciousness and their manifestation in the political arena through a survey of people from different parts of Surat city which witnessed communal riots in December 1992 soon after the demolition of Babri masjid.

INQUIRIES into the nature and intensity of communal riots in Surat and elsewhere reveal that though *agents provocateurs* and participants in acts of violence were few, a large number of onlookers occasionally joined the crowd and extended subtle support to the rioters. On the eve as well as during the riots in the city, the atmosphere was surcharged with emotions reinforcing communal categories and idioms. To what extent do the cross-sections of a society share the communal ideology which provides legitimacy to such riots? In order to understand this, we need to explore perceptions and opinions of the people on the subject of communal division and related issues. As a preliminary exercise to understand the complexities of 'mind-sets' of people, let us examine the nature of individual identity and communal consciousness and also how they get manifested in the political arena. The present study is confined to Surat city which witnessed communal riots in December 1992, soon after demolition of Babri masjid. The study is based on survey research, interviewing 723 persons in May-June 1993, from various parts of the city.*

I
Identity

Individual identity is not just one's relationship with others. It is not merely an ascriptive or achieved membership of this or that collectivity. It is essentially a matter of being and it is this consciousness of belonging to this or that collectivity and of being a member of an imagined community that determines the form of this identity. Such being or belonging is codified and invented by one's own self or assigned by others. The course of 'invention' and 'imbibition' is complex and contextual. Take a simple example of one identifying as a kshatriya. One may inherit this identity from a family or a social collectivity in which one socialises. It is an ascriptive identity. And/or one begins to identify as a kshatriya in spite of the 'jati' being different in order to gain status and security as well as expand one's social sphere or for widening one's relationship for creating and reinforcing the support base in public life. Such an identity may also be assigned to an individual by census, historians, social scientists and social or political leaders and over time may be imbibed by a community and hence its members. The notion of identity is contextual and keeps changing with time and space. In the complex modern world one simultaneously has more than one set identity. For instance, an individual may be a nagar brahmin ('jati'), brahmin ('varna'), vaishnava, Hindu, Surati, Gujarati, Indian, businessman, Congressman, social activist and so on at the same time. While being conscious of all these identities one expresses them varyingly in varying contexts. Nonetheless, certain identities within a given socio-political milieu have precedence over other identities.

Identity formation which is often, but not always, a cultural construct, is a process of 'inclusion and exclusion' of values and symbols defining 'we' and 'they' or 'us' and 'others'. In the process boundaries between the two take shape whose forms keep changing from time to time. Relationships between 'we' and 'they' are not necessarily always conflicting or competitive. Acknowledgements of commonality and overlappings between the two in various social spheres often blur the boundaries. On the other hand, when a cultural identity takes a political form, differentiations between 'we' and 'they' get sharper and hardened. Conflict and competition between the two—particularly for those who give political meaning to identity and/or vie for the control of resources—become sharp and tend to gather a specific shape. In the process, meaning of 'we' and 'they' also change that of the cultural construct. Prejudices become pronounced and boundaries for interactions get redrawn wherein commonality is ignored or underplayed and differentiations are stretched or reinvoked.

It is an agenda for the Hindu and Muslim fundamentalists alike to ignore occupational and internal socio-cultural differentiations within the religious communities. Their aim is to shape and carve out unified monolithic Hindu or Muslim identity of an individual. Towards such an end, symbols are evolved, legends are invented and history is reinterpreted. Besides ideological reconstructions, several programmes are launched in order to develop communal identity and consciousness of the two religious groups. Hatred against each other is invoked and exhorted. People however do not necessarily get carried away by such propaganda always. Often selective, they get persuaded by exhortations suiting their material or psychological needs. Along with other intra-group social or individual rivalries, such campaigns nevertheless pave the way to communal violence. Riots in return reinforce the communal identity. An individual who has internalised communal consciousness may or may not participate directly in riots but tends to legitimise violence. Therefore, understanding the nature of communal identity and its associated consciousness becomes imperative for comprehending communal phenomena.

In order to ascertain as to what was uppermost in respondents' minds about their identity, we asked open-ended questions: "Different people introduce themselves differently. Given the fact that some introduce themselves by their occupations such as businessman, worker, teacher, etc. Some by region such as Gujarati, Tamilian, Bihari and the like, some by 'jati' and some by their 'dharma', how would you introduce yourself to a stranger asking for your introduction?". The question was somewhat repeated to know the second identity. Of course, one's introduction to a stranger does not necessarily capture complexities of identity. This is only one tentative clue to unfolding one's identity. A caveat needs to be entered about the context that people were interviewed in May-June 1993, soon after the second phase of riots. And respondents were told that our study was regarding the recent communal disturbances in the city.

The responses are reported in Table 1. It is a cross-table giving first and second identity. Since 9 per cent of the respondents did not answer the first question, the second question was not applicable to them. One-fifth of the respondents did not give their second identity. For them there was no difference between their first and second identity.

One-fifth of the population identified themselves as belonging to specific religious groups. All of them however did not introduce themselves as Hindus or Muslims. A few expressed their identity by sect. "I am none but a Swaminarayani and all those who follow the Swaminarayan sect are my brothers and sisters", a businessman dealing in diamond trade told us. He had a 'tilak' placed on his forehead which is a distinct mark of the sect. Similar instances were also found among the Muslims. For example, a Sunni Vohra businessman preferred to be called a Sunni Vohra rather than a Muslim. One fourth of those giving religion as their first identity also repeated it to be their second identity. In this case they gave the name of their sect. That is, the first identity as Hindu and the second as Vaishnava or vice versa.

A majority who placed religious identity over other identities are workers in white collar jobs and students. Religious identity was expressed in larger proportion by the minority groups. Their number is larger among the Jains, Christians and Buddhists than the Muslims. Among the adivasis expressing religious identity was preferred only by a handful of persons. The highest proportion of those who preferred to be introduced by their religions is found in middle and upper caste groups.

Self identity expressed through caste is pronounced among a sizeable section of both Hindus as well as Muslims. Those giving caste as their first identity constitute the single largest group. Even in terms of expressions related to the second identity caste remains predominant. Many reiterated their caste status and identification by placing themselves within specific sub castes as the second identity. In other words, while the first time one identifying himself as a kshatriya called himself Koli at the second level of identity. Thus it appears that for the majority the caste identity is either the first which precedes religious or regional identity, or the second next to regional identity. While many who preferred to express caste as their first identity are distributed broadly in similar proportion across all occupational groups, they are however slightly more among casual labourers. A large number of them belong to the OBCs and only a small proportion belong to the SCs. In Surat OBCs have emerged as a political force only recently and are an upwardly mobile group.

One-fifth of the respondents expressed their first identity by the place of their origin either by region or city. Significantly, a majority of those inclined to be introduced in this manner are local Suratis. Twenty three per cent of the Suratis as against 17 per cent of the immigrants preferred to place their regional identity over identities like caste or religion. However, for many of them the second identity was expressed through their religion. Thus, to them, regional and religious identity go together, as it is the case of caste and religion.

Only a few (9 per cent) liked to be identified by their names that I am so and so. Many among them also repeated that as the second introduction. A majority among this group are white and blue collar workers and belong to OBCs, SCs and STs. Seven per cent of the respondents preferred to be introduced as Indians first and a majority among them chose to express their second identity through religion or caste. This does not seem surprising in a situation where religion and nation are seen as co-terminus with one another. Only a few expressed their first identity through their occupation. They are mainly factory owners, businessmen and white collar employees belonging generally to upper and artisan caste groups.

The nature of economic growth in India in general and Surat in particular with a significant portion of its labour force placed in its informal sector has had little impact in the formation of the secular identity. Electoral politics has helped in reinforcing primordial identities. In such a milieu it is not surprising for an overwhelming section of the population to pronounce caste as their first identity irrespective of their sex, age, educational status and occupation. The campaign of the Sangh parivar and Islamic fundamentalists has not succeeded even in weakening caste and/or sectarian differences. It is however noteworthy that a relatively large section among the artisan caste groups, SCs and STs have preferred to introduce themselves first by their names, occupations or as Indian rather than by castes. This is because a secular identity becomes more advantageous

Table 1: Self Introduction to a Stranger

(Percentages)

Second	First Introduction in: Religion	Caste	Region	Occupation	Indian	Indian Name	Total
Religion	24	23	59		33	5	31
Caste	44	61	18	5	24	31	40
Region	3	5	10	16	6	3	6
Occupation	2	2	1	68		11	4
Indian	19	5	10		29	5	11
Indian name	9	4	2	11	8	45	8
Total	22	36	24	3	8	7	100

DK/NA excluded. N = 575

Table 2: Communal Consciousness

(Percentages)

Item	Fully Agree	Somewhat Agree	Fully Disagree	Somewhat Disagree	DK NA
1 I am proud of my quam	89	5	1	3	2
2 My quam is superior to the others in all respects	40	26	5	26	3
3 Social, economic and political interests of all members of my quam are the same and for the protection of these interests all members of the quam should work together	78	15	1	2	4
4 Unity and organisation of the quam are necessary for the protection of its interests	88	7	1	2	2
5 If it is necessary to acquire political power in the interests of quam it should be done	41	36	2	16	5
6 Interests of the Hindus and Muslims are mutually opposite; if one gets advantage the other gets disadvantage	26	24	4	37	9
7 Problems and difficulties faced by Hindus/Muslims people belonging to Muslims/Hindus are largely responsible	17	25	9	41	8
8 We should not transact with shop keeper/factory owner/vendor belonging to other quam	14	20	6	55	5
9 We should not rent or sell a house to members of the other community in our locality/housing complex	16	19	6	53	6

to them than their traditional caste identity which puts them at the lower rungs on the caste ladder The question then arises as to how does an individual identity get reflected in communal consciousness?

II
Communal Consciousness

'Quam' (in Gujarati it is pronounced as 'kom') or 'jat', that is commune or community, is more often than not understood and referred to in day-to-day parlance as caste or cluster of castes in India While referring in this manner, one imagines having an immediate or a distant social relationship, sharing common heritage and 'sanskar' (culture) and fraternity with members of the 'quam Such notion of 'quam' is not only prevalent among the caste-Hindus, but also among various Muslim social groups We have already seen that in the midst of religion-based communal polarisations, many caste Hindus and Muslims prefer to identify their 'quam' as 'jati' or 'jamat' Even while the Muslims as a minority are forced to join hands as Muslims on religious ground for their security and survival, a number of them (28 per cent) continue to identify themselves as maleks, memons vohras, khojas, more salams Garesiyas and so on

This does not mean that religious quam' as Hindus or Muslims do not exist at their collective consciousness The above data show that after caste, most of their identified with the religious 'quam' This is because of a variety of reasons It is partly because of their real or imaginary historical heritage, linked with other social groups within the larger caste structure in the Hindu framework Certain commonality among members of the 'same' religion through sharing of festivals, chanting name/s of the same god/s, performance of certain rituals, considering certain texts and scriptures as holy, etc, contribute to developing a common religious identity State religious leaders and intellectuals codify people as Hindus or Muslims for at least the last two centuries and see them as 'juxtaposed' in relation to one another Significantly, social and religious reformers and political leaders who mobilised various 'jatis' and 'jamats' at various regional levels amongst Hindus as well as Muslims since the mid-19th century also helped in strengthening such boundaries

Both meanings of the term 'quam', 'jati' or 'jamat' and Hindu or Muslim seem to exist almost simultaneously at a cognitive level Within a milieu of communal riots, both the meanings interfuse and overlap when one speaks to respondents on issues related to 'quam' without specifying any religious community It hence becomes difficult to conclude as to what exactly by the term 'quam' encompasses

Consciousness of one's 'quam' or the communal consciousness in this context is not just a question of belonging to his/her community, but also the intensity of one's identification with it In a 'communalised' situation, intensity of communal consciousness is related with one's perception about 'others' who are considered rivals We have examined five dimensions of this complex state of mind They are (i) identification with one's 'quam', (ii) commonality of interests of the members of the 'quam' and hence the need of their protection, (iii) perceptions about 'others', (iv) economic relations with others, and (v) political power for the 'quam'

One gets socialised in 'jati' dharma from childhood Even those traditionally considered as 'shudras' or 'ati-shudras' and treated as subordinate by those above are taught to perform the dharma sincerely so as to improve their positions in the next birth Those unhappy with their ascribed position invent legends and sanskritise their rituals and life style to establish new status Traditionally ascribed positions, as acknowledged in society, are often disowned and the aspired position becomes real All caste associations in their meetings, conferences, festivals and journals repeatedly ask their caste members to be proud of their quam/jati' and to get united and organised to preserve and advance their interests and 'asmita', i e, identity and dignity Leaders of religious organisations too do the same thing They inculcate communal consciousness through various means Symbols and legends are invented and history fabricated not only to glorify the past, but also to raise hopes for a better future This has been the mission of the RSS since the 20s Hindu religious leaders have given themselves the responsibility of 'reviving and rejuvenating' Hinduism and Hindu political leaders have created various symbols, festivals and idioms to foster unity among Hindus They harp upon the greatness of their religion and the contributions that it has made towards world civilisation This mission of developing a Hindu consciousness has continued The BJP and the Sangh parivar have been greatly successful in this task in recent years Like elsewhere in the country, they also launched massive campaigns in Surat dur-

TABLE 5 INDIVIDUAL IDENTITY OF INTENSE COMMUNAL CONSCIOUSNESS
(Percentages)

Identity	Proportion of Intense Communal Consciousness First	Second
Religion	23	37
Caste	24	30
Region	40	5
Occupation	5	1
Indian	15	8
Indian name	22	4

TABLE 3 SOCIO DEMOGRAPHIC CHARACTERISTICS OF HIGH COMMUNAL CONSCIOUSNESS
(Percentages)

Sex		Occupation	
Male	26	Factory owners	24
Female	27	Professionals	43
		Traders	24
Age		White collar workers	27
		Factory workers	28
15 25 years	25	Vendors	29
26 35 years	27	Casual labourers	22
36 46 years	28	Others	29
47 55 years	24		
Above 55 years	28	Caste/Community	
Education		Upper castes	28
		Middle castes	22
Illiterate	25	Artisan castes	25
Primary	29	Low castes	33
Secondary	22	Scheduled castes	32
College	32	Scheduled tribes	31
		Other Hindus	16
		Muslims	29
		Christians/jains/buddhists	37

TABLE 4 PERCEPTION OF FAMILY S ECONOMIC CONDITION AND COMMUNAL CONSCIOUSNESS
(Percentages)

Perception of Economic Condition	Level of Consciousness Low	Moderate	High	Total	N
Very bad	14	53	33	100	55
Bad	23	52	25	100	397
Not bad	24	49	27	100	176

ing 1989-90 with the aim of making Hindus conscious of their Hindu identity and to be proud of being Hindu. "Why should they feel shy of or inhibited from calling themselves Hindus?", the leaders asked. '*Garva se kaho hum Hindu hai*' ('say with pride that we are Hindus') was popularised by shouting of slogans, writing on walls, pasting posters and stickers in every nook and corner of the city. It was an aggressive campaign during the 1990 and 1991 assembly as well as parliamentary elections by the Vishwa Hindu Parishad. A small section of Hindu secularists attempted to counter Hindu pride through stickers that said, '*garva se kaho hum insan hai*'. It was however confined to a small segment of various sections of the society. Hindu communalists retorted by saying that "yes we are 'insan', but we are also Hindus and what is wrong with being a Hindu?" There were no efforts at discussing the implications of such positions. Those who started this campaign simultaneously also talked about superiority of their religion over others. They kept emphasising their pride as members of their community and projecting their religion to be greater than others in all matters. They talked about strengths of Hinduism, and its 'glorious' past and stated that, "Hindus and Hindustan will rule over the world and the future belongs only to us" in their pamphlets and columns in newspapers. The question thus arises as to how far the people have imbibed this ideology?

An overwhelming number of persons irrespective of occupation, sex, income or political affiliation expressed that "I am proud of my 'quam'". Since we did not specify the term 'quam' as a religious community or a caste, it is difficult to say to which 'quam' they referred. For some the 'quam' meant caste and for others their religious identity. However, all those who clearly professed being proud of their 'quam' do not subscribe to the Sangh parivar's or the non-Hindu fundamentalists' ideology of superiority of their 'quam' over others. Thirty-one per cent refused to take such a position and said that each community has good as well as bad aspects.

While trying to ascertain the extent of agreement with statements regarding common interests of the 'quam' and need for unity to protect such interests, except for a small minority (3 per cent), all subscribed to the view of having common socio-economic interests among all the members of a 'quam'. It is true that the idea of 'quam' and its interests are not understood similarly by all. While the respondents were not asked to clarify their concept of 'quam', some explained as to what they understood by the term. For a majority, it was a caste-based community. But at the same time a few also identified its meaning with a religious community. A similar pattern emerged while examining the aspect of common interests of a 'quam'.

All castes and religious organisations propagate that their members have common interests and that they should work together for the protection of their interests. During the last assembly and parliament elections, the VHP, many of the sadhus and saints, and several front organisations of the BJP issued statements and distributed posters asking people to vote for the party which would protect the interests of Hindus. A question arises as to whether all members of a 'quam' have common social, economic and political interests. Here the understanding of common interests varies from individual to individual and no neat answer emerges. At a normative level, they wish to have as well as perceive common interests of the members. They believe in belonging to the same social group and thereby inherit a common culture—the culture of caste or the culture of religion. Political interests for them are either political dominance or protection. While economic interests mean economic upliftment of all members in the 'quam'. This means job opportunities, business prospects, better living conditions, etc. They do not consider, at least while thinking in terms of common interests of the 'quam', that the factory owners and the labourers or the landlords and the tenants belonging to the same 'quam' have conflicting interests.

To a question as to what they consider as common interests of the members of the 'quam', a postgraduate student wrote, "I am proud to be a Hindu because 'Bharatiya sanskriti' (culture) is very old and the Hindu religion is considered to be 'mahan' (great) in the entire world. *Geeta*, our religious book, provides inspiration to us, to the country, to human society, to all individuals, and to the whole world. I greatly adore and respect the *Geeta*. Bharat is a Hindu nation and it is Hindustan. We should work in the direction of improving the social and economic condition of our Hindu brethren and for that we should get ourselves organised and united so that others cannot harm our interests."

Another respondent who also understood the term 'quam' in terms of a Hindu identity, while elaborating what he meant by common interests, extended repetitive and fuzzy answers. He said that, "dominance of the other 'quam' should not be upon us"; and that "our interests may be endangered by the other 'quam'" or that we are one and therefore our interests are the same.

A Muslim said that the "socio-economic and political interests of people in my community are equal and none in our community should be higher or lower. They all should work for the protection of the interests of all. But in reality this is not seen to be practised."

Another Hindu belonging to a Scheduled Caste group said that "according to the Constitution of India, interests of the members of our 'quam' are not opposite to each other. They are equal. However, there is inequality as far as economic interests are concerned and that ought not to be so. Therefore I believe that we all should work together for the protection of our interests." A member of a Scheduled Caste, who read 'quam' as caste said that his 'quam' was socially, economically and politically backward than the others and they should try to get equality with others. Another respondent from OBC said that, "in my village, members of certain castes own lands and are educated and powerful whereas members of our 'quam' are poor and illiterate".

The communality of economic, cultural and political interests of the members of a

TABLE 7: RELIGIOSITY AND COMMUNAL CONSCIOUSNESS

(Percentages)
(N = 723)

Communal Consciousness	Religiosity Low	Moderate	High
Low	28	18	19
Moderate	49	53	53
High	23	29	28
Total	100	100	100
N =	230	317	62

TABLE 8: POLITICAL PARTICIPATION AND COMMUNAL CONSCIOUSNESS

(Percentages)
(N = 723)

Communal Consciousness	Political Participation Low	High
Low	22	25
Moderate	51	53
Intense	27	22
Total	100	100

DK, NA excluded.

TABLE 6: PARTICIPATION IN RELIGIOUS ACTIVITIES

(Percentages)
(N = 723)

	Hardly	Occasionally	Sometime	Regularly
1 Visiting mandir/masjid/church	8	26	29	35
2 Attending bhajans/discourses	24	35	28	12
3 Reading sacred books	33	21	28	16
4 Providing financial support	21	42	30	4
5 Had gone on pilgrimage	48	28	20	2

'quam' as perceived by the respondents in this context seemingly indicates two things Firstly, most of them are vague and talk about 'common interests' without specifying as to what they mean by it They very nearly repeat what politicians say in public meetings—more of rhetoric than facts It is *vox et practerea nihil* Secondly, many visualise and consider 'common interests' only at a normative level for which they feel that members of their 'quam' should work together Thirdly, those who interpret 'quam' as caste, perceive their 'quam' as 'social class' having social ties, uniform life style as well as similar economic status among its members

In order to protect the interests of a 'quam', caste leaders and religious organisations often refer to the need of capturing political power For instance, the Rana Samaj or the Koli Mandal of Surat repeatedly appealed to their caste members to vote for a Rana or Koli candidate in different elections for the protection of their interests Similarly, tribals, Dalits, Patidars and others who are numerically large urge upon their caste members the need to acquire political power in order to improve their condition Religious communalists too follow the same logic The BJP and the Sangh parivar repeatedly propagate that the Congress has always pampered minority communities and thereby neglected the interests of the majority and the Hindus have to, therefore, get united and capture power by defeating the Congress—the protector of the Muslims In the absence of this, they emphasise that the day is not too far when they will have to appear as a minority During the 1991 assembly elections, several Sadhus and Saints appealed to Hindus to vote for that party or candidate claiming "to protect the interests of Hindus"

Those believing in commonality of interests among members of a 'quam', do not, however, necessarily subscribe to a view that there is a need to capture political power As much as 18 per cent of the respondents did not agree with the view that it was necessary to obtain political power for protecting their interests On the other hand, more than three-fourths did express a need to have political power for the interests of the 'quam' However, we do not know as to what they actually meant by 'capturing power' and wonder whether it meant voting in elections for a member of their 'quam' or forming a political party or it was a pure and simple empty expression

Communalists often invoke among members of their 'quam' feelings against other 'quam'. Tribals against non-tribals, kshatriyas against patidars, upper castes against backward castes and so on Hindus are told that they face various problems for which Muslims are responsible To a set of two questions aimed at ascertaining the views of respondents about the extent to which they thought their interests (we specified in the question as Hindus or Muslims) conflicted with the interests of the other 'quam' while some did not reply there were others who felt that it was difficult for them to say anything categorically However, 50 per cent of the respondents, expressed a view that the interests of the two quam were antagonistic Some among them shifted their position by not blaming the other 'quam' for their problems with 42 per cent holding the other 'quam' (Muslim/Hindu) responsible for the problems being faced by their 'quam'

During the riots, the Sangh parivar and the BJP as well as some other local organisations and individuals appealed to people through public meetings, street-corner gatherings and by distributing leaflets to boycott goods manufactured or sold by the Muslims Hindus were asked to boycott Muslim autorickshawalas In one case, a professor apparently looking like a Hindu woman stopped an autorickshaw for going to the railway station The driver asked 'Madam! I am a Muslim would you mind hiring my rickshaw?" The professor who did not subscribe to communal segregation was emotionally moved by the question A few reported cases suggest that Muslims were asked or forced to vacate their houses located in predominantly Hindu localities Even before riots, other things being equal, there has been a general tendency to prefer neighbours of similar social background Living clusters of Jains, Vanias, Marwadis, Punjabis, low castes, etc, within the same colony is a testimony to this Nonetheless except among a few having aversion to non vegetarian food habits, tendency of segregation on the basis of caste and community in newly constructed apartments and colonies did not seem to exist This situation has however changed for the Muslims, particularly after the riots Communalists from both groups now talk openly that the 'others' should not be allowed to acquire a house in their localities Let us attempt to ascertain to what extent the people of Surat subscribe to such views

A majority of the people (nearly 60 per cent) do not support the idea of economic boycott Though soon after the first phase of riots Hindus avoided Muslim shop-keepers or vendors an act determined partly by emotional anti Muslim feelings as well as rumours about poison being mixed in food and the like it did not continue for long. Even those believing in boycott, did not necessarily put that into practice owing to the intricate economic relationships Similarly, a majority (69 per cent) did not support the idea of segregating houses on communal lines

To get a clearer picture about the overall communal consciousness an index based on the nine variables was prepared The 92 cases not responding to any of the questions have been dropped from the index Each of the items has a four point scale Anyone strongly agreeing to all the propositions is given 36 points, and the one strongly disagreeing is given 9 points Based on such scores, respondents have been divided into three categories Those getting 22 or less points have been considered to have a lower degree of communal consciousness as against those getting 29 or more points and treated as highly communally conscious persons Even while this is an arbitrary decision, according to the score, 51 per cent have moderate communal consciousness and 26 per cent high communal consciousness

TABLE 9 FOR WHOM WOULD YOU VOTE IN FORTHCOMING ELECTIONS?

(Percentages)
(N = 723)

Communal Consciousness	Congress	BJP	Religiosity Others	Undecided	DK/Would Not Vote
Low	24	17	32	41	41
Moderate	46	53	56	60	44
Intense	30	30	12	19	15
Total	(100)	(100)	(100)	(100)	(100)
N =	162	316	25	67	61

TABLE 10 PRIORITISATION OF ISSUES ACCORDING TO THEIR IMPORTANCE

Sr No		Priority First	Second	Third	Fourth	Fifth	Total
1	Construction of Ram mandir/ mosque at Ayodhya	13	9	3	7	68	100
2	Price rise	40	20	18	16	6	100
3	Unemployment	9	31	30	23	7	100
4	Corruption	9	18	24	39	10	100
5	Population rise	29	21	25	17	8	100
N =		200	150	169	114	55	688

Intensity of communal consciousness was found to be more or less uniform among males as well as females The pattern is also the same among all age groups There is however some variation when we examine their education 25 per cent of the illiterates as against 32 per cent of college educated persons we found to have a high degree of communal consciousness (Table 3)

Intense communal consciousness was found more or less in the same proportion among various religious groups though it was found to be more pronounced among the Christians Jains and Buddhists compared to the Muslims and the Hindus They are 37 29 and 26 per cent respectively Among Hindus the proportion is higher among the dalits adivasis and other backward castes compared to the upper and middle castes (Table 3) Among the dalits and adivasis the phenomenon seems perplexing, for as seen earlier the tendency among them to opt for secular individual identity is generally high The data suggest that collectivity, be it through religion or caste, is felt by them as necessary for their mobility or protection of interests It seems to be a dilemma for many dalits or adivasis for at one level they tend to shun their caste identity but at the same time need to inculcate communal consciousness while aspiring for political power and economic benefits

Seemingly communal consciousness is widespread in different degrees among all occupational groups Twenty four per cent of the factory owners or big businessmen as well as petty shop keepers and 27 per cent of white-collar as well as blue collar factory workers have intense communal consciousness The case of self employed professionals like doctors and lawyers suggests a different pattern with 43 per cent among them falling in the category of intensely communal individual However their number in the sample being too small it might be hasty to draw conclusions

The trend is more or less similar among the economically well off and contented and those having difficulty even in making both ends meet (Table 4) Proportion of intensely communal persons is slightly higher (33 per cent) among those who are worse off than those who are contented (27 per cent)

The highest proportion of intensely communal persons were found among those who preferred to identify themselves by regions But as mentioned earlier regional and religious identities are not mutually exclusive For a majority who gave regional identity as their initial introduction, stated religion to be their second identity Thus, if we take the first and second identities together the pattern emerges as expected Table 5 shows that intensely communal persons are strikingly low among those who preferred to identify themselves by their name or as being Indian And it is significantly lower among those who identify themselves in terms of their occupation

III

Religiosity and Communal Consciousness

Some scholars consider that religion breeds communal consciousness For them religion and secularism cannot exist together For some others communalism is a political construct and is not related to an individual s faith in a religion In order to probe into these propositions five questions were asked about participation in various religious activities Table 6 shows that one third of the respondents visit religious places regularly Most of them did not however participate in other religious activities like attending katha or discourses regularly A majority did not read the sacred books and only 2 per cent had gone regularly on pilgrimage i e jatra' or 'haj' A low proportion of only 4 per cent regularly donated for various religious activities

In order to get an overall picture of their participation in religious activities an index of five activities was prepared Those receiving 16 or more points have been considered to be relatively more active in religious activities (They may be called persons having high religiosity) Only 11 per cent of the respondents have shown such high level of religiosity and 40 per cent have low level of participation in various religious activities Table 7 shows that it is hazardous to say that religiosity and communal consciousness go together That is religious persons are not necessarily communal and vice versa Proportionately smaller number of persons (19 per cent) having low communal consciousness are found among those who are active in religious activities Nevertheless, it seems that if other things are constant religiously active persons tend to become communal This may be because meaning of religion has undergone change in which identity of being we' against they' is getting sharper and composite folk religion is getting weaker Moreover, religious platforms have been used in invoking communal politics during the recent times

IV

Politics and Communal Consciousness

Political leaders and social scientists often assert that communalism is a political issue It may mean two things One, political leaders appropriate communal issues in order to obtain larger support in mobilising people of one or the other community in electoral politics and second, that intensely communal persons are also politically active We shall examine the second aspect of the problem, i e, relationship between communal consciousness and political participation

Three indicators have been used to measure political participation, viz, (i) interest

Table 11 Socio Demographic Characteristics of Those Who Gave First Priority to Construction of Ram Mandir/Masjid

Occupation	Percentage
Sex	
Male	12
Female	12
Age	
15 25 years	13
26 35 years	12
36 46 years	10
47 55 years	16
Above 55 years	15
Education	
Illiterate	10
Primary	12
High School	8
College	9
Social groups	
Upper castes	9
Middle castes	12
Artisan castes	15
Low castes	20
Scheduled castes	19
Scheduled tribes	
Other Hindus	16
Muslims	14
Christian / jains / parsi etc	2
Occupation	
Factory owners	14
Professionals	14
Shopkeepers	15
White collar employees	8
Factory workers	15
Vendors	11
Casual labourers	19

Table 12 Political and Religious Participation Party Affiliation and Communal Consciousness of Those Who Gave First Priority to Construction of Temple/Mosque

Level of Political Participation	
High	23
Low	10
Supporters	
Congress	10
BJP	15
Other parties	
Communal Consciousness	
Low	6
Moderate	15
High	15
Religiosity	
Low	6
Moderate	17
High	14

in politics; (ii) participation in meetings/processions; and (iii) working for a party in election campaigns. Though one-fourth of the respondents reported taking interest in politics, only 4 per cent had a great deal of interest in such matters. All those interested in politics do not necessarily participate in various political activities. Twelve per cent of the respondents participated in public meetings and/or processions, and a smaller number worked for any party in election campaigns. Taking these activities together, only 11 per cent may be identified as politically active. Table 8 shows that there is no relationship between political participation and communal consciousness. A vast majority of politically active persons do not have intense communal consciousness and vice versa. What is striking however is that the proportion of intensely communal persons is more among those who are politically inactive. The question naturally arises here what can one infer from the above evidence: is there *depoliticisation* in electoral politics of the intensely *communal* individuals? Or would it mean that political participation in electoral politics tends to soften communal consciousness? These important questions with wider theoretical relevance need further examination.

It is now widely accepted that there is hardly any difference between the Congress and the BJP as far as communal politics is concerned. The Congress distributes party tickets in elections and positions on caste and community lines, shares platforms with religious and caste leaders who speak in a communal idiom. Their support is often sought to mobilise voters. The Congress has not made any effort to develop secular politics in the country, except for chanting populist slogans of secularism or Hindu-Muslim unity. As mentioned earlier, several Congress leaders hold similar views about the Muslims, believe in the dominance of the majority community and 'over-protection' to minorities. BJP politics in this matter is open. In such a situation how far are BJP and Congress supporters different in their communal consciousness? In order to identify Congress and BJP supporters a question was asked "whom would you vote for in the next elections?" 50 per cent respondents reported that they would vote for the BJP. An overwhelming number (88 per cent) of them were committed voters who voted for the same party in the 1991 election too. Thus, the BJP has gained 10 per cent more supporters. The Congress has more or less retained 26 per cent supporters which was the case during the last election.

Table 9 shows that both the Congress and the BJP have almost equal proportion of supporters who have intense communal consciousness and their size is not insignificant. Together they add up to 30 per cent of the respondents. The number of such persons is significantly low among the supporters of Janata Dal, the Communist Party and other parties. Even among the undecided or non-voter individuals, proportion of intensely communal conscious persons is significantly lower than among the BJP and the Congress supporters. Does it suggest that they find no difference between the Congress and the BJP on communal issue or they are fed up of these parties?

V

Construction of Mandir and Communal Consciousness

Another political dimension of *communalisation* is reflected in people's views on the construction of the Ram mandir or Babri masjid at Ayodhya. Communal riots in Surat are closely related with the BJP and Sangh parivar campaign for construction of the Ram mandir. The campaign had been built up brick by brick for the last five years. And the riots followed soon after the demolition of the Babri masjid. Though in its campaign the BJP raised other economic and political issues, it essentially banked upon the issue of temple construction. This intensified communal division in society. We tried to assertain as to how a common person viewed the priority of the temple.

In order to probe into this question, respondents were asked to prioritise five problems according to the importance that they gave to each of them. The problems were: (1) construction of the Ram mandir/mosque at Ayodhya; (2) price rise; (3) unemployment; (4) corruption in public life; and (5) the rising population.

About 5 per cent of the respondents did not reply to this question. Some responded that they did not understand as to what was more important and there were others for whom the day-to-day problems were more pressing than bothering about questions which fall in the domain of political leaders.

Among those prioritising the five issues (Table 10), only a small proportion of 13 per cent considered construction of the Ram mandir or mosque at Ayodhya as the most important issue to be solved, whereas as high as 68 per cent gave it the last priority. Many among those giving first priority to the construction of the temple did so because it was a question of faith and dignity for them. One of them said, "I know that the BJP is not going to solve the problems of our community and is in no way different from the Congress. It aspires for power. But who is really bothered about solving problems? ... at least the BJP would unfurl the saffron flag on the Lal Killa. This is more important." Another respondent said that the Babri masjid was a symbol of slavery and a beginning of Muslim rule. Babar built the mosque by destroying the temple. Construction of the Ram mandir would be a new era for Hindutva and it would bring prosperity. Therefore we should not talk about poverty or unemployment. Once the temple is constructed, other problems would be solved. The Muslims giving priority to the construction of the mosque felt that by the demolition of the Babri masjid, "we were badly insulted. This was a direct assault on our very existence, and on our dignity." Another Muslim respondent said that the reconstruction of the mosque on the same site was necessary for secularism and that the minority community was protected by the Indian state. However, a handful of respondents gave priority to the construction of the temple just to end the communal problem once and for all. A medical doctor said that once the temple was constructed the series of communal riots of the last few years would come to an end and the country would be able to concentrate more on the other pressing issues.

Supporters of the construction of the temple/mosque over other priorities are found in small proportion among both males and females; various age groups and also among educated and illiterate (Table 11). They belong to all varieties of occupational and social groups. Contrary to general belief, their number however is small among white-collar workers and upper caste individuals. It is also significant to note that none among the respondents from Scheduled Tribes gave priority to the construction of the temple.

Appendix: Correlation and Coefficient Matrix of Items Regarding Communal Consciousness

	1	2	3	4	5	6	7	8	9
1 Pride to be	–	.6173	6646	3791	2045	3720	1247	1766	1599
2 Communality of interests	.6173	–	5730	.3623	2735	2650	2285	.2077	.2307
3 Unity of organisation	.6646	.5730	–	3813	.2307	3696	2010	2050	.2017
4 Political power	.3791	.3623	.3813	-	3178	1728	.2778	.1381	1442
5 Antagonistic interests	.2045	.2735	.2307	.3178	–	.0105	4345	2386	2348
6 One's superiority	.3720	.2650	.3696	.1728	.0105	–	.0363	.1270	.1883
7 Others responsible for plight	.1247	.2285	.2010	2778	4345	0363	–	4658	4216
8 Boycott	.1766	.2077	.2054	.1381	.2386	1270	4658	-	6892
9 Segregation	.1599	.2307	.2017	1442	.2348	.1883	4216	6892	–

As is apparent from Table 12 those who give first priority to construction of temple/mosque are in equal proportion among those who have moderate or high communal consciousness, but are expectedly in smaller proportion among those who have low communal consciousness Similar pattern is found among people with different rates of participation in religious activities They are fewer among those who rarely participate in religious activities than the ones who participate in such events more actively

Construction of the mandir or masjid has become a political issue However a large proportion (23 per cent) of politically active individuals gave priority to the construction of temple/mosque This means that for them the Ram mandir is a political issue This is further substantiated by the fact that despite equal proportion of highly communal persons in both the parties a larger number of BJP than Congress supporters gave priority to the construction of the temple This is not surprising for the BJP has made it a political issue

VI

Overview

Caste identity is uppermost in the minds of most people even in urban area like Surat It is more so among the OBCs than the dalits and the members of the upper castes The OBCs in Surat have recently improved their condition and are upwardly mobile through caste idioms, organisation and solidarity in economic and political spheres There is a tendency among the dalits to underplay their caste identity and opt for secular identity through occupation This is more common among those who have higher education and are engaged in white collar jobs or as entrepreneurs for they feel that they have very little to be proud of their caste It is important to note that despite call and programmes for a Hindu or a Muslim unity sectarian and caste identities continue to dominate Caste and religious identity however is not opposite or contradictory at a personal level For many, religious identity is but a continuation of the caste identity Both co exist though their emphasis changes with varying contexts

Individual identity based on caste and religion, reinforces communal consciousness—the consciousness of being member of one's 'quam The connotation of the term includes both caste and religious community But for many a notion of caste based community is closer and more identifiable than religious community It is a social class' whose members not only share an identity a particular life style and a definite value system but also have more or less similar socio economic position as rich business community service class labourers poor backward etc While doing so economic differentiations within a caste, if they exist, are noticed but do not seen as antagonistic But it is not so in the case of religion based community consciousness Economic and cultural differences between caste Hindus are so sharp and antagonistic that community of interests' as Hindus or Muslims is vague and rhetorical

Caste or religious communal consciousness is widespread in Surat among people in all walks of life irrespective of their sex, age education and place of belonging (local or immigrants) All of them, however, do not share communal consciousness to a similar extent Most do not ascribe superiority to one s own community over others or economic polarisation between the communities Nearly one fourth of the population (of course not insignificant, especially with potential of being fanatic) were found to have high communal consciousness which may tend to be fanatical They are found in all social and occupational groups with only slight variation in their proportion High communal consciousness is neither particular caste or class, local or immigrant literate or illiterate group phenomena Significantly neither religiosity nor political participation is related to intense communal consciousness This makes the problem more complex than is generally recognised and requires multipronged strategies to deal with it

Despite predominance of caste and religious individual identity and communal consciousness when it comes to choice on issues, people do not give preference to religious issues over the economic ones Even soon after the riots when communal passions were high, an overwhelming number of them did not give preference to construction of the Ram mandir or masjid over price rise or unemployment Thus, though communal consciousness is widespread and people are susceptible to communal slogans and symbols and may indulge in rioting for the time being, they do not continuously get swept away by communal categories and issues They see that as the game of politicians

Note

[I thank Anjana Desai and Biswaroop Das for giving comments on the draft of the paper, Marzia Culpicewala and Satyakam Joshi for their assistance in supervising the field work]

* Surat has 36 municipal wards The biggest ward has 49 polling booths and the smallest ward has just 3 polling booths We have selected minimum one or 10 per cent of the polling booths from a ward Fifty three polling booths were selected From each polling booth 25 voters were selected with help of random table for interview Total number of respondents were 1 325 From them we could interview 723 Number of them were either wrongly listed or shifted their residence Some were not available at the time of interview they either left the area or were out of station or not available after two visits A few avoided us

Prospects for FDI and Multinational Activity in the 90s

Sebastian Morris

This paper discusses the implications of trends and patterns in foreign direct investment and of the policy and structural changes in India for foreign direct investment in India in the 90s It is argued that while the FDI inflow into India is likely to increase, it would never be anywhere near the $ 4 billion or so per year that is anticipated by the government and hoped for by business By contrast international subcontracting by foreign firms could play a major role in manufactured export growth This is an aspect which, while vitally important for Indian manufacturing, has attracted little attention in terms of policy

THE 80s saw a resurgence of foreign direct investment (FDI) into India This was after a period of very low or negative investments in the 70s FDI grew in current US dollars at a rate that was near 50 per cent on a trend basis but from a very small base [1] It is therefore not surprising that in 1988 it was still only $ 250 million and by 1990 only of the order of $ 450 million per annum Today within the government and among liberal scholars there is much hope that India would be able to attract large volumes of FDI Economic growth in the 80s, at 5 per cent or so, was high in comparison to that achieved in the decade and a half from 1965 to 1979 when the economy grew at an average rate of about three-and-a-half per cent It seems that despite good growth (which rivals that achieved during the Mahalanobis period) and hence good prospects for FDI, restrictive policies among other factors may have worked against large scale inflow of FDI The 90s, therefore with the very liberal policies towards FDI and with the prospect of economic growth continuing at the same rate as in the 80s are expected to attract larger inflows of FDI In this paper we argue that while FDI into India is likely to increase in the 90s, relative to that in the 70s and the 80s, it would never be anywhere near the $ 4 billion or so per year that is anticipated by government and hoped for by business The major reason is that India is unlikely to grow at the same pace that Thailand or China today, and secondly because India is already entrepreneurially advanced relative to the smaller countries of south-east Asia, and a fair diversification of the Indian economy has already taken place Changes in the global economy, particularly the diversification of sources for FDI and the emergence of non-equity forms, reinforce this picture Other forms of transnational activity including international subcontracting could increase

I
Review of International Trends

Large firms including multinationals or transnationals (TNCs) have witnessed major changes in their competitive positions Broadly there has been a substantial decline in the competitive position of US TNCs Japanese TNCs have greatly increased their FDI into the advanced capitalist countries (ACCs) and the LDCs, and western European firms while under threat from Japan have also increased their participation in the US market primarily through direct investments There are other changes of a more macro economic nature Variations in growth rates between US Japan and western Europe the very real prospects of an increasingly unified European market large trade surpluses of Japan, slowing down of growth world over including in the LDCs emergence of greater competition in the supply of technology, particularly in the more 'mature' technologies, are all important in understanding the prospects for particular countries as sources of investments in India

In Africa given that it is still at an early stage of development much of the FDI has been in extractive industries and in others related to transport and trade Recession in the ACCs in the 80s has led to falling demand for the natural resources of the LDCs, particularly African and Latin American, which has also restricted FDI

In contrast many of the countries in east and south east Asia have generally witnessed substantial FDI flows during the 80s though there have been major variations among them Malaysia, Singapore Thailand and China have had vastly increased investments in the 80s In the Philippines and Indonesia the growth was less in the 80s than before

South Asia on the other hand has attracted far smaller amounts of FDI This is due no doubt to the low levels of income in these countries, small markets (except in India) and to rather poor growth performance

From the trends in the FDI to the LDCs in the 80s it is without doubt clear that countries with high growth of manufacturing output and with policies favourable to FDI have been successful in attracting large FDI flows, particularly in manufacturing and in manufacturing related industries The mere existence of attractive policies and incentives of various kinds to potential investors, or regimes liberal to FDI, is certainly not enough Otherwise many low income countries and many of the Latin American should have attracted large volumes of FDI in the 80s Good growth and largish home markets are the key to inward FDI, particularly so for countries with moderate to high population densities and no great endowments of natural resources

The emergence of pluralism ought not to directly affect the prospect for the quantum of FDI into a country like India Yet, besides the diversification of the sources of FDI and technology in general the propensity for non equity forms including joint-ventures has certainly increased since Japan and German firms are less prone to majority-owned affiliates and have shown a greater tendency to sell technology It seems therefore that for the same growth potential in the market the overall quantum of FDI inflows would be reduced

An important development in the 80s, which will certainly continue into the 90s, is the increasing flows of FDI into the services sector About 40 per cent of the stock of all FDI in the mid 80s and about 35 per cent in the late 70s were in the services sector implying that the flow during the 80s would most certainly have consisted of at least 50 per cent in the services sectors [2] The bulk of FDI in services consist of financial services including banking and trade related services The expansion in financial services was intimately linked to the early spread of transnational banks and the development of the Eurodollar and later Euro currency markets as well as to the need to serve abroad affiliates from the same home country Deregulation innovation of new financial instruments such as securitisation of debts, development of telecommunications and information processing and increasing links between capital markets of the major industrial powers were factors underlying the steep growth in transnationalisation of financial services in the 80s a growth which

was largely confined to the ACCs. In the near future the growth of such investments into the LDCs, if the immediate past and the present of south-east Asia is any indication, would lead us to believe that FDI in services would be marginal in the LDCs. This is because the basis for these investments lies in the transnationalisation of other sectors, and to the movement of people across countries for business and pleasure. Their role in the highly transnationalised economy of Singapore is large. The city's status as a metropolitan centre has created a role for service investments that link it as a financial and commercial centre to London, New York and Paris. Thailand, South Korea and Indonesia, on the other hand, show very much smaller levels of FDI stock in the services sector, which is related to the stock of manufacturing FDI systematically.

In the 80s and continuing into the 90s there has been a great liberalisation in the LDCs' policies towards FDI. In the 80s when LDCs were left chasing for FDI there was little functionality in LDCs pursuing restrictive and confrontationist policies against market-oriented FDI. Also many an LDC undergoing structural adjustment under Fund/Bank auspices was as part of the adjustment programme required to liberalise greatly its policies towards foreign capital. With the large number of countries going in for structural adjustments since the second oil crisis (1979-80) there has been virtually a scramble for competitive liberalisation in the LDCs in the late 80s, leaving transnationals to pick the most lucrative and prospective markets, viz, those of the fastest growing LDC economies, including China.

Yet we must not underestimate the role of ideology and example in the liberal attitudes to TNCs: The success of South Korea, Taiwan, Singapore and Hong Kong, and of others that attempted to closely follow them, in their external orientation aspects—Malaysia, China, Thailand, and perhaps Indonesia—was far too remarkable, and gave rise to the thesis of 'export-led' growth and industrialisation.[4]

II
Non-Equity Forms of FDI

Developing countries have made systemic efforts to un-bundle the package of ills, competencies and resources that constitute FDI. Countries at an earlier stage of development like many in Africa have restricted their attention to Africanisation of the workforce and to participation in ownership, whereas in others pursuing an independent strategy such as India, government action has sought to bring down the cost of technology import, discourage FDI when technology could be purchased outright, or when licensing arrangements were feasible. Such developments have given rise to the so-called non-equity forms of transnational participation in the LDCs. In the literature licensing agreements (when not with majority-owned affiliates), management contracts, purchasing contracts, international long-term subcontracts, joint-ventures (especially minority-owned) are recognised as channels of non-equity transnationalisation. Equally importantly, the pluralism of FDI in the 80s, and particularly the rise of Japanese firms, and now Korean in many standard items, as technological leaders in many an industry, has widened the sources of technology and skills for LDCs, and has increased the bargaining power of LDCs, especially the dynamic NICs and large countries like India and China pursuing a more self-reliant industrialisation strategy.

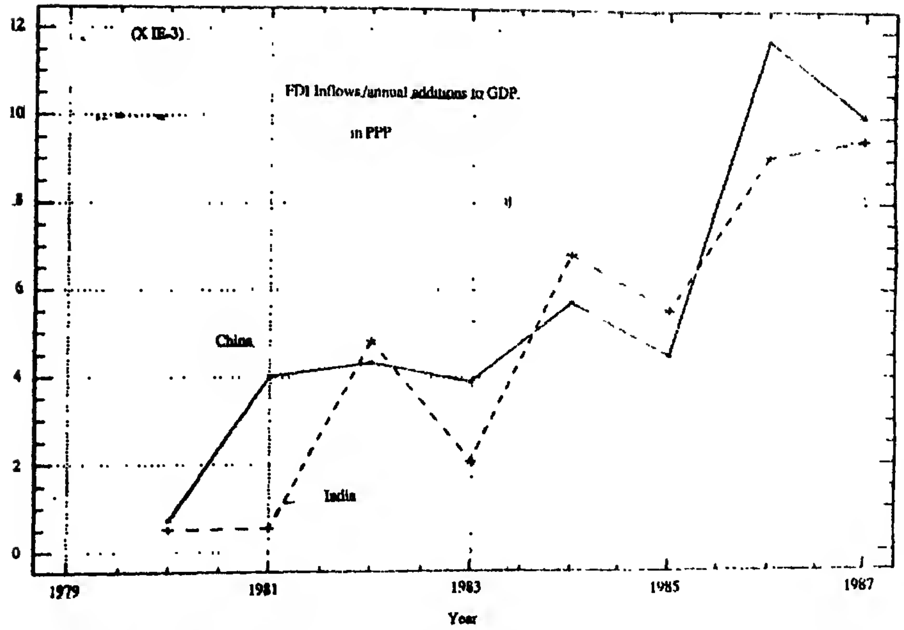
Non-equity arrangements are generally found in areas that use 'stable' or 'mature' technologies. Similarly newer TNCs and particularly those from LDCs, as also those losing their competitive advantages, have shown a greater tendency to establish non-equity forms of transnationalised operations. Since non-equity forms involve the combination of indigenous entrepreneurship with technology and other competencies from outside, their prevalence and success depends vitally upon the strength of local entrepreneurship.

III
Manufactured Exports and FDI

FDI in natural resources (or non-equity forms of transnationalisation when these are more meaningful) takes place without reference to the stage of development of the host economy when the competence to develop them is not locally available. TNCs are always available to develop such resources as long as there is sufficient demand for them in the home country and in world markets. Similarly given good prospects and a not too small market and protection, TNCs readily invest to serve host LDCs' domestic and regional markets in manufactured products. And much of manufacturing investments in LDCs are indeed of this variety. On the other hand *the role of FDI in manufactured exports from the LDCs is rather small despite impressions to the contrary*.[5] Much of the increases in manufactured exports from Korea, Taiwan and the other NICs have taken place from domestic firms. Transnational affiliates have been sources of less than 5 to 20 per cent of the manufactured exports from the NICs, except Singapore where the role of affiliates has been high.[6] In export promotion zones, transnationals are active in manufactured exports through the so-called runaway industries. But several considerations would attenuate their importance for a country like India: Firstly, very few countries have been able to attract such runaway industries at a significant level and all of them have had close political and sometimes military links with the US (South Korea, Mexico, Taiwan, Thailand, Singapore, and the Philippines). These along with Malaysia were hosts to as much as 90 per cent of all EPZ employment of just about 1.6 million in the mid-80s.[7]

But the role of TNCs and other firms based in the ACCs in manufactured exports from the NICs has been vital, principally as marketing channels and as sources of subcontracts for innumerable small and large domestic firms. It is here that the role of retailers and buying agents from the ACCs, the Shogo-Shosho, and the purchasing departments of large manufacturing firms, including their specialised trading firms is important. Manufactured exports through such arrangements have till recently almost entirely bypassed India in the 70s and 80s.[8] As protectionism in the ACCs strikes deeper roots, 'independent' exports by the LDCs would become increasingly difficult.

An important aspect of ACC firms' purchases of manufactured products from the LDCs is what is generally called international subcontracting. We may usefully consider international subcontracting to consist of two archetypes: (1) Purchases by retail and chain stores. (2) Original equipment manufacturing (OEM) arrangements. These constitute an important channel for the manufactured exports of the traditional variety generally based on the existing or given comparative advantages of the NICs. A study by the UNCTC reports that, in 1987, the 11 largest department store chains imported 5 per cent to 25 per cent of the goods which they sold, and that these goods were sourced predominantly from LDCs.[9] In freeing the LDC manufacturer from marketing and distribution, it allows him to concentrate on manufacturing and quality. In items like garments, fashion articles, the arrangement also frees the local enterprise from the need to constantly monitor a distant and unfamiliar market for changes in tastes and fashions therein. It also gives him a large-scale of operations, greatly aiding his movement towards greater efficiency, cost reduction and quality consciousness.[10] Of course a large part of the gains from lower cost and improvement in quality goes to the purchasing ACC—the retail chain stores and the consumers in the form of higher margins and lower prices respectively.[11] But for the LDCs' initially small manufacturers, to miss the process of international subcontracting is to miss the bus altogether. It is very difficult for even a well diversified economy like India to arrange all the ingredients



for successful penetration of ACC markets, at quick enough rates, without dependence on ACC firms or institutions.[12]

Original equipment manufacturing OEM): This is a long-term manufacturng contractual relationship between the ubcontractor and the manufacturing firm from the ACC) to purchase to strict specfications and quality, parts, components, nd sub-assemblies, and products which ll go as part of (or the) original equipnent sold by the manufacturer under its rand-name. Such arrangements have been n existence since the emergence of fordism' in the US, and is at the root of ne success of the automobile industry the vorld over in cost reduction.[13] Internaonal subcontracting of original equipnent rose to prominence in Korea and 'aiwan. There are no reliable estimates of ne volume of trade that takes place due to)EM arrangements. It is estimated that)EM exports from Korea around the mid-0s accounted for 50 per cent of the coun-y's total exports to the US.[14] In the 80s s Korea moved on a growth path realising ynamic comparative advantages, OEM rew most rapidly, particularly in metal ansforming industries and electronic and omputer products and related subassemlies. OEM arrangements cover a wide inge of products from tennis balls, phographic equipment, computers, fork-lift ucks and now even cars and parts of ircraft.

OEM arrangements are hardly possible ith LDC firms which do not have the ecessary technical and managerial capaci- and the bases to meet delivery schedules nd quality standards, and to do so at prices agreed upon much earlier to the final delivery. It is not surprising then that only South Korea and Taiwan with their active and conscious industrialisation efforts and high level of skill formation and with an environment over which business has much control have been able to take advantage of such arrangements.[15]

More importantly for the OEM suppliers, the price realisation is significantly less than through direct sales. Dependence upon the larger foreign firm, and the risk from the foreign firm shifting over to another OEM supplier, perhaps in another country, are other problems. Despite these difficulties OEM arrangements have been widely resorted to by successful Korean and Taiwanese exporters of sophisticated products. Many of the independent exporters of sophisticated products started as OEM suppliers and some like Samsung and Goldstar while they work as OEM suppliers in certain products are independent exporters in others. OEMs can be big markets too: Goldstar, an OEM supplier of colour TV sets to Sears Roebuck of the US, has found the market in its contract with Sears Roebuck large enough for it to set up an affiliate in the US to continue the contract, as its exports came under protectionist pressures.[16] Equally importantly, many large OEM suppliers in some markets are independent suppliers in others.

The above discussion could mean that the OEM relationship, while certainly a dependent one, is not without its dynamism which in an economy that is actively and consciously industrialising[17] can certainly take the OEM supplier to the status of an independent supplier.

IV
Developments in Indian Economy

The new economic initiatives undertaken by the government in 1991-92, which were preceded by policy changes of a more limited extent, are in many ways truly revolutionary. While it is true that the actual change has lagged behind the initiatives and the many pronouncements, what has happened thus far is indeed remarkable. In a short span of time, intentions of privatisation and disinvestment of the public sector and of liberalisation of the financial sector have been expressed. Major control systems (licensing, production and price controls) were either done away with or attenuated very much. Imports were considerably liberalised, and the bias against exports has been significantly reduced and in some instances been removed altogether.[18] More specifically, the policy towards FDI has been much liberalised and today FDI is welcome with little attempt to control the ownership in all but a negative list of industries. The policy for foreign technical collaboration had already been liberalised in the 80s.

The changes go far beyond the requirements of the 'structural' adjustment under Fund/Bank auspices, even though the pressure of these institutions would have initiated and sustained these changes. But the very short-term prospect for growth is not good, given the very conservative credit policies and the fear of inflation, which is shared by nearly all political groups. If the hoped for investments being planned by the private sector are realised growth could be at the same high level as in the 80s. But the kind of 'high speed growth', being achieved by South Korea, China and Taiwan, would not take place, since Indian agriculture is unlikely to grow at the required 5 per cent for this growth. If the experience of industrialisation in the 20th century is any guide such a radical transformation of agriculture is hardly possible without land reforms in densely populated economies, and thus far the new initiatives do not indicate any development in this direction.

Growth has been restricted and 'intensive' in the sense that a wide diversification of the industrial base emerged:[20] Skills and competencies in the entire gamut of requirements for independent industrialisation were attempted to be built up often at great cost. Yet the growth rate was very small, so that industrialisation could not be extensified to embrace a wide section of the population.[21] The limits to this kind of 'restrictive-intensive' industrialisation was reached long ago and the period of the 70s may be considered as an unsuccessful attempt to find new direction. The partial liberalisation of the 80s,

and the favourable conditions[22] for growth obtained during that decade (good harvests, increasing public investments, release of infrastructural constraints particularly in power), and now the general liberalisation of the economy can possibly mark the beginnings[23] of extensification of industrialisation.

The period up to the 80s with the intensive industrialisation can be positively viewed as having built a strong basis for all round growth whatever its cost may have been in the earlier period. Thus today when the economy is being opened up to foreign capital and to imports there is a well developed basis and infrastructure to quickly absorb and internalise the technology and the new skills and competencies. In other words, import of capital and technology could be largely to upgrade the existing competencies, and there would only be a few instances wherein the imported technology goes to produce final goods altogether new to the economy. Indian firms, and the economy in general, have the competence to meet the foreign supplier of technology more than half way.

The unequal and dominant position of transnational affiliates in the Indian corporate sector during the 60s and later, studied by many scholars,[24] has through the late 70s and 80s given way to a more equitable and competitive relationship between Indian and foreign capital. No doubt the change was possible due to the state's industrialisation efforts through planning, active intervention, restrictions on foreign capital, regulation of technology import and specific policies designed to encourage indigenous technology and entrepreneurship; broad-basing the latter to a level that has rarely been achieved in any economy. The natural growth of the market also allowed for the gradual entry of indigenous capital into areas dominated by foreign capital—advertising-intensive and life-style-associated products, and high technology areas. The higher investment propensities of local capital in contrast to that of foreign capital in the 70s and 80s, the advantage that they had under the Indian patent law (particularly in the drugs and pharmaceutical sector), laws prohibiting the use of foreign brand names, government investments in generation of local technologies (particularly in chemicals and pharmaceutical, steel, metal transformation, electronics and electrical engineering) through laboratories[25] and public sector units have all played their parts.

General production expertise, i e, the competence in activities related to shop floor management, maintenance, detailed engineering of plant, project implementation, fabrication (in contrast to design) of plant and equipment to given specifications and design, feasibility studies, market and financial studies, civil constructions of practically all types, infrastructure related design and constructions nearly of all types, competencies in the functional areas of management—production and quality control, accounting and finance, personnel management, marketing, and general management—are all widely and cheaply available in the country. This necessarily means that the unpacking of FDI is likely to be considerable, even when there are no government regulations explicitly seeking to unpackage technology and bring about its diffusion.[26]

These all have the implications for the extent and nature of transnational involvement in the Indian economy in the 90s under a liberalised regime. The large and sometimes pent up requirements of the economy for new and better technologies would mean that foreign collaborations would greatly accelerate in 90s. But much of this for reasons already discussed in this section, as also due to the emergence of pluralism in the sources of FDI and competition between TNCs, would take non-equity forms. Joint-venture forms would have a greater propensity in large investment proposals in areas like basic goods where the sheer size of the project would make Indian entrepreneurs initiating their projects look to their foreign suppliers of technology for part of the finance and sharing of risks as well. Other non-equity forms—purely technical collaboration, licensing, lump sum purchase of technology, minority near-portfolio participation by the foreign technical supplier—are likely to be the most common forms of TNC involvement in the economy.

It is generally believed that much of Indian industry is highly protected and therefore quite inefficient. While this may have been true in the 60s and 70s, in the 80s, even while there are large sectors of Indian industry that are inefficient, many sectors are indeed quite efficient—non-electrical machinery,[27] textiles, automobile ancillaries, computer assembly and manufacture, to name just a few, as detailed studies would show. More importantly it stands to reason that with high duties on most imports, effective protection rates particularly for those with high duties on inputs would be small and often times even negative.[28] The high cost of basic materials—steel (largely due to the failure of the public sector), non-ferrous metals, certain agricultural inputs, imported and domestically produced chemicals, energy (again due to public sector failure)—tend to mask the true conversion efficiency of large sections of the Indian industry, making them appear less efficient that what they are. High excise duties at various stages of manufacture tend to obfuscate the picture even further, so that only careful and detailed studies of EPRs at a fairly high level of disaggregation are meaningful. It is, therefore, hardly surprising that as imports were greatly liberalised due to the movement away from quotas and quantitative restrictions, and to a lowering of tariffs, few industries have suffered to an extent that they had to be closed down due to import competition. Indeed, the decline in the bias against exports has lead to many of them planning to greatly increase their exports. As the home market grows and Indian firms are able to take advantage of economies of scale, their low cost of labour, particularly skilled labour, their relative competitiveness in most areas of production that use mature or standard technologies can only increase *vis-a-vis* both other NICs including China and the ACCs. These offer tremendous prospects for OEM and international sub-contracting besides, of course, technology imports.

It is OEM arrangements that are potentially of great significance to the Indian economy in the 90s. The gains made by the Indian economy during the phase of 'restrictive-intensive' industrialisation can today be easily encashed into fast industrial growth, without running into a skills constraint, if other constraints underlying the extensification of growth were to be removed. OEM arrangements could greatly help to use the large under-utilised capacities in engineering and other industries, in both the public and private sectors of the economy. Today, under increasing competition in passenger aircraft manufacture, firms like McDonell Douglas, and even Boeing the market leader have tied up with plants in Taiwan, China and Japan to supply on contract parts of aircraft with high value addition by skilled labour. India unlike Taiwan or Korea, has large excess capacity in the HAL, for instance, waiting for such OEM arrangements. Large sections of the Indian public sector, in heavy and medium and light engineering, machine tools, electronics, power engineering, as well as of the private sector in machinery and transport equipment, white goods, automobiles, etc, could greatly benefit through OEM arrangements. Successful OEM arrangements would, imply continual reductions in [illegible] not possible unless labour is 'disciplined' enough, and wages do not grow faster than productivity in the organised section of the industry and increasing subcontracting between large and small industry[29] which generally faces the unorganised labour market. If a more meaningful relationship between labour and capital could emerge in the 90s, and the policies that have been biased against exports are given up, it may be possible for India to follow the path (in this aspect) successfully

traced out by Korea, Taiwan and now China, in OEM and other international subcontracting arrangements It may seem that such developments would call for substantially increased growth in the ACCs But the fact is that OEM exports and subcontracted products (other than textiles) in general from India are almost non-existent today, so that gaining markets here is more a matter of the ability of Indian firms to gear up, and of the policy that encourages such relationships, to take advantage of its lower costs to displace such operations in Brazil, Taiwan and Korea. The growth in the overall market for such activities is of less relevance to Indian firms than to those already entrenched.

FDI in the traditional sense of majority ownership could therefore be largely restricted on economic rather than policy grounds to (a) high technology areas and in new products, (b) products of Western culture where the source credibility association are considerable, such as soft drinks, cigarettes, entertainment, toys, fast food, etc Indeed in these sectors we may well see a resurgence of FDI via takeovers of Indian units as the source credibility associations of the Indian consumers undergoing westernisation prove adverse for Indian firms, (c) processing of agricultural products for exports where large scale-economies and new practices are called for, (d) whatever little runaway industries-in the EPZs that India can attract (e) in trade and finance-related services, in the latter if the policy were to change dramatically to favour TNCs, under international, but particularly US pressure, and in the former if export activity via international subcontracting, OEM production and processing of agricultural products for exports were to greatly increase

V
Conclusions

In this paper the implications of the trends and patterns in the phenomenon of foreign direct investments and of the policy and structural changes on in India for foreign direct investment into India in the 90s are discussed It is argued that while the FDI inflow into India is likely to increase in the 90s, it is contingent on the maintenance of the industrial growth of the 80s in this decade too Typically FDI has always followed growth Inflows anywhere near the Chinese level are quite out of question, except in the remote possibility that India achieves the 'high speed' growth of China ('High speed' growth as in Thailand or China is hardly possible without the extensification of growth through the economy, a process that requires agriculture itself to grow fast at about 5 per cent or so)

China's population is nearly 1 25 times the Indian, and its per capita income in 1987 was three times the Indian [30] If both India and China continue with their growth rates (China's being twice as much as India's) into the 90s as in the 80s, China would be adding 7 5 times what India adds to its home market each year For manufactured goods the same ratio would be 10! Is it surprising therefore that it was able to attract about seven to 10 times more net FDI than India? In Figure 1 we graph the ratio of net FDI (World Tables 1987) the change in purchasing power parity GDP[31] over the 80s for India and China We see that the ratio is very similar for both India and China and present broadly similar trends, as both countries faced the same environment for FDI In the 90s as India liberalises its policy towards FDI this ratio can grow a little above China's but not too much FDI into India is more likely to take the form of joint-ventures and other so-called 'non-equity' forms As indigenous businesses have gathered strength over the period of sheltered growth in the 80s, FDI entry into India would rarely be without an active Indian collaborator FDI's role in manufactured exports is likely to be small In contrast international subcontracting by foreign firms could play a major role in manufactured export growth This is an aspect that has attracted little attention in terms of policy, and given the wide diversification of the economy, the low cost of manpower, availability of a wide variety of skills, and large excess capacities, is vitally important for Indian manufacturing It can crucially provide the scale of output to segments of Indian manufacturing which are most competitive, even if at low margins, so that a significant contribution to the extensification of growth is made

In the 90s we would move into an era where the economy and more so the growth therein, rather than the immediate policy towards FDI, is likely to determine both the quantum and form of FDI and related activities

Notes

1 World Tables, based in turn on the IMF's International Financial Statistics
2 For the figures see UNCTC 1988, part II Statistical Annexe
3 Ibid
4 The essential conditions (a strong state mechanism and land reforms) for successful industrial transformation in the mid 20th century go far beyond 'open' economies and liberal attitudes towards FDI The details of either their special conditions (metropolitan city status of Singapore, besides closeness to the Chinese market of Hong Kong), or the strong and development-oriented states which obtained in all these countries were lost in the din of the projection of 'export-led' growth Similarly, the decline of 'socialism' and the coming to light of so many skeletons from their cupboards as also the pursuit of destabilisation of regimes still following 'socialistic' policy by the US would today mean that all but the most obscurantist or eccentric regimes would be able to pursue anti-transnational policies
5 See Deepak Nayyar, 'Transnational Corporations from Poor Countries', *Economic Journal*, Vol 88, March 1978
6 This anomalous status is no doubt linked to the metropolitan business centre status of Singapore in south and east Asia In Latin America the role of transnationals in manufactured exports has been high (of the order of 40 per cent), but few of these are destined for the advanced country markets Most of them do in fact constitute intra-regional trade and an expression of the rationalisation of affiliates' operations within the region Cf C V Vaitsos, 'Regional Economic Co-operation (Integration) Among Developing Countries A Survey', *World Development*, 1978, pp 719-69
7 UNCTC, op cit
8 Purchases by the SS have been very important in the export of shrimps and certain varieties of fish from India.
9 UNCTC, op cit
10 Some have argued that such international sub-contracting arrangements were vital to the NICs (principally South Korea, Taiwan, Singapore, and Hong Kong's) quick and successful penetration of ACC markets, without having to go through a phase of 'shoddy goods' that Japan did in the 50s and in the pre-war period China seems to have pursued both paths simultaneously
11 'Export-led' growth has meant significant and sharp decline in the terms of trade of the LDC especially when computed against its main advanced country trading partners This is the inevitable price that Korea, Taiwan and now China pay for market access
12 The experience of Indian trading firms in the ACCs that have woefully failed in the task of manufactured export from India would further confirm this Sebastian Morris, 'Foreign Direct Investment from India 1964-1983 unpublished FPM (doctoral) dissertation, Indian Institute of Management, Calcutta 1988 An attempt by the public sector to set up an organisational equivalent of the shogo-shosha by merging the MMTC and STC along with some other smaller trading firms proved still born
13 In Japan they were given a further boost due to the lower costs of labour in smaller firms and because Japanese culture and management styles made possible stable situations of monopoly facing monopsony, permitting single (or few) highly specialised sub-contractor(s) to supply a single product or a part without the usual farming out to several subcontractors to lower risk typical, of western economies These practices underlay the success of just in-time and other related shopfloor practices
14 UNCTC op cit

15 There are of course problems for both parties in OEM arrangements. Sourcing from OEM producers in LDCs can mean that the ACC firm is vacating the manufacture of that product or component. Its lower costs through the OEM arrangement is possible only as long as its competitors do not have similar access to OEM suppliers, a situation not likely to last long so that OEM sourcing is no alternative to product improvement and innovation by the ACC firm. Therefore such arrangements are not for the long term collective good of the LDCs and they would be bounded by the ACCs' restrictive trade policies.

16 UNCTC op cit

17 Yet we may caution against a general spread of OEM relations in LDCs with the required economic and entrepreneurial base. The confinement of OEM to Taiwan and Korea and to a more limited extent to China may be indication of the need for strong political and perhaps even military understanding between the host country and the dominant ACCs US and Japan.

18 Yet government's effort to reduce the bias against exports has come up against the wall of high excise duties. It cannot lower the input and capital costs for exporting industries without reducing the countervailing duties which get linked to excise taxes and the excise taxes themselves. So presently many an Indian firm finds its transformation cost to be very low but is unable to translate these into the bargain prices required for export penetration.

19 We would think that it is only high growth rates sustained over longish periods that amount to transformation of LDCs into industrial societies. The wide gap between the ACCs and the LDCs in terms of output per annum would mean that if the political and economic constraints to growth are absent economies grow very fast. This is another aspect of late industrialisation.

20 The variety of goods and services produced in India is matched by only the large socialist countries including China and the ACCs and possibly Brazil, Mexico and Argentina.

21 It is remarkable that despite the visibility of India's industrialisation the proportion of labour force in manufacturing is still only a little above that for preindustrial agrarian economies. Employment growth rate in manufacturing has been tardy in the 80s.

22 R Nagaraj, 'Some Reflections on Growth in the Eighties', Institute of Public Enterprise, mimeo, 1991.

23 But not the process itself, since as said before, there are no indications that the agricultural transformation is on.

24 Cf N K Chandra, 'Western Imperialism and India Today', *Economic and Political Weekly*, Annual No, Nos 4, 5 and 6 and part II in No 7, February 1973.

25 It is well known that few laboratories have been able to commercialise their research work and as such government laboratories have (due to their lack of potential links with production enterprises) failed in their task. But diffusion of technologies and skills through movement of people has been significant. A few Regional Research Laboratories, the National Chemical Laboratory, the ISRO and perhaps a few others have no doubt made positive contributions.

26 See Sanjaya Lall, *Building Industrial Competitiveness in Developing Countries*, OECD Development Centre, 1990, for a comparative study of the NICs in technological and industrial development.

27 Cf World Bank, 'Non Electrical Machinery Sub-sector: India', Industry Dept, November, mimeo, 1984.

28 Price based calculations of effective protection as well as tariff based effective protection rates for many industries, particularly for many in the capital goods sector would show that Indian industry is not as heavily protected as what the nominal tariffs alone would indicate. For an early study see R G Nambiar, 'Protection to Indian Industry: Fact and Theory', *Economic and Political Weekly*, January 1-8, 1983. See also World Bank report and for a recent study of the pervasiveness of nominal tariffs see B Goldar, A V L Narayana, Hiranya N Saleem, 'Structure of Nominal Tariffs in India', National Institute of Public Finance and Policy, New Delhi, Paper No 3, July [illegible], mimeo.

29 This becomes almost a necessary condition, given the vast schism between the two labour markets. Large industry has access to only the organised labour market, with very high (though perhaps still lower than in the advanced NICs) wage rates. The unorganised labour market is very cheap, labour is docile and the small industry has access to the same. As yet due to the organisational limitations of the small sector, and the rudimentary development of subcontracting relationships in the economy, the cheapness of Indian labour remains largely unexploited in the world markets. The few exceptions are linked to exports where India has an absolute advantage: polishing of precious and semi precious stones, granite polishing, mica splitting, prawn peeling and packing.

30 World Penn Tables Mark V.

31 China shows a larger trade ratio than India in the 80s which is rather puzzling. But the apparent puzzle disappears when we adjust for the special relationship with Hong Kong. Functionally Hong Kong is to China what Bombay is to India. If one were to include Hong Kong integrally as a part of China, and remove their mutual trade (and investment) then the trade ratio of China becomes less than that for India.

Food Shortages in Russia

Arup Banerji

The maintenance of living standards, public health, even life itself are gravely threatened by the scarcity of food in Russia. These circumstances are more the product of the unaffordability of food than its absolute unavailability. Given the unlikelihood of sharp improvements in productivity, food shortages are likely to persist until at least the next harvest.

THROUGH 1993, the humus of the Russian political terrain altered momentously, the dominant topos of economic strategy shifted and novel themes came to form the staple of arguments within society. Food shortages remained pervasive, even paradoxical, however. In their intensity, these shortages were disproportionate to the degree of contraction in agricultural output, even if this was the fourth consecutive year of decline. Through last year the price of a typical basket of 19 foodstuffs rose steeply (by about 700 per cent), but not as sharply as overall inflation (by about 900 per cent) (Figures 1 and 2). Food producers, particularly grain growers, marketed greater volumes of a slightly shrunken output, at prices that rivalled or outstripped world market prices. More food products were available in retail trade and more bread, meat and dairy products were bought.[1]

But as growing numbers of Russians experienced the debilitating effects of malnourishment, from inadequate real wages (Figure 3) and inflation-driven social polarisation, the incidence of diseases from undernutrition spread and the demographic deficit plumbed depths unusual for peace time. The unaffordability of essential nutrients, especially for the increasing ranks of Russians without a regular wage or salary, rather than any absolute shortage of food is likely to persist till at least the middle of 1994 when the harvest is gathered in. If agricultural output contracts again, or if levels of productivity fail to rise, and the annual rate of inflation crosses the three-digit figure of 1993, outcomes which are not unlikely for reasons to be discussed below, food shortages will inevitably worsen.

Agricultural Output Trends

The extent of the decline in agricultural output last year contradicted most prognoses but it was actually less than the measures of decline in GNP, industrial output and in oil and coal. Although agricultural output fell more gradually in 1993, at about 5 per cent, than it had in 1992, at about 9 per cent, the gravity of the decline was underlined by its relentlessness: between 1990 and 1993, it decreased by a factor of between 17 and 29 per cent, depending on the accuracy of the annual rate of inflation factored into the particular estimate.[2]

Russia and Kazakhstan were the only two countries in the CIS that produced less grain in 1993 than in 1992, but this had a slight effect on the CIS harvest, which decreased by only 4 per cent, to 183.2 million metric tons (net weight, here and throughout).[3] In Russia, within a slightly smaller grain harvest, of 98.9 million metric tons, the harvest of bread cereals like rye and buckwheat dropped more sharply compared with 1992 (see the table), and much of the reduced wheat harvest can only be used for livestock feed. The production of potatoes, vegetables, fruits and berries also fell considerably below last year's harvests.[4] Shortages of feed cereals and the nutritional paucities of what was available caused the number of livestock to diminish through 1993, by 15 per cent for sheep and goats, 10 per cent for pigs, 6 per cent for big-horned cattle and 2 per cent for cows.[5]

In June last year the deputy premier for agriculture, Aleksandr Kharlampeyevich Zaveryukha, had said that in 1992 Russian consumption levels of meat and eggs had relapsed to those prevalent in the 1980s, while Russians had drunk more milk in the first half of the 1960s. Decrements in their production, as well as falling real incomes, he pointed out, caused the consumption of meat and meat products to fall by 14 per cent and of milk and dairy products by 15 to 16 per cent in 1992 against 1991. Although the consumption levels of meat and meat products (by 8 per cent), of milk and dairy produce (9 per cent), and of eggs (5 per cent) had all risen above the extremely low levels of October 1992 by October of the next year, they still lagged behind the amounts consumed before the start of the reform programme in 1992.[6]

From spring 1993, and amidst the gathering symptoms of an early drought in southern and central Russia, optimistic statements about the size of the 1993 grain harvest abounded. In April, Zaveryukha forecast a figure of 106 to 108 million tons, which was level with that of the previous year and lower than the average for 1986 to 1990. In August he mentioned a figure of 120 to 125 million tons (he must have had the bunker weight in mind), and this was even higher than the best recent Russian harvest, that of 1990, of 116.6 million metric tons. Deducting a reasonable 8 per cent from the bunker weight, this estimate, at 107 million tons, presumed a better performance than the average one from 1986 to 1990, of 104.3 million tons. Leonid Cheshinskii, the director of Roskhleboprodukt, the joint-stock company responsible for agricultural purchases for official distribution, had spoken of a (bunker weight) harvest of 115.5 and 125 million metric tons in July.[7] The harvest itself, of course, confounded all these prognoses, and in this welter of almost wild guesstimates, those by SovEkon, at 102 to 105 million metric tons turned out to be most accurate.[8]

What are the prospects for better grain harvests in Russia in the next few years? They will undoubtedly brighten as the process of institutional change in producing units gathers momentum and the under-productive collective and state farms are converted to smaller individual farms. These have already demonstrated a positive ability to reverse declining levels of land and labour productivity and losses of produce, but their future performance is critically dependent on regular supplies of mechanical inputs appropriate for their smaller area, and of fertiliser and credit (their importance is assessed later). On the flat Russian expanses, broken by few wind breaks, soil was and is being swiftly lost because of wind and water erosion, and the productivity of this dwindling reserve of arable area is slipping on account of the inefficient use of plant nutrients and excessively heavy machinery, over-grazing, over-cropping, the ploughing of steep slopes and salination. In 1992, the Russian Federation Committee of Land Use and Land Resources estimated that over half of arable land in the country had become degraded, in the senses of its being excessively boggy, humid and over-acidified

Sown area in 1993 dropped to 61 million hectares from an average of 62.3 million hectares in 1990-92 and 61.9 in 1992, but since the contraction of the harvest exceeded this reduction, lower yields must have contributed to the smaller grain harvest last year. Through 1993, sowing, threshing and harvesting operations oc-

curred later than in the previous year As a flood of reports from the ministry of agriculture iterated this had less to do with the weather and more to do with the state of financial and mechanical preparedness of collective and individual farms

Weatherwise the year had been characterised by higher than average precipitation early in the season, and though this aided crop yields it also necessitated a heightened reliance on labour and machinery to bring in the standing grain before it rotted Higher proportions of essential machinery were in a state of disrepair at the start of the spring 1993 sowing season than had ever been the case in the last four years This affected trucks (20 per cent), tractors (16 per cent) ploughs (15 per cent), seeders (14 per cent) and cultivators (13 per cent) Supplies of diesel fuel and benzene to farms had contracted by about 30 per cent from the previous year's level, and supplies of accumulators, fodder and beet harvesters, and tractors had fallen gravely below those despatched to farms in 1992 The volume of agricultural machinery produced during 1993 had fallen by proportions ranging between 22 and 41 per cent, which was actually steeper than the plunge in industrial output as a whole Ever since the liberalisation of prices in January 1992 the rate of growth of prices for agricultural machinery, fertilisers and pesticides have persistently outrun those for agricultural produce and this has hampered the replacement of spare parts, forced machinery to be unusable for longer, and reduced the application of fertiliser As livestock head declined numerically, greater reliance had to be placed on shrinking volumes of chemical fertiliser, so that according to agriculture minister Viktor Khlystun, the application of chemical agents per hectare has halved in recent years [9]

Cumulatively, this meant that by the end of September, 24 per cent of the grain crop (planted in 13 1 million hectares) had not been harvested and the nature of this delay was accentuated by the fact that by then protracted rainfall in the Urals and Siberia and early snow in oblasts in central and north-eastern Russia like Kostroma, Tver, Iaroslavl and Moscow imperilled the sowing of the winter crop too By mid-October, only about half the country's grain harvest had been threshed [10]

Procurements of Product from 1993 Harvest

The procurement of grain products for distribution by state agencies has steadily risen, in absolute terms from 22 5 million metric tons in 1991 to 26 in 1992 and [illegible]

1993; as fractions of the harvest, too, they rose to 25.3 per cent in 1991, then fell to 24.3 in 1992 and climbed again to 28 per cent in 1993.[11] The purchase of wheat grew by 16 per cent, and of barley and buckwheat by 130 per cent, even as the volume of their production decreased, and this was in contrast to falling procurements of meat and eggs.[12]

The institutional framework for official procurement of agricultural produce has radically changed in the last two years. The process of replacing mammoth centrally-organised collections at administered prices has been almost fully replaced by local purchase activity at competitive prices that are in some real correspondence with costs of production.

The committee for grain products was separated from the Russian ministry of trade and material resources and converted into a joint stock company, called Roskhleboprodukt, by a presidential edict in October 1992, at the beginning of the country's privatisation programme. It was entrusted with obtaining and maintaining a single, federal fund of agricultural products like grain, oilseeds, flour and mixed fodder products, for distribution to the regions by the central authority. The next year, the single fund was bifurcated into the federal and regional funds, for purchasing and maintaining stocks of the same products in 1993. Stocks in the federal fund were destined for the biggest cities, the army, export and the grain consuming (*bezkhlebnykh*) regions of the Russian Federation, like the north and the far east. The regional funds were set up in belated recognition of the forces of regional autarky, or the effort by local authorities throughout Russia (as indeed in the Soviet Union through 1990 and 1991) to retain grain produced or obtained in their area rather than ship it out for central distribution.[13]

The presidential edict of December 24, 'On the liberalisation of the grain market in Russia', marked the apogee of developments that had been gaining prominence since 1990. Their origins lay in an aspect of the fracturing of the unified USSR, the clamour for regional economic self-sufficiency that left few corners of the country unaffected by spring. By the end of that year, all 15 union republics, a score of autonomous territories and even parts of some large cities had declared themselves independent. At a central committee plenum in March 1991, Gorbachev warned regional party secretaries that they would thenceforth have to meet local food and feed needs from local sources, since allocations from the union fund were going to be curtailed.[14]

The timing and essence of these changes were conditioned by their unavoidability: the burgeoning of the private grain market, typified in grain dealings in commodity exchanges (*tovarnye birzhy*). The oscillatory rhythms of private enterprise affected them in various ways, and by the end of 1993 only 180 of the 303 licensed exchanges were functioning, and only 40 held more than two weekly auctions. As the smaller ones were swept away by their inability to attract traders and corner stocks, for in every 10 rubles turned in Russian exchanges came to be earned in just six of them, four of which happened, not fortuitously, to be located in Moscow.[15]

One of the most important and earliest of these grain dealing exchanges was the Moscow-based Russian Commodities and Raw Materials Exchange, founded by Konstantin Borovoi, that conducted its first auction in November 1990. Two years later, the section within it that traded in foodstuffs was the most dynamic in that exchange. By September 1991, 104 state and private (domestic and foreign) undertakings had combined to launch The International Food Exchange in Moscow, and it soon achieved its multifarious aim of unifying the purchase of agricultural products from producers, their processing, packaging, storage and shipment. From September a year later, 12 Russian companies joined to set up the Russian Grain Futures Exchange, that boasted the intention of eventually determining national grain prices in a single futures trading exchange. Grain dealings now occur in several exchanges in Moscow, Stavropol and Krasnodar and in the Russian Grain Trade Exchange in Saratov, the single venue for 60 per cent of exchange-based grain deals.[16]

In 1992, there was a palpable nervousness in official circles about allowing exchange dealers in grain the price-competitive possibility of securing proportions of the harvest that might endow them with a destabilising commercial leverage. Much of these anxieties were allayed last year, by the satisfactory procurement performance of Roskhleboprodukt and the steps taken to dismantle the hallmarks of the command economy in this sphere, like obligatory deliveries and fixed prices, that had worked so conspicuously to the disfavour of official agencies. By December, it was clear that the results were primarily reflected in inflationary wholesale prices, apparently a less worrying result than the accumulation of substantial stocks in the exchanges.

The presidential decree on the grain market was momentous in several respects. Compulsory deliveries and other forms of forced removal of agricultural produce had already been abolished from 1994 by a presidential decree in October, whose central thrust had been to establish land as a form of private property.[17] It marked the culmination of earlier processes by decreeing that all official purchases of grain and oilseeds were to be made at market prices from producers who were free to sell to the buyer of their choice; the centre relieved itself of all supply responsibilities for regions and republics within the Russian Federation, and in future they were to meet their needs from regional stocks; all state-owned enterprises involved with the purchase, primary processing and storage of grain were to be converted into joint stock companies by April 1, 1994.

Finally, and to great import, the decree empowered the centre to guarantee the unhindered movement of grain within the country by taking punitive measures against regional authorities who sought to obstruct grain shipments or the grain trade. These measures could include stopping all forms of federal support to agricultural enterprises, or ceasing to send foodstuffs to areas that were net grain consumers, in regions that hampered this. Regional authorities had often blocked or delayed the export of grain products out of their own regions, and supply plans to consuming regions had suffered.[18]

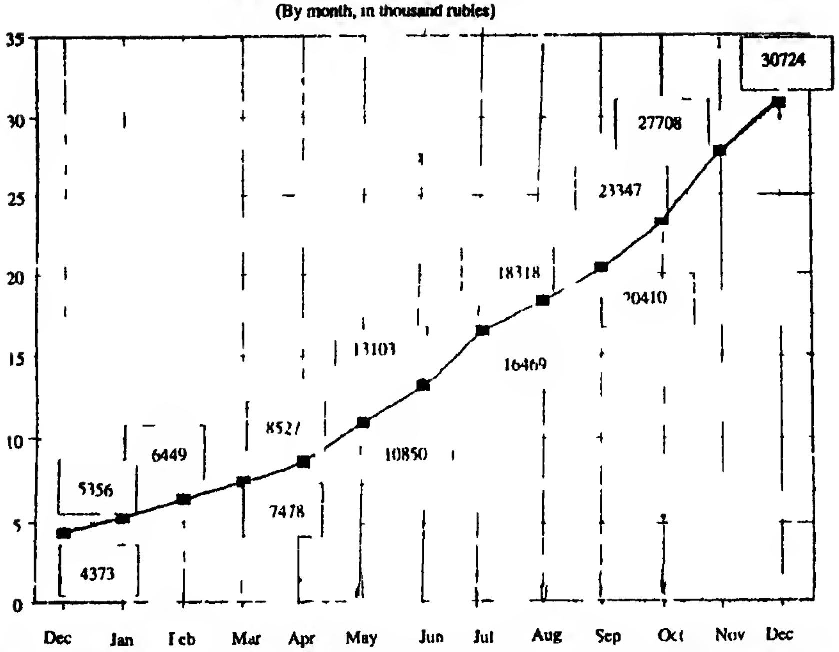
But a more forceful catalyst to this decree lay in the relentless rise in state (wholesale) procurement prices for grain, since the start of purchases of the 1992 harvest. It was from then that Russian

TABLE CEREAL AND LIVESTOCK PRODUCT OUTPUT IN RUSSIA, 1986-1993
(Million tons, net weight)

	1986-90	1991	1992	1993	1993 as Per Cent to 1992
Grain	104.3	89.1	106.9	98.9	93
Wheat	43.5	38.9	46.2	42.5	92
Rye	12.4	10.6	13.9	9.2	66
Barley	24.1	22.1	27.0	26.6	99
Oats	12.6	10.4	11.2	11.5	103
Corn	3.3	2.0	2.1	2.4	114
Buckwheat	0.6	0.7	1.0	0.8	77
Meat (dead weight)	9.7	9.4	8.3	7.7	93
Milk	54.2	52.0	47.2	46.9	99
Eggs (mns)	47.9	47.1	42.9	40.3	94

Source: Finansovye izvestiya, No 4 (65), February 3-9, 1994, v

Figure 1 Actual Food Prices in 1993
(By month, in thousand rubles)



Note These data express the monthly average cost of a selection of the 19 most important food products purchased by the population and calculated in rubles per person at the end of the period

Source *Rossiiskie vesti* No 4 (428) January 6 1994 p 1

grain prices on the private market began to move closer to world market ones, even as official procurement prices, on at least 25 per cent of the grain harvest earmarked for obligatory sale, were not permitted an annual mark up of more than 25 per cent Faced with the possibility of escalating sales at free prices, with built-in inflationary expectations for sellers, Roskhleboprodukt steadily raised its prices After being set at 12 rubles a kilogram for bread-quality wheat in August, the price had shot up to 25 rubles for some varieties of wheat by December [19]

Successful negotiations in February and March 1993, between Roskhleboprodukt, on the one hand, and the Agrarian Union and AKKOR (Association of Russian Peasant (Private) Farms and Agricultural Cooperatives), both organised expressions for producers' interests, on the other, kept the price down to this level till the end of April [20] But on April 28, the ministry of agriculture raised wholesale prices again, to R 22 to 51 for hard-variety wheat and to R 20 to 35 for small-size wheat [21]

In late June these prices were raised again, to R 45 to 70 for a kilo of wheat and to R 40 to 45 for barley,[22] only to rise once again in August, after heated debates between the government and producers' organisations, to wheat prices starting at R 60 a kilo and running to over R 80 The Agrarian Union was making a case for wheat prices running from R 86 to 100 at a time when it was apparent that Roskhleboprodukt had funds that could not sustain purchases at more than R 50 By September, the wholesale price for standard wheat delivered to Roskhleboprodukt had climbed to R 84 At the height of the procurement season in August, Roskhleboprodukt was attempting to buy over 4 million tons of grain a week but working on a weekly purchase budget of less than R 100 million rather than R 450 500 milion [23]

On July 30, the government decided to augment the wholesale prices of grain, oilseeds and sugarbeet offered by Roskhleboprodukt at a monthly rate of 10 per cent The ministry of finance strenuously criticised this scheme for its inflationary implications but it was overruled by the imperative need to bolster stocks in the federal and regional funds When it was found that indexed prices had outrun exchange prices within and market prices beyond Russia, the time to end indexation was at hand In late September it was announced that the practice was to cease from October 1 in western and central Russia and from November 1 in the Urals, Siberia and the Far East [24]

Throughout the 1993 grain procurement season, Roskhleboprodukt was hampered by scarce financial resources, in terms of the target it had set for the federal and regional funds and the prices it was expected to offer producers The only circumstance that might have worked in its favour, in specific regions and on particular dates, was a negative one by which the lack of storage and processing facilities compelled producers to sell grain before it rotted, as a not inconsiderable amount apparently did [25]

From the outset of their commercial activity last year officials on Roskhleboprodukt vainly strove to bring the funds at their disposal in closer correspondence with the rising wholesale prices that prevailed on these product markets In striking similarity with the predicament of their NEP ancestors they were the politically advantaged but economically disabled casualties of an unequal rivalry between official and private buyers of the commodity whose price undergirded trends across the economy They ended the race deep in debt By the end of October they had not paid for 40 per cent of the grain they had secured and the debt to grain sellers amounted to R 700 billion and to dairy farmers another R 500 billion By January 1994, Viktor Khlystun had stated that the debt had swelled to R 2 trillion of which R 600 billion ought to have been paid to grain growers [26]

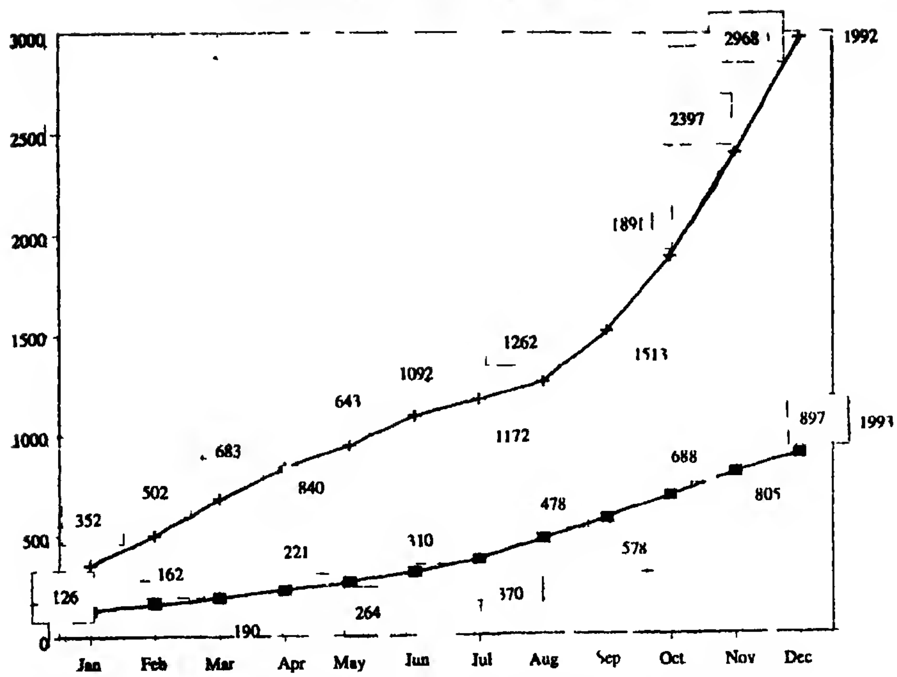
Why Food Shortages Might Intensify in 1994

Russia's strivings towards self sufficiency in food politically laudable as they indisputably are may have been pursued to unreasonable even chimerical lengths Grain imports from countries of the distant abroad, at 11 million metric tonnes had been halved since 1992, when they had amounted to about 25 million tonnes and imports of wheat and corn as well as of soya frozen meat and sugar declined in still greater measure Yeltsin might have been incautious when he recently denied the need for any imports of grain in 1994, because of adequate reserves from the current harvest [27] The bill for domestic procurements in 1993 was, according to one estimate, 10 times more than the bill for imports in 1992 [28] All the available evidence suggests that the improvements in the storage, shipment and processing of food products that are imperative if losses between producer and retail outlet are to be controlled, are stymied by scarce funds The better scale of procurements was, consequently, unmatched by efforts in improving the volumes of domestically utilisable produce This situation might recur in 1994 too

Food consumption levels in Russia have been sliding quantitatively since the start of the decade, as well as receding further from minimal caloric requirements even of a shrinking population If inflationary pressures mount, output levels will need to not only not fall, but grow substantially to neutralise shortages from the devalued currency

An extremely grave consequence of the debts owed to agricultural particularly grain producers is that they were acutely short of resources with which to begin the

FIGURE 2 INDICES OF INFLATION IN 1992 AND 1993



Note The indices of inflation in 1992 and 1993 represent the overall rise in inflation from month to month, in terms of the percentage growth from December of the preceding year
Source *Rossiiskie vesti* No 4 (428) January 6 1994 p 1

autumn sowings last year which were therefore delayed Further, both the area of land sown in autumn and that ploughed in autumn for spring (1994) sowing declined by 20 per cent as an average for all grain cereals, but by 34 per cent for rye and 12 per cent for wheat All prognostications unanimously concede that even if weather conditions remain as broadly favourable as they have been in the past two years, the reduced area sown to crop in autumn could prompt cereal grain production to slide by 6 to 8 per cent in 1994 The first predictions of the 1994 harvest, as I write, place it at under 95 million metric tonnes [29]

The Russian press is replete with information concerning the devastating impact of inflation, a recent poll found that 84 per cent identified it rather than unemployment (30 per cent) as the prime bane in their lives [30] The government has been more than vociferous in its declarations that it must be reduced to a monthly rate of about 5 per cent by the end of this year, and this is the key goal in the blend of anti-recessionary policies on its agenda [31] By the end of 1993, the annual rate of inflation had been bridled (Figure 1), but this victory in terms of a three-digit figure was fragile because it was crafted by the intrinsically temporary expedient of deferring wage and purchase payments from the budget

Now, perhaps even more singularly than in 1992, the political cleavages in the Russian legislature run along economic faultlines The 'profit-seeking' reformers have been relegated to the margins of decision-making, though not debate, and their criteria of economic effectivity grounded in market generated profits have been eclipsed by other imperatives They confected a recipe for economic advance that laid greater stress on the cost of production of output, its marketability and profitability, than its volume, the battle against unemployment ceded priority to that against inflation This had a profoundly anti-levelling social impact, some aspects of which will be identified below The priorities of the current leadership are somewhat dissimilar Augmenting levels of output by restoring idle productive capacity through generous subsidies and reducing unemployment form the core of their prescriptions for economic recovery, but they too have accorded high status to containing inflation [32]

Unfortunately, this is also a prescription for swelling the budgetary deficit As miners, oil-workers and medical staff, among others in the labour force, strike or threaten work stoppages to press for the payment of their wages or salaries,[33] the printing presses will have to work overtime to meet their claims [34] Through last year nine in every 10 rubles of the budgetary deficit were sought to be made up with new rubles, since tax receipts fell substantially Wage and salary arrears of these magnitudes will undoubtedly bloat the deficit, and jeopardise the targets proclaimed for the reduction of the rate of inflation It is highly unlikely that receipts from taxes will contribute significantly to budgetary revenues this year, because of the trough from which output will have to increase as well as the difficulties in taxing privatised service undertakings

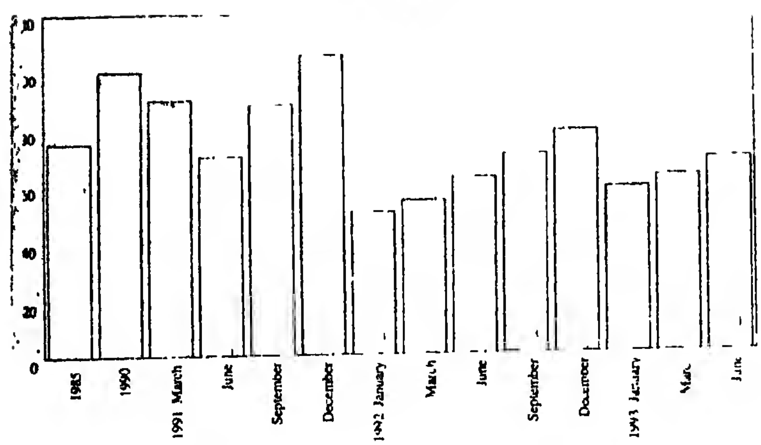
Civilian and military industry, agricultural producers and federal grain purchase organisations are likely to demand, and receive credit that will have a similarly detrimental effect on the health of the budget even if they blunt the edge of opposition hostility [35] As Russian industry seeks to regain domestic market shares in consumer goods lost to imported products since 1992 and arms markets abroad, it can only replace worn out fixed capital and revitalise slack capacity initially and indispensably by borrowing Likewise, cereal sowings and stock raising can occur at better levels this year only if producers are repaid from the yield of fresh loans, for what they sold to official buyers last year and offered loans to neutralise the harsh industrial agricultural price scissors Prolonging repayment might well result in falling output for the fifth successive year

Subsidies to the agro-industrial complex (APK) are likely to have a detrimental effect on curtailing the budgetary deficit through 1994 On February 3, the cabinet decided to appropriate R 14 trillion for the APK in 1994 and to maintain subsidy levels of 1993 intact In addition to this the APK is also to receive R 14 trillion in soft loans for food procurement and R 6 trillion as Central Bank credit for spring sowing According to Andrei Illarionov who recently resigned as deputy director of the Centre for Economic Reform that reported to the prime minister the infusion of R 34 trillion into the APK in this manner would double the amount of money in the economy and send monthly inflation soaring to 50 per cent by June The size of this subsidy to the APK will have to be dramatically sheared before it can make any difference to the budgetary deficit in 1994 that draft budget presumes a deficit of R 55-61 trillion, a sum equivalent to at least 10 per cent of GNP a change in decimal fractions over 1993 [36]

Even if more foodstuffs are available in retail trade this year, through commercial rationalisation and the spread of private trade [7] if higher rates of inflation from output shortfalls and/or a widening of the blades of the wholesale/retail price scissors prevent real wages from improving through 1994 the proportion of family income spent on buying food could cross the 50 per cent mark, having fallen to 46

Figure 3 The Index of Real Wages in Russia

(Average monetary wage/price index in per cent)



Source: *Rossiiskie vesti*, No 148 (317), August 4, 1993, p 3

per cent in 1993 and 47 per cent in 1992.[38] In December 1993, about half the Russian labour force earned a monthly wage that was less than the average wage (R 141, 200). While the wages of 2 per cent of them were less than the survival minimum (about R 40,000), 33 million Russians, or one in every five in the Russian Federation, were officially considered as living on an income below the survival minimum.[39] If inflation levels mount in the next few months, income disparities will sharpen[40] and the growing number of Russians earning threshold or subliminal incomes will be compelled to reduce their consumption of foodstuffs to levels yet unknowable.

This could have calamitous social consequences, accentuated by a phenomenon whose growth next year few now care to contest: rising unemployment. Russian industry has experienced the recessionary repercussions of the transition away from a command economy considerably more painfully than has any other economic sector. With about half its fixed capital worn out, because investment has fallen by two-thirds since 1989, the production reserves in industry are now adequate only for simple reproduction.[41] The rate of enterprise closures, primarily from bankruptcy once an anti-bankruptcy law comes into effect, is likely to accelerate before it stabilises. The unemployment that will have to precede industrial recovery will depress disposable incomes to levels that will aggravate the food shortages.

By the end of 1993, one in every 10 Russians among the economically active population were either unemployed, actively searching for work or working temporary hours. Seven in 10 unemployed Russians were those who had traditionally been, and currently are, most responsible for finding and preparing food for the family: women. At that time last year, 56 per cent of the officially registered unemployed had been without a job for the last four months, and if the average number competing for a vacant job (3.1 persons) was less than in our country, their prospects of finding one before major strides in economic recovery are made are slight indeed.[42] Having risen by 45 per cent in 1993, the number of registered unemployed is likely to grow even faster in 1994, leaving 30 million without jobs by December according to unofficial experts, and between 6 and 10 million, according to officials.[43]

The mounting budgetary deficit, and the irresistible claims for credit or subsidy from enterprise and farm directors will delay the creation of an effective social safety net for those on pensions, or those partially or wholly unemployed. Since the practice of subsidising bread prices ended, in October last year, compensatory income subsidies, although indexed, have been starkly inadequate for the purchase of food items other than the absolute necessities.

But even otherwise, as M Bolgarev, the director of the Institute of Food attached to the Russian Academy of Sciences (PI/RAN) revealed, Russia was losing 'human material' every day. As more and more family dining tables feature just bread and potatoes, he pointed out that children were being born prematurely and with weak immunological resistance as well as cerebral abilities. Since 1989, national per capita consumption levels of meat had shrunk from 75 to 58 kilograms, of milk and milk products from 397 to 298, of vegetables from 91 to 77 and of fruits from 41 to 37. When asked by his interlocutor to react to subscribers who wrote in that food consumption norms approximated physiological minima better in the camps during the second world war than now, he did not find reason to differ. He might have found support in the ministry of labour too: they reported that an adult Russian had an average daily caloric intake of 2,100 kilocalories, apparently insufficient for an 11-year old person.[44]

The effects of all this on the demographic (im)balance elude precise estimation; most demographic analyses of Russia, in the throes of the kind of flux when all that is solid is melting into air (what Judith Shapiro aptly termed 'the psycho-social crisis'), tend to conflate the factor of malnourishment from soaring food prices into a broader ensemble; its instrumentality in aggravating rates of morbidity springing from nervous stress and an accentuated vulnerability to heart failure, themselves the indisputable consequences of rising insecurity, crime and economic hardship, are consensually accepted, however.[45]

In late November 1993, *Nezavisimaya gazeta* titled an investigation into Russia's demographics 'Is Russia Dying Out?'. The author(s) of the unattributed article argued that this was happening in a context of "(the) impoverishment of a part of the population, mass incidence of diseases and undernourishment". The rapidly plummeting demographic deficit, marked by falling birth rates, rising mortality rates and declining longevity, more than amply testifies to its relevance as a query.

Between 1988 and 1992, the number of births had declined by nearly 2.5 million compared to the previous five-year period, and in 1992, for the first time since the end of the world war, the number of deaths (1.32 million) outnumbered that of births (1.24 million). This deficit grew from 0.08 million in the first nine months of 1992 to 0.522 million in the same period in 1993.[46] Russia's population stopped growing in late 1991, and has been shrivelling since. For 1993 as a whole, compared with 1992, the natural deficit amounted to 0.8 million (1.4 million births or 14 per cent less than in 1992; 2.2 million deaths, or 20 per cent more than in 1992), but if inward migration from the near abroad is considered, then this would fall to 0.5 million. The birth rate, per one thousand of the population dropped from 10.7 to 9.2, and the death rate rose from 12.2 to 14.6. Longevity had slipped to the same level as in the early to mid-1960s.[47] Given these circumstances, the prolonged but more effective subsidisation of food and health systems are indispensable, if Russian citizens are to find any hope of confronting the rigours of a transition so misleadingly consecrated as reform.

The sweeping recourse to one or another variant of private food production is the

most eloquent testimony to the sense of despair with which most Russians view official initiatives in this sphere. This is at the heart of the decollectivisation of farms, underway since 1990. Subsidiary allotments, market gardens, joint stock farming companies and private farms have yielded steadily rising increments, often fundamentals, of income and food. Many families have, anyway, been constrained to reduce expenditure on finished food products in favour of cheaper ones that can be produced and processed domestically.[48]

Between 1990 and 1993, the share of total agricultural output that originated outside state and collective farms grew from 24 to 36 per cent. Disquietingly, this growth failed to counter the declining tendency in overall national agricultural output. The variety of producing units that characterise individualised agriculture are not conspicuous grain producers yet. Their output consists, in the main, of vegetables, fruits and dairy products that aid in diversifying and enriching a diet still dominated by carbohydrates.[49] The shift toward independent farming by Russian families is in striking contrast to the efforts of their country in that direction, for it is grounded in levels of productivity and in balance sheets that are more likely to remain positive than the national bill.

The criticality of improved agricultural performance, as the motor for economic recovery in the Russian economy as a whole, has been a central strand of argument in this essay. Food shortages are relative, stemming from high prices rather than absolute availability. Higher levels of productivity at less cost and accompanied by better land use; raising domestically utilisable grain by preventing harvest losses; and, raising the quantum of agricultural investment could have a cumulatively marked effect on reducing them. The determination of wholesale agricultural produce prices must be done with an eye to their impact on retail prices if the negative income-distributory effects of Russian inflation are to be reversed.

The most persistent images to come out of Russia in the last two years have been of a population struggling to survive against the vagaries of reform, the ubiquity of crime, the lack of policy and activity that has addressed social impoverishment—and a seemingly irreversile regime of shortages, most pervasively of food.

Notes

[I am grateful to Ajit Ghosh for the incisive manner in which he smoothed out several logical wrinkles in my arguments; needless to add, the responsibility for the conclusions remains solely mine. I would also like to express thanks to the library staff in my own institution, The Indira Gandhi National Centre for the Arts, as well as in The Russian Centre of Science and Culture and The Institute for Defence Studies and Analyses, for help in locating relevant research literature.]

1 Goskomstat Rossii, 'O sotsial' no—ekonomicheskom polozhenii Rossii v 1993 godu'. *Ekonomika i zhizn*, No 6 (8491) February, 1994, 8.

2 Final assessments of the rates of decline in 1993 against 1992 amounted to 12 per cent for GNP, 16 per cent for industrial output, 12 per cent for oil, and 10 per cent for coal production. See *Summary of World Broadcasts. Part I. Former USSR Third Series* (hereafter *SWB, III*), SU/1931, C/2 [6], February 25, 1994; *Foreign Broadcast Information Service. Daily Report. Central Eurasia* (hereafter *FBIS-SOV*), 94-007, January 11, 1994, 36. The first estimate concerning the decline in gross agricultural output cited was offered by Roskomstat. Experts at SovEkon suggested that the second figure would be more appropriate in a calculus that took proper stock of underestimated rates of inflation, particularly in 1990 and 1991. Understating the rates in these years has been a feature of numerous other assessments of Russian economic performance after 1992. *Finansovye izvestiya*, No 4 (65), February 3-9, 1994, v.

3 *SWB, III*, SUW/0317, WC/3 [12], January 28, 1994.

4 The measures of decline were 89, 90 and 71 per cent, respectively. See the article by Vladimir Scherbak, a deputy minister responsible for the agro-industrial complex (APK), *Rossiiskie vesti*, No 4 (428), January 6, 1994, 3.

5 *Ekonomika i zhizn*, No 6 (8491), February, 1994, 8.

6 *FBIS-SOV*-93-109, June 9, 1993, 50; *Izvestiya*, December 2, 1993, 5. The final estimate for the decline in dairy products through 1993, against 1992, found that meat had fallen by 14 per cent and milk by 17 per cent. See *FBIS-SOV*-94-007, January 11, 1994, 36.

7 These predictions of the size of the 1993 grain harvest were published in *SWB, III*, SU/WO283, A/7 [59], May 28, 1993; *Radio Free Europe/Radio Liberty News Briefs* (hereafter, RFE/RL NB), April 13-16, 1993, 3, supplement to *Radio Free Europe/Radio Liberty Research Report* (hereafter *RFE/RL RR*), Vol 2, No 17, 1993; *SWB III*, SU/WO293, A/12 [89], August 6, 1993; RFE/RL NB, June 28-July 6, 1993, 5, supplement to RFE/RL RR, Vol 2, No 28, 1993; and, ibid, July 19-23, 1993, 5-6, supplement to RFE/RL RR, Vol 2, No 31, 1993.

8 See Finansovye izvestiya, No 4 (65), February 3-9, 1994, v. In an interview in August to a correspondent from ITAR-TASS, Andrei Sizov, the director-general of SovEkon, had estimated a net grain harvest in 1993 of 106 to 108 million metric tons, but said it could easily be less. Rossiiskie vesti, No 174 (343), September 4, 1993, 3.

9 *Ekonomika i zhizn*, No 17, May 1993, 10, No 6 (8491), February 1994, 7; *SWB, III*, SU/1692, C1/10 [1], May 19, 1993; *Rossiiskie vesti*, No 148 (317), August 4, 1993, table on p 5; No 174 (343), September 4, 1993, 3; *SWB, III*, SU/1632, C3/2, March 9, 1993.

10 *FBIS-SOV*-93-190, October 4, 1993, 16; *SWB, III*, SUW/0302, WC/2 [5], October 8, 1993; *FBIS-SOV*-93-196, October 13, 1993, 71.

11 SWB, III, SU/0279, A/3 [10] April 30, 1993; *Finansovye izvestiya*, February 3-9, 1994, v. For slightly different proportions of procurement to harvest in 1991 (25 per cent) and in 1992 (22 per cent), see *Food and Agriculture Policy Reforms in the Former USSR. An Agenda for the Transition*, The World Bank, Washington, DC, 1992, Table 4 11, 191 Of the 28 million tons of grain procured by Roskhleboprodukt, 14 went into the Federal Fund and 12 into the regional funds. *Pravda*, November 16, 1993, 2; *FBIS-SOV*-93-220, November 17, 1993, 56.

12 *Ekonomika i zhizn* No 6 (8491) February 1994, 8.

13 *Delovoi Mir/Business World*, Vol 2, No 32 (77), September 6, 1993, 10; *Rossiiskie vesti*, No 174 (313), September 4, 1993, 3; *Izvestiya*, December 22, 1993, 4.

14 Karen M Brooks, 'Soviet Agriculture's Halting Reform', *Problems of Communism*, March-April 1990, 30.

15 *Ekonomika i zhizn*, No 6 (8491), February 1994, 8.

16 Stefan Zhurek, 'Commodity Exchanges in Russia: Success or Failure?', *RFE/RL RR*, Vol 2, No 6, February 5, 1993, 42-44; Dana L DrDrutch, 'Russian Commodity Markets Still in their Infancy', *RFE/RL RR*, Vol 2, No 29, July 16, 1993, 30; *Izvestiya*, December 22, 1993, 4.

17 Clause 11 of Decree No 1767 of October 27, 1993. For the complete text of the decree, see *FBIS-SOV*-93-208, October 29, 1993, 17-19; *SWB, III*, SU/1832, C/1 [1], October 29, 1993.

18 For the complete text of this decree, number 2280 of December 24, 1993, see *Ekonomika i zhizn*, No 4 (8489), January 1994, 5; for details on obstructions in the inter-regional grain trade, see *Izvestiya*, December 22, 1993, 4.

19 Anders Aslund, 'The Gradual Nature of Economic Change in Russia' in Anders Aslund and Richard Layard (eds), *Changing the Economic System in Russia*, Pinter Publishers, London, 1993, 21; Sergei A Vasiliev, 'Economic Reform in Russia: Social, Political, and Institutional Aspects', ibid, 84; Zhurek, *RFE/RLRR*, 2:6, February 5, 1993, 44.

20 *FBIS-SOV*-93-037, February 26, 1993, 22; *SWB, III*, SU/1632, C3/2 [3], March 9, 1993. See also *SWB, III*, SU/W0277, A/9 [58], April 16, 1993 for a new agreement in April on the starting prices for the 1993 harvest, of R 30 a kilogram, with the maximum price for top-quality wheat being R 51. On February 15, Leonid Cheshinskii, the head of Roskhleboprodukt, announced that his organisation would buy grain at an average price of R 30 (bread quality wheat prices would be much higher), but the Russian State Committee for Prices (*GosKomTsen*) refused to accept this and suggested R 26 instead See *SWB, III*, SU/WO269, A/8 [53].

February 19 1993 ibid SU/W0270, A/8 [64], February 26, 1993

21 *SWB, III*, SU/0280 A/7 [54] May 7 1993

22 *FBIS-SOV*-93 125 July 1 1993 43

23 *FBIS-SOV*-93 170, September 3, 1993 26 Ibid, August 2 1993 30 *Rossiiskie vesti* No 174 (343), September 4 1993 3 In an interview to Anatoliy Diordienko Cheshinskii spelt out the disparity between available and required funds at the disposal of Roskhleboprodukt See *Rossiiskie vesti*, No 163 (332), August 25, 1993 3, *SWB, III*, SU/W0294, A/8 [62], August 13, 1993 *Delovoi Mir/Business World* Vol 2 No 32 (77) September 6, 1993 10

24 *Izvestiya*, September 16 1993, 2, *FBIS SOV* 93-179, September 17 1993 33 34, *FBIS SOV*-93-186, September 28 1993 23

25 This was the essence of the argument advanced by Cheshinsky who went on to say that agricultural producers preferred to forgo benefits from rising grain prices by postponing sales, and were more inclined to combat industrial price inflation by acquiring cash from the sale of their produce See the interview to Anatoliy Diordienko *Rossiiskie vesti*, No 163 (332) August 25, 1993, 3 See also *Pravda* November 16 1993, 2, *SWB III* SU/W0295 A/12 [93] August 20 1993 In any case according to deputy minister for agriculture Vladimir Scherbak about 30 per cent of agricultural produce was lost between farm and retail outlet *FBIS SOV* 93 245 December 23 1993, 48

26 *Finansovye izvestiya* No 4 (65) February 3-9, 1994, v In Khlystun's estimate of the R 2 trillion debt owed to rural producers R 600 billion comprised the debt owed by consumers for subsidised agricultural products supplied to them, and R 800 billion represented budgetary support that had not been received by these producers See *SWB III* SU/1894 C/1 [1], January 13 1994 ibid SUW/0317 WC/3 [13], January 28 1994

27 *Finansovye izvestiya*, No 4 (65) February 3-9, 1994, v, *Financial Times* March 10 1994, 1 In January the relevant Russian officials estimated wheat and animal feed import requirements at 12 million metric tons in 1994, ibid 1

28 Andrei Illarionov estimated that Russia would spend $ 22 billion (14 6 bn pounds) on its attempts to reach self sufficiency in food, an amount that was 10 times more than it spent on food imports in 1992 The accuracy of this estimate is flawed by its being based on current exchange rates and so not deflated for the devaluation of the ruble to the dollar See *Financial Times* February 4 1994, 3

29 *Ekonomika i zhizn*, No 6 (8491) February 1994, 8, *Finansovye izvestiya* No 4 (65) February 3-9, 1994, v

30 Stephen Sestanovich, 'Russia Turns the Corner', *Foreign Affairs*, Vol 73 No 1 January February 1994, 92

31 This is the target rate that both Yeltsin and the IMF want Russia to achieve, and that the latter has made one of the pre conditions for releasing a further tranche of aid worth $ 1 5 billion But Chernomyrdin declared that he would be content if it fell to between 7 and 9 per cent a month *Financial Times* March 5 6 1994 2

32 In an interview in January, Chernomyrdin said that the government's priorities were equally divided between combating inflation and presenting a catastrophic decline in production See *Ekonomika i zhizn* No 4 (8489), January 1994, 1 He reiterated this in March when he succinctly summed up the dilemma facing his government, saying that it would have to tread on a razor's edge' between rising inflation and falling production Gaidar said that "there is no such dilemma Economic decline is by and large caused by our failure to adhere to tough monetary policies ' *Financial Times* March 5 6, 1994, 2

33 To instantiate coal miners have staged strikes in Vorkuta and the Kuzbass, in the latter region, miners were promised 1 5 trillion rubles in back wages Oil workers in the Siberian Tiumen claim salary arrears amounting to an average of 5,00,000 rubles a month for three months *Financial Times*, February 17, 1994, 2

34 On January 22, 1994, the Russian government decided to double the amount of money it would ask the Central Bank to print in the first three months of the year, from seven to 15 trillion rubles to bridge the budget deficit This was decided before the draft budget was presented to the cabinet (February 7) It might be coincidental that the inter enterprise debt then amounted to about 15 trillion rubles *Financial Times*, January 24, 1994 1 February 4 1994, 3, February 5 6, 1994, 2

35 In an interview in January Chernomyrdin hinted that cutting the rate of inflation was almost predicated upon the government not repaying its most burning debts' to defence enterprises, the far north, the agro industrial complex and back pay to budget financed enterprises *Ekonomika i zhizn*, No 4 (8489), January 1994 1

36 *SWB III*, SU/1915, C/4 [5] (a) (b), February 7, 1994, *SWB III* SU/1931, C/2 [6], February 25, 1994 See also *Financial Times*, March 5 6, 1994 2 It does appear that both the cabinet and the ministries of economics and finance have recently confirmed that these subsidies will be trimmed, but to an extent not yet known

37 Retail trade turnover in the private sector jumped to 71 per cent of the total in 1993 from 62 in 1991, within this, consumer purchases of non food items apparently grew faster from private outlets than did food purchases, but these too rose markedly *Ekonomika i zhizn*, No 6 (8491), February 8, 1994

38 Ibid 9

39 This was the proportion reported in the annual report on the Russian economy by the State Statistical Committee See *Ekonomika i zhizn* No 6 (8491), February 1994, 9 It might have understated the case by using an estimated survival minimum income higher than that used by the ministry of labour At the end of 1993, the ministry of labour discovered that about 49 million people, or one in every three Russians, fell into this category See *SWB III*, SUW/0314, WA/6 [7], January 7 1994 This was confirmed in another annual assessment of the economy See SWB, III, SU/1931, C/2 [6], February 25 1994

40 By December 1993, the incomes of the richest 10 per cent of Russians exceeded that of the poorest by 1,100 per cent, a marked deterioration since December 1992 (750-800 per cent) as well as December 1991 (450 per cent) *Ekonomika i zhizn*, No 6 (8491), February 1994, 9

41 Pavel Bunich, among the leading Russian economic analysts singled out these aspects of industrial collapse in a recent interview See *FBIS SOV*-94-007, January 11, 1994, 36

42 *Ekonomika i zhizn*, No 6 (8491), February 1994 9 These are national averages that need to be tempered with the observation that unemployment is more than twice as bad in republics like Mariy-El, Dagestan, Chuvashiia, Adygeia or Mordovia, and oblasts like Pskov Iaroslavl or Ivanov The RF ministry of labour released its end year findings on unemployment in February 1994 See *SWB, III*, SU/1915, C/2 [3], February 7, 1994

43 *Finansovye izvestiya*, No 4 (65), February 3 9, 1994, 1 For illuminating, if arguable, details about present and future levels of Russian unemployment, see the report by Francis Williams on a study of this phenomenon in 348 enterprises conducted by a team from the International Labour Organisation, *Financial Times*, February 8, 1994, 3

44 See the interview with M Bogarev in *Argumenty i Fakty*, No 4 (693), January 1994, 5, *SWB, III*, SU/1779, C2/2 [8], August 28, 1993

45 In its section on demographics, the official economic survey for 1993 reported that 3,48,000 Russians had died during 1993 from 'trauma-related causes', and this was 1 4 times greater than the number the previous year *Ekonomika i zhizn*, No 6, (8491), February 1994, 9

46 'Rossii vyimiraet?', *Nezavisimaya gazeta*, No 225 (649), November 24, 1993, 1

47 *Ekonomika i zhizn*, No 6 (8491), February 1994, 9 For details in English, see an article by John Lloyd entitled 'Russia Faces Population Crisis as Death Rates Soar', based on information presented by Natalia Rimashevskaia, the head of The Institute of Socio-Economic Studies of the Population, Moscow, to The Harriman Institute, New York, *Financial Times*, February 14, 1993, 1 For the comment in the text above by Judith Shapiro, see the same article The life expectancy of males born in 1993 is just 59 years (Lee Hockstader, 'Death and Disease Rates Soar in Russia', *Guardian Weekly*, Vol 150, No 11, March 13, 1994, 18)

48 I have attempted to probe the origins, nature and dynamic of individualised agriculture in Russia in an article that will appear this summer in a special issue of the India International Centre Quarterly, devoted to contemporary Russia, with M K Palat as the guest editor

49 For the shares and trends in the production of vegetables and dairy products in the private sector through 1993, of about three-quarters and one-third of respectively, see *Ekonomika i zhizn*, No 6 (8491), February 1994, 8, Ibid, No 49 (8482), December 1993, 24 (interview with Zaveryukha), *Finansovye izvestiya*, No 4 (65), February 3-9, 1994, v

'If this is Tuesday... it must be Social Roles'

Sociology and Challenge of Gender Studies

Sharmila Rege

THE discussion that has followed Veena Das's analysis of the 'Crisis in Sociology in India' [Giri 1993, Murthy 1993, Deshpande 1994] encourages me to react and comment on the state of the art in Maharashtra. I see this comment as a step in collecting data from different regions and towards forming a base for what G B Venkatesha Murthy has called reorientation workshops [Murthy 1993]. These will have to be different from the 'refresher' courses and will have to be consciously guided towards building a community of discourse [Giri 1993]. To avoid centralisation and metropolitanism in building such communities of discourse, a series of local and regional level deliberations would be necessary as a preliminary step. Such a strategy has been adopted by the all-India network of women's organisations and has led to more participatory and democratic proceedings at the national conferences. Satish Deshpande has aptly expressed our 'collective ineffectiveness' and most of us would agree with him that 'brilliance' or 'innovation' is collectively and institutionally reproduced [Deshpande 1994]. The preconditions of innovation require a further analysis of the state of our syllabi, our pedagogical practices and our responses to challenges from within and outside the academia.

Sociology at the 'general' and 'special' levels is offered in 19 colleges in Bombay university, 10 in Pune and 62 in Marathwada [Dhanagare 1993]. D N Dhanagare has shown how student enrolment drops at the level of specialisation in sociology [Dhanagare 1993]. Discussions with students reveal that on the college campus sociology majors are perceived as inferior students. Many of those who opt for sociology as major reveal that it is a soft choice. ("Syllabi are general, marriage, family and all that sort, and do not require rigorous study as in economics or practical lab-work as in psychology.") For some sociology was preparing ground for the civil services or a Master's degree in social work. The few who had made a 'conscious choice' in opting for sociology complained of thinly constructed courses which they argued were weak—both on intellectual achievement and critical reasoning. For students coming from the mofussil areas, majoring in sociology widens their chances of acquiring a clock-hour basis lectureship in non-grant colleges which have been mushrooming in Maharashtra. Most students confessed that they did not put in any extra reading at the MA level and could manage easily with their 'BA notes'. Those who did put in extra reading were troubled about the lack of links in the syllabi between history, theory, contemporary issues and their personal lives.

A review of the syllabi of Nagpur, Bombay, Marathwada and Kolhapur universities reveals that in all these universities there is a course on concepts (usually covering structure, society, culture, stratification, deviance, social control, etc); one on 'Indian Society' or 'Indian Social Problems' (usually covering joint family, caste, social reform, with some units on 'Muslim and Hindu view of life') and compulsory courses on Sociological Thought and Research Methodology. Most courses give a reading list of prescribed textbooks dated between 1950s and 1970s. There is a dearth of reading material in Marathi and what one often has are translations of a mix of the mass-marketed American textbooks. These mass-marketed American textbooks attempt to cover an array of topics with concepts, statistics, graphs and attractive photographs drawn largely from white, middle class American contexts with 'conscious attempts' to 'include' blacks and natives at places. [See, for example, the very popular Broom and Selznick 1955.] When basic sociological concepts are read from these texts, they emerge not as expressions and critiques of lived situations but as abstractions which become even more abstract when supported by illustrations that are remote from lived contexts. It is no surprise then that most of us who crammed MacIver and Page's definitions of 'marriage' and 'family' and supplemented them with a 'Hindu view' and 'Muslim view' never really thought of these institutions as sites of contestations and struggles. Compulsions of brahmanical patriarchy become naturalised within these course structures and this is only one example of such naturalisation. The point I am making is that there are hardly any interlinkages made between the basic concepts and the trajectories of their development in sociological thought and their utility or otherwise in our lived contexts. The different courses offered at both the degree and post-graduate levels would therefore appear as disjunct circles if represented in a venn diagram. In the absence of courses on social history of the region and social thought in India, all that we are left with are half-hearted pleas for indigenising theory. It is not very shocking then that in the midst of the violence that followed the 'Naamantar issue' of the Dr Babasaheb Ambedkar Marathwada University, many students shrugged their shoulders and flippantly commented that much more noise has been made about a name and 'a rose by any name .. etc'. Such comments pose the challenge of 'Sociology for what and whom'?

One such challenge to the social sciences comes from Women's Studies. Women's Studies initiates a critical dialogue, a dialogue arising out of the realisation that one is at once immersed in and alienated from one's discipline. As Marcia Westkott comments, "The personal struggle of being both an insider and outsider is not only a source of knowledge and insight but also a sense of self-criticism" [Westkott 1988]. Feminist debates in sociology have been mainly directed at issues of content and method. In calling attention to women's invisibility and rejection of the notion of women's natural inferiority, the assumption that self and society are mutually reflective and supportive was questioned. From these criticisms of content were derived feminist criticisms of sociological methods, feminist methodologies in sociology addressed themselves to consciousness-raising through research, challenging the dichotomy of subject and object of research and the complex questions of power in writing and research [Reinharz, Wright, Bombyle 1983]. Indian feminists have been struggling against the parasitism of academic agenda to the first world [Uberoi 1993]. Use of such methodologies in the Indian context requires shift from 'woman's standpoint' to a standpoint that bears in mind the complex collusions and contestations between castes, class, gender and communities.

The UGC responded to these challenges by granting 22 Women's Studies Centres to different universities. In the usual style, evaluation committees were set up and the centres graded, the metropolitanism being apparent in this grading. Located in one such Women's Studies Centre which is a part of the Department of Sociology, I would like to highlight the critical impulses and self-reflexivity that the 'gender challenge' could offer to sociology in India. However, universities have answered the challenge by formulating 'optional' courses on 'Women and Society' (only offered in Pune University and Goa in the western region) and letting the 'mainstream', 'foundational' courses go unchallenged. Though a few sociologists viewed this challenge as having critical and emancipatory potential, by and large this challenge got translated into 'pub-

lishing gender' (series of books on 'Women and ' came up, lacking in critical reflections) or into a strong opposition and defensive stance ('do you mean to say participatory research was not undertaken by any sociologist?', etc) The All India Sociological Conference' 1993 had a panel on 'Gender and Society' Barring a few papers most focused on 'Status of Women' or reiterated the existence of patriarchy (Abstracts, Panel IV), thereby ignoring both the theoretical and methodological challenges posed to sociology In fact in her theme paper, Sujata Patel points out the importance of gender sensitivity in the studies on caste and kinship and comments that sociology in India has not integrated these critical issues in its discourse in a cognitive manner [Patel 1993]

"If this is Tuesday, it must be Social Roles" [Baker and Rau 1990] This statement aptly describes the state of pedagogy in sociology Rethinking of these practices is one of the major challenges posed by feminist pedagogies Feminist pedagogies legitimise personal experience recognise that both teachers and students bring texts of their own to the classroom and that 'common vocabularies are not given and need to be developed This is not an easy experience as this pushes us from positions of authority into vulnerability but it is healing as it infringes emotionality into intellectuality Self reflexivity and critical impulses cannot seep down from above, they have to be rooted in conscious praxis in the classroom

[My sincere thanks to D N Dhanagare for sharing with me the findings of the Status Report of the western region on Sociology Teaching and Research in Universities 1993]

References

Abstracts of the papers presented in Panel IV at the All India Sociological Conference Mangalore December 29 31 1993

Baker P and N Rau (1990) The Cultural Contradictions of Teaching Sociology in H Gans (ed), *Sociology in America* Sage New Delhi

Bombyte, M S Reinharz and J Wright (1983) *Methodological Issues in Feminist Research A Bibliography of Literature in Women's Studies, Sociology and Psychology* Women's Studies International Vol 6

Das, V (1993) Sociological Research in India The State of Crisis *Economic and Political Weekly* Vol XXVIII No 23 June 5 pp 1159-61

Deshpande S (1994) Crisis in Sociology A Tired Discipline? *Economic and Political Weekly* Vol XXIX No 10 March 5 pp 575 76

Dhanagare D (1993) *Sociology Teaching and Research in Universities in Maharashtra and Goa* (A Regional Profile Status Report submitted to University Grants Commission)

Giri, A (1993) 'Creating a Community of Discourse in Sociology in India *Economic and Political Weekly*, Vol XXVIII Nos 29 and 30 July 17 24 pp 1538 39

Murthy G B V (1993) Crisis in Sociological Research *Economic and Political Weekly* Vol XXVIII, No 45 November 6 p 2484

Patel S (1993) Gender and Society paper presented at All India Sociological Conference Mangalore

Uberoi P (1993) Reciprocity in Social Science Gender Issues' *Indian Journal of Social Science* Vol 6 No 3 July September pp 243-59

Westkott M (1988) Women's Studies as a Strategy for Change Between Criticism and Vision in G Bowles and R Klein (eds) *Theories of Women's Studies* Routledge and Kegan Paul Boston

A Sceptical Note on 'Secularism'

Arup Kumar Sen

THE philosophy of secularism is organically linked with the discourse of modernisation So it is quite natural that the 'modern elites of post-colonial India preached secularism in their respective domains as a civilising mission On the other hand the Indian state embarked on a process of nation building that did not take into account the mentalities and aspirations of the masses This elite mass cleavage has been successfully appropriated by the proponents of Hindu nationalism in recent years to get a foothold in Indian politics The present crisis of the Indian state calls in question the vague and pragmatic notion of secularism which it used as a hegemonic concept in the management of the polity Rethinking the concept of secularism on the part of the Indian intellectuals is an attempt to grapple with the present crisis in the theoretical domain Very recently, one scholar has given the call to integrate the 'question of faith' in the discourse of secularism so that it can capture the minds of the people [1]

In his discourse on secularism (*EPW* March 5), Andre Beteille has made a distinction between normative and empirical questions And he has defended secularism from a normative standpoint The Indian university has also been empirically defended in his discourse as a secular institution But the problem with this secular institution is that it does not have any dialogue with Islamic educational institutions Muslim youth educated in the reputed Indian *madrasas* often go to west Asian Islamic universities to obtain an MA in Islamics But they are not generally regarded as 'degree holders' in India These 'MAs' cannot get registration as PhD candidates except at the Aligarh Muslim University [2] According to Beteille, the presence of the Aligarh Muslim University and the Benares Hindu University might appear somewhat anomalous in contemporary India" But it should be kept in mind in this context that without the presence of the Aligarh Muslim University many Muslim youth in India would have been deprived of the present privilege of higher studies in Islamics One can question the relevance of studying Islamics in contemporary India from a 'secular' standpoint What subject will get priority in the field of higher education is a question of state patronage My point is that the opinions of Muslim intellectuals should be taken into consideration in the education policy of the state in order to ensure a secular management of our polity

In his normative defence of secularism, Beteille as a sociologist, argues that "there exists a close affinity between secularism as a general orientation to the world and sociology as an intellectual discipline" In this context, he laments that "our two leading sociologists have recently expressed themselves either negatively or in sceptical terms about secularism But it is quite logical if one doubts the efficacy of a western category of knowledge in explaining the dynamics of Indian society I would like to mention here that the word secularism' has been translated in Urdu, the *lingua franca* of Indian Muslims, in a derogatory sense as irreligion [3] It is quite impossible to integrate the question of Muslim faith in the concept of secularism

The rise of the BJP and other aggressive anti Muslim forces in Indian politics poses a direct threat to the survival of Indian Muslims But the 'secular' rule of the Congress Party did not ensure security to the Muslims in their everyday life The following episode gives an idea of the nature of suspicion that gripped the minds of the Muslims about the intentions of the Congress Party in the mid-70s The number of pilgrims at the *urs* festival in the holy city of Ajmer came down from 3,00,000 to 1,00,000 during 1975-76 One reason for such low attendance in 1976 was "a general fear among Muslims in India that they were subject to victimisation in the sterilisation campaign during the political emergency" [4] Such deep-rooted suspicion in the popular Muslim mind about 'secular' state politics in India should be kept in mind before offering a normative defence of the philosophy of secularism

Notes

1 Rustom Bharucha *The Question of Faith* (Orient Longman New Delhi 1993)

2 Mushir Ul Haq, *Islam in Secular India* (Simla, 1972) pp 32 33

3 Ibid p 2

4 P M Currie, *The Shrine and Cult of Mu' in al din Chishti of Ajmer* (Oxford University Press Delhi 1992), pp 118-19

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013
Published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038.

Three generations of small savers. There's one thing they all trust–Units.

Even people generations apart think the same way when it comes to Units. Because Units help make their dreams come true.

Whether it's a young man saving for a house of his own. Or an older man looking forward to a comfortable retirement. Or a little girl dreaming of becoming a doctor some day.

Unit Trust has schemes to meet every need. Whether the need is for high growth or liquidity. Whether it's tax benefits or good returns coupled with insurance cover.

People know that with Unit Trust, they can get what they want. That is why the number of Unit holders is going up so spectacularly. To over 33 million today. Most of these people are small savers. They come from every part of the country. They come from every walk of life. They have different needs, different dreams.

But they share the same abiding confidence in Unit Trust. Living up to this confidence is what keeps us going. And growing.

UNIT TRUST OF INDIA

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs. 12.00 Vol XXIX No 20 May 14, 1994

TRIPLE TALAQ JUDGMENT: DO WOMEN REALLY BENEFIT?

CHALLENGES TO PUBLIC HEALTH SYSTEMS

SOCIAL COST-BENEFIT ANALYSIS OF INVESTMENT IN IRRIGATION

DESIGNING WOOD-FIRED COOKING STOVES: WHERE IS THE WOMAN?

CULTURAL AND POLITICAL AUTONOMY IN INDIAN SOCIETY

SOCIAL INDICATORS OF DEVELOPMENT FOR INDIA: SPECIAL STATISTICS

IISCO PRIVATISATION: THE REAL ISSUE

INTERNATIONAL TRADE AND AGRICULTURAL SECTOR IN INDIA

Profit making.
Dividend paying.
Liberal bonus.

Public Issue of 16,66,000 Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share Aggregating Rs. 666.40 Lakhs

HIGHLIGHTS

* An existing Profit making dividend paying Company * Liberal Bonus Issues Three Bonus issues in the last ten years The original paid-up capital (in cash) was Rs. 25 Lakhs and the Company has 19 Shareholders * Expansion Scheme already operational No gestation period * Increased thrust in the export market FOB value of Export during 88-89 & 89-90 is Nil and during 1990-91 1991 92 and 1992-93 is Rs 67 88 Lakhs Rs 146 34 Lakhs and Rs 285 82 Lakhs Respectively * Promoters are in the field of Taxtiles since two decades * Consistent high capacity utilisation over 95% in the last 5 years * The spinning unit project is appraised by IFCI but with no financial participation by IFCI The Hotel Project in which investment will be made is appraised by TFCI with financial participation by TFCI & IFCI * Tax benefits under section 80HHC 80L 80M of the Income tax Act 1961 & Wealth Tax benefits * Easy liquidity Listing at Madras Bombay and Ahmedabad Stock Exchanges

NOTE Issue price as computed under the formula of erstwhile CCI at 12% capitalisation rate is Rs 31 04 * Investors may note in case of oversubscription the allotment shall be on a proportionate basis and a SEBI nominated public representative shall be associated in the process of finalisation of basis of allotment *

RISK FACTORS

EXTERNAL

* Major Raw Material being Cotton and Polyester Staple Fibre and Viscose Staple Fibre the price and availability thereof are subject to fluctuations

INTERNAL

The company anticipates good orders and no market survey has been conducted to support the claim * There is disputed income tax liability of Rs 82 10 Lakhs for which no provision has been made in the accounts * The Company executed two Guarantees one in favour of Andhra Pradesh Industrial Development Corporation Limited for a sum of Rs 90 Lakhs for the Term Loan sanctioned by A P I D C to S L S Textiles Limited and another for Rs 590 Lakhs in favour of TFCI & IFCI for the Term Loan sanctioned by them to Sri Tripurasundari Hotels Limited * Regular Production in Unit II at Pallikonda was scheduled to start in July 1993 as per IFCI appraisal report and the same is rescheduled to July 1994

MANAGEMENT'S PERCEPTION OF THE RISK FACTORS

— The Management has two decades experience in the field of Textiles which enables it to take strategic decisions with regard to purchase of Cotton, Polyester Staple Fibre and Viscose Staple Fibre

— As the management has more than two and half decades of experience in the textile field and as there is good demand for yarn both in the domestic and global market, the company does not anticipate any problem in marketing and shortage in demand.

— If any demand arises out of the disputed income tax liability the company will be able to pay the same out of its accruals.

— As the term loan for which the company has given corporate guarantee to the term lending institution is repaid as per schedule by the borrower company no liability on this account is likely to arise.

Note: The investors are advised to refer to the para on justification of premium before making an investment in this issue.

If the Company does not receive the minimum subscription of [illegible] of the issue including devolvement of underwriters within [illegible] days from the date of closure of the issue the Company shall forthwith refund the entire subscription amount received. For delay beyond [illegible] days if any in refund of such subscription the Company shall pay interest as per Section 73 of the Companies Act [illegible]

LEAD MANAGERS TO THE ISSUE

INDUSTRIAL FINANCE CORPORATION OF INDIA LTD. Merchant Banking Division, 142, Nungambakkam High Road Madras-600 034

INDIAN OVERSEAS BANK Merchant Banking Division, 762, Anna Salai Madras-600 002

REGISTRARS TO THE ISSUE

CAMEO SHARE REGISTRY PVT LTD. No. 1 Club House Road, Madras-600 002 Telegram Address 'Cameo' Fax [illegible]

SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

17 Krishnama Road, Nungambakkam, Madras 600 034
Telegram Address 'Yarntex' Fax 8260950

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol XXIX No 20 May 14, 1994

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Eeconweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 867 3038/3041
Director
S L Shetty

Trade Liberalisation and Indian Agriculture

The process of macro economic stabilisation combined with fiscal adjustment and structural reform will have a significant impact on Indian agriculture particularly insofar as it moves domestic prices of inputs and outputs closer to world prices. At the same time, the conclusion of the Uruguay Round of multilateral trade negotiations will inevitably change the structure of relative prices for agricultural commodities in the world economy. Taken together, these developments have serious implications for India, not just in the agricultural sector but in the economy as a whole. Despite the importance of the issue, it has received little attention from scholars and policy makers. 1187

Double Burden

Health systems in developing countries have come under increasing strain in recent years. While much of their 'old burden' of ill health resulting from communicable diseases and under nutrition still remains, 'development' has generated new health problems related to increasing environmental degradation, ageing of the population and dietary excesses and errors associated with relative affluence. 1204

Not Pro-Women

The Allahabad High Court judgment on talaq has created the erroneous impression that it safeguards the rights of Muslim women. In fact, the judgment weakens their position by validating the discriminatory aspects of the Land Ceiling Act. 1169

Political Issue

The real issue in the privatisation of IISCO is not economic or technical but political and so has to be faced politically as part of our struggle for economic independence against the neo colonial assault in the new unipolar world. 1171

Missing

The government of India as also the state governments have launched programmes for designing improved models of cooking stoves, but why has the acceptance levels of the new stoves been so low and the impact almost negligible? Is it because the critical element—the woman—has been missing in them? 1176

Polarisation

Behind the reactivation of the agricultural workers' struggle for better wages in Bihar is a deepening of the socio political polarisation which is taking place in the state's remote rural hinterlands. 1174

Secularism and Common Man

Secularism may be discussed and argued about by an intellectual minority but the risks and anxieties which confusions about secularism generate profoundly affect the common man. 1224

Police Rule

The growing number of cases of human rights violation by the police being brought to the courts and reported in the press prompted the National Human Rights Commission to visit Punjab and Chandigarh last month, but given the advisory nature of the commission and the unhelpful attitude of the state and central administrations, it may not be able to fulfil the expectations raised by it. 1172

Whole Picture

It is not until income distributional considerations are brought into the picture that the social profitability of an infrastructural public investment project can be fully assessed. 1210

Social Indicators

India is one of the few developing countries which have a fairly extensive statistical base on different social and economic indicators of development. Nevertheless, the task of presenting a consistent picture of the evolving socio economic condition of the Indian population is not an easy one. Special statistics on the social indicators of development. 1227

Enemies Inside

It is wishful thinking to imagine that the goal of cultural and political autonomy in Indian society can be achieved simply by taking a collective decision not to be trapped or lured by western sensibilities and striving for a reconstruction of indigenous or 'authentic' belief systems and values. 1181

LETTERS TO EDITOR

Eradicating Kala Azar and Malaria

ON March 16 and 17 about 50 people from various local groups like the Pradhan Sangh (headmen's organisation) of Maheshpur, voluntary organisations like Navjeevan Seva Mandal, nurses from the Sohorghati and Mariam Pahar dispensaries and doctors from Jaljhari and St Luke's hospital, Hiranpur, gathered at Kodma to discuss the health situation in the district

In 1986 Borio block alone had more cases of kala azar than any district in Bihar. In fact this block had more kala azar cases than any other state in India. The government surgeon had refused to give them DDT to spray in the area saying that he would send his own staff to do the spraying. They never came. Hopna Murmu of Sona Santal Samaj spoke about his group's effort o control kala azar and malaria in four anchayats of Borio block by spraying DDT. They attended the meetings in the zilla arishad office, where the District Development Commission had agreed to provide hem the sprayer, pesticide and money for his work. But later this promise too was roken. Still, as they were given prior otice, organisation members voluntarily ccompanied the government workers and upervised the spraying for two consecu-ve years. But this year the government did ot inform them in advance and work has een incompletely done in the villages that ave been visited so far. Now the govern-ent is asking for bone marrow test, in lace of the aldehyde test that has been used diagnose kala azar for the last eight years. eople are frightened and are not taking the overnment medicines. May be it is being ackmarketed instead. Others pointed out at the bone marrow test was not being one in most blocks

The next day a memorandum was pre-red summing up the discussion of the th and presented to the civil surgeon who as accompanied by the district Kala Azar ontrol Officer and Jawahar Singh from entral government sponsored organisation sponsible for kala azar control in Bihar. e memorandum provoked a heated bate. The government officials protest- that they were forced to work according guidelines that came from above. The al people present expressed their shock t those posted in Sahebganj could still t speak either Malto or Santali (speakers hese two languages comprise as much as per cent of the population in the worst ected block of Litipara) The voluntary anisation staff were frustrated that the ernment co-operation was so poor that trol of malaria and kala azar had become ossible and as a result people were ng without treatment.

inally a three-point Action Programme agreed upon: (1) A diagnostic camp would be held in Litipara. Bone marrow testing would be done and the result supplied the same day. Medicine would also be distributed by evening. If up to 25 per cent of the patients refused the test, they would he clinically examined by a doctor, an aldehyde test would be done and treatment started on this basis Such diagnostic camps could be held anywhere in the district at 24 hours notice. (2) The civil surgeon agreed to provide the DDT spraying schedule. Copies of this could he supplied to the organisations so that they could inform the villages and educate people about the need for spraying and how it should he done. If any village was not covered at the end of the first round of spraying, steps would be taken to punish those responsible for the lapses. (3) The three-year policy on kala azar would be reviewed this year and the following issues would be raised at that time: opposition to the bone marrow test; need to appoint local people for spraying work; and need to supply one sprayer to each village.

PRABIR CHATTERJEE

Kodma, Bihar

Gopalsamy's Politics

K GEETHA RANI's letter on V Gopalsamy (March 26) reads like a public relations handout. And like any public relations handout, it too is premised on a number of falsehoods.

Her claim that Gopalsamy is "above all caste biases" smacks of ignorance at best. Among other things, Gopalsamy's annual pilgrimage to Pansumpon, year after year, to pay homage to late Muthuramalinga Thevar (well known for open hostility to dalits and support to militant Hindu chauvinism) tells its own story. His pilgrimages have no doubt earned him the support of the Thevars. Whether Gopalsamy is above all caste biases can be decided only by those dalits who still cherish the memory of Immanuel who was slaughtered in broad daylight by Muthuramalinga Thevar's henchmen for mobilising the dalits.

Geetha Rani's characterisation of S Thangavelu's current position in Tamil Nadu politics reminds one of patron-client relationships. Of course, Gopalsamy can play the patron: he is after all one of the inheritors of Kalingapatti zamin. But to reduce Thangavelu to a client is hardly a sign of democratic politics In any case, it is a myth to claim that Thangavelu is emerging as a leader of the dalits in the state. His only contribution to the militant dalit politics which is slowly emerging in Tamil Nadu is to keep away from it. The simple fact is that Gopalsamy needs a dalit to whitewash his upper caste politics and has co-opted Thangavelu.

Now to the Kurinchankulam incident in which dalits were brutally killed by naidus. There is nothing to claim that Gopalsamy intervened to defuse the tension, while it is an open fact that his brother Ravichandran represented the naidus in the peace negotiations organised by the district collector.

There can be a hundred and one reasons to be disenchanted with Karunanidhi and his politics, but there is none to be enchanted with Gopalsamy and his politics. What can one expect from Gopalsamy who compares M G Ramachandran with Ajanta paintings and continues to discover gentlemanly traits in Advani?

S MUTHU

Madras

ECONOMIC AND POLITICAL WEEKLY

Place for a Quick Killing

THE reluctance is of an extraordinary genre Try to extract from official sources some hard data on direct foreign investment that has actually taken place in the more recent years The government will hum and haw, and keep referring to the data on projects approved by the Foreign Investment Board A cryptic reply to a parliamentary question has elicited at least some niggardly information between 1991 and March 1994, actual direct foreign investment aggregated around Rs 3,400 crore or just above $ 1 billion On the assumption that, after a slow build-up, the tempo of such capital inflow really picked up in 1993-94, perhaps as much as two-thirds of the estimated investment between 1991 and March 1994 took place in 1993-94 In other words, direct foreign investment in the fiscal year that has just ended was around Rs 2,250 crore, which works out to only one-third of 1 per cent of national income

Overall capital formation in the economy has, on the other hand, declined by something like 3 to 4 per cent since the late 1980s This has happened because of the erosion of domestic savings, and such erosion is causally linked to the principal tenets of the government's New Economic Policy in capital letters The 8 or 10 or 15 per cent of the community who had the capability to save additionally have been offered multiple allurements to go all out for luxury consumption The domestic rate of savings has dropped because it has been the cardinal objective of official measures to ensure its decline The votaries of consumption-led growth know their mind They have dropped the poor and the needy from their agenda If, through some means, a double-digit rate of growth could be sustained year after year in the demand for luxury durables and non-durables, India, they are convinced, would be able to carve out her place among the world's economic high-fliers The rest of the momentum, one needs hardly add, is expected to come from spiralling exports

This particular hypothesis of growth therefore rubs out domestic savings making any substantial additional contribution to capital formation, it simply is not possible for the upper classes to contribute to both consumption and capital formation at the same time The demarcation of responsibility the hypothesis envisages is therefore obvious whatever extra capital formation would be called for over the years to propel and sustain the economy on a high growth path has to come from external sources That is to say, the supply side of the growth function is going to be the responsibility of foreigners

Direct foreign investment at the current rate—the equivalent of only one-third of one per cent of national income—cannot clearly meet the bill The magnitude of non-portfolio capital inflow must soar and soar, reaching the peak of perhaps 5 per cent of national income in the course of the next few years, and must stay put at that level, if not over an infinite time horizon, at least for a couple of decades

Either this is a pipe dream, or it is not In case it is a pipe-dream, the hypothesis on the basis of which our policy-makers have proceeded in recent years would go bust. Were that to happen, the epoch of liberalisation and globalisation would come to an abrupt end For our policy-framers, therefore, it is a matter of life and death that the flow of direct foreign investment is lifted from the present paltry level of around Rs 2,000 crore per annum to the region of Rs 30,000 to Rs 40,000 crore Wishes unfortunately are not horses, nor do gushing figures of approval of foreign investment proposals fructify automatically into actual capital inflows of any sizeable magnitude The prayer to foreign deities such as Standard and Poor to upgrade our credit rating, and pronto, may sound plaintive as well as desperate But there are solid objective reasons for mounting such a prayer

Messrs Yeltsin and company had nurtured hopes about foreign capital inflows to the several republics in which the erstwhile Soviet Union has disintegrated They are now wiser Only fly-by-night operators prefer to invest in territories that have been rendered the happy hunting ground of goons, blackmarketeers and pimps, and the exits of such operators are as fleet footed as their entries The Indian prospects are unlikely to be any better The government in New Delhi may continue to ignore stubbornly the report of the Joint Parliamentary Committee on the Scam, but since information too is now globalised, the gnosis has duly reached foreign shores choose India if you want to make a quick killing, the appurtenances for which will be made available to you in plenty, shun India if you prefer a stable environment for your capital

However morose the story, there is a non-flip side to it Imagine the chaos in monetary management that would have ensued had Rs 40,000 crore of foreign money started flowing into the country each year, the measly flow of direct foreign investment has saved us from that particular predicament Should this sound like sour grapes, so be it

POLITICS

Strategy-Planning Season

IT may not be an entirely irrelevant exercise to try to divine the thrusts and directions of the flurry that marks the Indian political stage at the moment. In the strategy planning season that is on with the rounds of state assembly elections due within the next 12 months and the Lok Sabha polls less than two years away, political parties have all stepped up their reconnoitering activities. This involves not only probing the areas of inter-party relations but also intra-party, even inter-person equations both inside and outside the respective parties. The disorganised and disintegrating situation in which the main centrist formation that is the Janata Dal finds itself today has no doubt opened up a wide range of possibilities for ambitious and wily operators. Leaving aside the secondary question of inter-person liaisons, there are three major areas of exploration engaging the attention of the strategy planners at the moment. First, the position of the BJP and the position of the other formations and forces *vis a vis* the BJP; second, the state of the Janata Dal and the inclinations of its individual ranking leaders; and, third, the consolidation and articulations of the backward dalit combination in different states and regions. These three factors will largely define the parameters of operations of the fragments of the Janta Dal associated with stalwarts like Devi Lal and Chandrashekhar which will in turn affect the final configuration in one way or another. A crystallisation of these processes will in turn determine the orientation of the regional parties like the TDP, Akalis, AGP and even AIADMK/DMK and also their linkages with the national formations, and thereby influence the overall outcome of the people's verdict.

The results of the by-elections for the seven Lok Sabha and 17 assembly seats in 13 states due at the end of May will no doubt reveal the lie of the land and will more purposively reorientate the moves and the counter-moves in the next phase.

The final outcome of this preliminary phase, that is, the eventual line up for the 1996 Lok Sabha polls, will however be fashioned by two basic factors: first, to what extent the BJP and its charismatic leaders are able to derive benefits from the 'synchronisation of opposition' that is objectively taking place *vis a vis* the ruling Congress party, and second, to what extent the present liberalisation and structural reform policies of the union government will adversely affect the broad masses via rising inflation and galloping unemployment.

At the moment, however, Left and progressive forces are not displaying adequate awareness of the steady gain in respectability by the BJP that is resulting from the party's clever exploitation of the clumsy moves of the ruling party in the matter of the Indo-US palavars and the anti-national edge of its current economic policies. The BJP is perhaps drawing some indirect benefits also from the moves by the Left and progressive forces who are engaged more in abstract denunciations of the GATT agreement than in targeting the material impact of these policies of the government on the life and living of the people.

For adequately intervening in the above two processes as also for its intrinsic value, the Left and progressive forces have also to intensify their work for advancing the course of stimulating and articulating the urges of the backward dalit combination, oriented towards a real restructuring of society at the grass roots level.

EMPLOYMENT

Pipe-Dreams and Reality

AMONG the more serious misgivings about the government's economic reform programme is the one relating to its adverse effect on employment. After the initial bravado about bringing the economy back to a path of rapid and sustained growth of output and hence of employment, government spokespersons have been sounding notably defensive. Presenting the 1993-94 budget the finance minister could only claim that "professional prophets of gloom who were predicting millions of people becoming unemployed" had been disproved. Considering that the fears of worsening of unemployment as a result of stabilisation and structural adjustment policies are based on the actual experience of many countries, they call for a more honest and serious response. Yet in his latest budget speech, the finance minister chose to quote the decline of 1.4 per cent in the number of persons on the live registers of employment exchanges between 1992 and November 1993 as evidence of reduction of unemployment, when official agencies concerned with the compilation of employment exchange statistics themselves have repeatedly emphasised their undependability for passing any judgment on the employment situation.

Now we have two official pronouncements which acknowledge the seriousness of the unemployment situation in the country. First, an official of the Planning Commission has estimated that the economic reforms will lead to the loss of 1 million jobs in the industrial sector over the next two to five years. Seventy per cent of the job losses will be in the eastern region comprising West Bengal, eastern UP, Bihar and Orissa, about 50 per cent will be in private sector firms while some 4 to 4.5 lakh will be in the public sector. The other official revelation was by labour minister P A Sangma in the Rajya Sabha. Admitting that the government had not been able to make a dent in the growing unemployment because of the low GDP growth in the Eighth Plan so far, Sangma said that at the end of the Plan there will be as many as 34 million unemployed compared to 23 million at the Plan's beginning. Impliedly total employment generation during the five year period would be 24 million or an annual average of 4.8 million or 1.6 per cent in contrast to the Plan target of 8 to 9 million or 2.6 to 2.8 per cent.

Further, the basis of the Eighth Plan estimates of employment and unemployment is a comprehensive study undertaken by the Planning Commission in May 1990 which had estimated the backlog of unemployment (those unemployed on the 'weekly status basis' and those severely underemployed) at 28 million as on April 1, 1990. The study had projected the rate of increase in the labour force at 2.2 per cent per annum, that is an addition of 37 million during the aborted Eighth Plan period from 1990-91 to 1994-95. The present Eighth Plan which is to run from 1992-93 to 1996-97, assumes labour force growth at about 2 per cent or an addition of 35 million in the five year period. The population census of 1991 has, however, confirmed that the total labour force (main and marginal workers together) grew at 2.4 per cent per annum during the 1980s. The growth is unlikely to be lower in the 1990s. The Eighth Plan figure of an addition of only 35 million to the labour force is thus an under-estimate. The figure should be at least 41 million.

Similarly, the backlog of unemployment at the beginning of the Eighth Plan estimated at 23 million too requires a second look for a variety of reasons. In the first place, the interregnum of two years between the Seventh and Eighth Plans saw severely depressed economic conditions in the country. The *Economic Survey 1993-94* has brought out that in 1991-92 employment growth had been only about 3 million. Even if it is assumed that employment growth in 1990-91 had been 6 million as it was a good agricultural year, the backlog of unemployment at the start of the Eighth Plan should be at least 28 million.

The backlog of 28 million and the addition to the labour force of 41 million suggest that the employment requirement in the Eighth Plan would be as much as 69 million or nearly 70 million. Taking the labour minister's realistic assessment that only some 24 million jobs will be generated in the five-year period, the backlog of unemployment at the end of the Eighth Plan will be not less than 42 million compared to 15 to 18 million as envisaged by the Eighth Plan or even 34 million as projected by the labour ministry.

There is enough corroborative evidence pointing to depressing employment prospects in the country. First, there was a steady

decline in the rate of growth of employment from 2.82 per cent in 1972-73 to 1977-78 to 2.22 per cent in 1977-78 to 1983 and to 1.55 per cent in 1983 to 1987-88. This happened despite the acceleration in the growth of the economy to 5.6 per cent and in industrial growth to about 8.5 per cent in the latter half of the 1980s. While agriculture and the organised sector experienced the sharpest deceleration of growth of employment, the rural non-farm sector, particularly rural manufacturing, and the unorganised sector in the urban areas showed over 4 per cent annual employment growth. A rough exercise based on alternative assumptions regarding (a) growth of employment in the organised and unorganised sectors and in the rural and urban areas, (b) employment elasticity of sectoral GDP growth, and (c) actual sectoral growth of GDP, yields figures of employment growth in the first three years of the Eighth Plan (1992-93 to 1994-95) of not more than 15 million, compared to the target of 24 to 27 million.

Secondly, even taking employment exchange statistics, trends in fresh registrations and number of vacancies notified, which are more reliable indicators than the number of persons on the live registers, show a rise in registrations in April-December 1993 of 10.7 per cent and a decline of 6 per cent in vacancies notified. This is not surprising because government establishments and public sector undertakings have not only not been recruiting fresh workers but have been shedding a part of their existing workforces. For instance, the estimated strength of all central government establishments (excluding non-civil defence) was 41,39,256 as at the end of March 1992 and came down by 4.6 per cent by March this year. Similarly, according to the Bureau of Public Enterprises, total employment in the reporting central PSEs was at a peak at 22.36 lakh in March 1990 and it came down to 21.37 lakh by March 1993. True, according to an answer to a parliamentary question, there was some improvement in employment in the organised public and private sectors—from 187.72 lakh in March 1990 to 192.10 lakh in March 1992 in the public sector and from 75.82 lakh to 78.46 lakh in the private sector. Another answer in parliament indicates that small-scale industries generated employment growth of 7 per cent in two years, from 125.20 lakh in March 1991 to 134.07 lakh in March 1993. However, all these put together do not add up to prospective employment growth of more than 1.6 to 1.7 per cent (5.5 to 6 million) per annum compared to the Eighth Plan target of 2.8 to 2.9 per cent (8 to 9 million) per annum.

Finally, recognising the declining overall employment-elasticity, the Eighth Plan has rightly emphasised the scope for raising employment in the agriculturally underdeveloped regions, in agro-based and allied activities, in rural manufacturing and other non-farm activities in the rural areas and in small-scale and decentralised manufacturing in urban areas. However, the structural adjustment policies seek to shift the relative balance decisively in favour of the organised sector which has recognisedly a lower employment potential. At the same time, the share of public expenditures earmarked for agriculture and the unorganised sector as also for economic and social infrastructure has come down and so the prospects of acceleration of the rate of employment growth in these sectors are dim. The spread of industrial sickness is likely to increase open unemployment in the medium term. The spread effects of expansion of the organised sector on the unorganised sector will depend on whether overall industrial growth can be pushed up to about 8 to 10 per cent—which does not appear to be on the cards, at any rate in the Eighth Plan period.

COMMUNAL RIOTS

Farce of Punishing the Guilty

IF the BJP is guilty of destroying the Babri masjid and unleashing communal riots that killed thousands of Muslims, the Congress(I) is equally culpable for the nefarious plan to kill 3,000 Sikhs in Delhi and elsewhere in October-November 1984. Like the BJP, the guilty Congressmen also have managed to escape scot-free due to a deliberate policy of procrastination and masterly inactivity during the last 10 years

In an effort to curry favour with the Sikhs, the BJP government of Delhi has decided to reopen the cases against the Congress leaders accused of the killing. Senior leaders like H K L Bhagat and Sajjan Kumar as well as some top police officials were named in 21 cases which were recommended for registration by the government-appointed Jain-Aggarwal Committee several years ago. The Congress government at the centre dragged its feet on the recommendations, and its police quite often acted in a desultory manner, like some time ago when it went to arrest Sajjan Kumar, but meekly retreated in the face of protests from a crowd of Congress supporters.

After coming to power, the BJP appointed yet another committee, which again recommended immediate action on the cases earlier mentioned by the Jain-Aggarwal Committee. Following this, the BJP chief minister, Madan Lal Khurana, requested the Lt Governor, P K Dave, to act upon the recommendations. On April 22 Dave directed the home secretary to ensure that the 21 cases were acted upon.

A curious drama then followed. The home secretary disappeared from the scene—supposedly on leave—as a result of which the orders never reached the police. Soon after that, Dave himself was reported to have withdrawn his earlier directive to the home secretary. Chief minister Khurana accused Dave of stalling his own orders under pressure from the central government.

Finally, on May 6, the Delhi police received official orders for registration and investigation of the cases recommended by the Jain-Aggarwal Committee. But while Khurana asserted that the police would register eight cases and conduct investigations into 11 others, the Delhi police till now has acted on five cases only. Police officials claim that they are not aware of any other cases.

The entire drama has all the appearance of a well-orchestrated farce. While the BJP chief minister is spewing fire against the guilty Congressmen, and pleading helplessness in punishing them because of the tardiness of the Congress rulers at the centre, his colleagues in the party and the 'Sangh parivar' are grateful to the same Congress rulers for adopting the same policy of tardiness towards the issue of punishing Hindu communal leaders and the 'kar sevaks' who demolished the Babri masjid. In spite of a legal ban on the VHP, the fanatic 'sadhus' and 'sants' of that organisation are allowed to operate openly and spread communal venom. The Congress rulers have been liberal enough to be equally forgiving towards the killers of Sikhs and the Muslims. The BJP should not have any grouse.

If the accused Congress leaders of the 1984 massacre are at all punished—a remote possibility—they may be prosecuted because of internal squabbles within the Delhi Pradesh Congress Committee. Bitter factional quarrels have erupted between Sajjan Kumar and H K L Bhagat, the two prime accused in the 1984 cases. Who among the guilty of 1984 will be punished may finally depend on who among the Delhi Congress mafia wins the battle for power.

ABORTION

Landmark Law

LAST week the US Senate passed a historic piece of legislation on abortion rights which reverses the trends which had set in during the last many years. It makes illegal protests against abortion clinics and those who conduct abortions. The bill which has already been passed by the House of Representatives now awaits the president's assent.

The bill bans physical obstruction of abortion, with non-violent offenders being fined $10,000 and six months' imprisonment and violent first-time offenders being fine $1,00,000 and one year's imprisonmen This marks emphatic support for abortion a right and is likely to influence opinion t world over. It is also a recognition of t increasing importance of the women movement as a political constituency.

The abortion issue in the US has been the subject of debate for more than a decade. The process of liberalisation began in the 1970s when in the famous Roe vs Wade case the Supreme Court recognised women's right to abortion. But the demand to legalise abortion taken up by a dynamic and growing women's movement was pitted against a church-backed right-wing reaction which was both anti-abortion and anti-contraception. This opposition to abortion became concretised with the reversal of the Roe vs Wade decision in 1989 and many American states passed laws outlawing abortion. These circumstances gave rise to violent reactions to attempts to reopen the debate. The Reagan era with its emphasis on so called family values and its support to Christian orthodoxy spurred the right to life movements who pitted foetal rights against the case for legalising abortion. In states where they were permitted to operate, abortion clinics were attacked and doctors and health workers who performed or assisted in abortions were threatened. In Florida a doctor was murdered by these extremist groups. In all this/the medical profession has taken an ambiguous stand. While it has condemned the criminalisation of abortion, it has taken no clear stand on abortion as a woman's right. In fact, even historically it was the American Medical Association which had in 1859 demanded that the practice of abortion be banned. This has been true of most other medical groups in developed countries (*EPW*, November 27, 1993).

The US movement against abortion has had its repercussions, especially in Latin American countries. For instance, even under the Sandinistas, Nicaragua was unable to come to a clear stand on abortion and in many east European countries the more liberal attitude to abortion has been reversed as part of the resurgence of orthodox Christian values and the backlash against state coercion. Quite clearly, it is only if the right to abortion becomes more than a civil rights issue or a medical issue that it has a chance of being recognised.

The other side of the coin is of course that in many third world countries, India included, abortion has long been legalised without it ever having been a demand of the women's movement. Commentators have noted that abortion services have been seen as part of the family planning programme and lack or failure of contraception is sought to be made up for by making abortion available. This has had the wholehearted support of the international population lobby, especially US-based groups like the Population Council and others who have funded population control programmes in these [illegible]untries. There are two factors which are [illegible]en overlooked: one that repeated abor[illegible]s are detrimental to the health of women [illegible] two, that the experience of all women, irrespective of their marital status and the reasons for seeking abortion, seems to be uniformly humiliating. The dominant attitude appears to be that abortion is morally insupportable. In other words, while there is no widespread open or violent opposition to abortion, in the absence of a progressive attitude which views it as an aspect of reproductive freedom, it is difficult for women to view abortion as a right.

EAST EUROPE

Beginning, Not End

A correspondent writes:

AFTER Lithuania, Poland and Ukraine, the former communists are back in power in Hungary as well. In Hungary's first round of elections held recently, after 99 per cent of the votes had been counted, the Hungarian Socialist Party, which is the name the reformed communist party has adopted, had won 33 per cent of the votes while the Hungarian Democratic Forum, the senior coalition partner in the incumbent centre-right government, could only garner a poor 11.7 per cent. The Liberal Free Democrats came in second with 19.7 per cent of the votes, and the Agrarian Independent Smallholders with 9 per cent and the Christian Democrats and the Young Democrats with 7 per cent each just about managed to find a place in parliament for which it is necessary to win at least 5 per cent of the votes. Although the socialists may not do as well in the second round of elections to be held on May 29, this win puts them in a position to form at least a coalition government in alliance with the Liberal Free Democrats.

Only last month, in April, the communists and their partners had emerged victorious in Ukraine's parliament. Before that in Poland in September 1993 and in Lithuania in November 1992 the former communists had already come back to power. While some may see a pattern in this resurgence of the former communists in ex-Soviet and eastern European territories—a tendency that may have more to do with nostalgia than with hard political analysis—and may try to draw, on that basis, optimistic conclusions about the future of socialism, prudence would suggest the adoption of a more cautious approach. Such an approach would immediately lead us to see (1) that the so-called communists in east Europe have, over the last half a decade or so, made major changes in their ideology and political strategy, as a result of which they are now, effectively, social democrats; (2) that their popularity has a lot to do with the mismanagement of the economy and the neglect of social policy by the ruling parties during the ongoing period of transition; and (3) that the reason why it is the social democrats rather than, say, national-chauvinists who are being shown favour by the people may be that, due to the ideological and organisational structures that they had inherited and have now expediently reformed, the former communists are able to present a more coherent and functional front to the people.

Apart from the ideological and organisational changes that they have made in their parties, the social democrats in all east European countries are committed more or less to a market type economy and want integration with western Europe and membership of NATO. It is also well to remember that social democrats in western Europe, who in some countries have tasted power for long stretches of time, have been evaluated by people strictly on the basis of their performance in government, despite their concern for social welfare and security and their stress on social policy. On any evidence of lack of governmental competence on their part, the people have punished them by throwing them out of power and by bringing the liberals or conservatives back in. This is bound to be the pattern in the east European countries too where the communists as social democrats are moving back into positions of governmental authority.

The west European experience of social democracy—and of communism, for all communist parties there have essentially been social democratic parties—is certainly not one that can be valorised by those who want to see a deeper and longer lasting egalitarian arrangement in all societies. At the same time, it is increasingly becoming clear that this exactly is the experience that people in all democratising societies, including the east European ones, are likely to encounter. What is important, therefore, is not to feel elated over the victory of former communists but to ponder over the alternatives, if there are any, to this, what at the moment seems to be, the only viable outlet for left-leaning and radically-inclined aspirations under the given economic dispensation.

Another thing that cannot be too much emphasised is that after the experience of communism—'actually existing socialism' as some liked to call it—and its not too distant denouement, after the all-too-visible ecological catastrophe that the world is now witness to and after the emergence of 'new social movements', the search for new alternatives must begin from a plane altogether different from the one where a similar search had begun more than 150 years ago. One reason why this search led into a blind alley, it is now clear, was its easy dismissal of so-called 'bourgeois' notions of democracy. A similar dismissal of 'social democracy' seems to be fraught with similar consequences for the new venture. This venture, in other words, must begin *with* and not without social democracy, a system of thought and organisation which represents a further growth of democracy, as we have known it so far.

Sri Lakshmi Saraswathi

PRESENTLY engaged in the manufacture of different varieties of cotton and synthetic blended yarn for the local as well as export market, Sri Lakshmi Saraswathi Textiles (Arni) (SLST) now plans to set up a new spinning unit in Tamil Nadu with a complement of 6,048 spindles. The company also plans to invest up to Rs 2 crore in Sri Tripurasundari Hotels (STH) which has a technical tie-up with Southern Pacific Hotels, Australia. STH which has been promoted by the promoters of SLST is setting up a three-star hotel with 129 rooms and other need-based facilities in Madras. To part finance the above projects as also to meet its long-term working capital requirements, SLST plans to tap the capital market with a public issue of 16,66,000 equity shares of Rs 10 each at a premium of Rs 30 per share. The issue which will open for subscription on May 20 will be lead managed by IFCI and Indian Overseas Bank. The new spinning unit will have no gestation period as trial production has already commenced and full level production is expected to be achieved in June this year.

Lanco Ferro

Lanco Ferro is setting up a mini blast furnace of 210 cu mtr working volume and associated systems for the manufacture of 90,000 mtpa foundry grade pig iron. The furnace will utilise imported coke of 12 per cent ash content and iron ore from the mines of National Mineral Development Corporation while the MBF technology is to be provided by Tata Korf Engineering Services. The project which is being set up at a total outlay of Rs 54 crore is expected to commence commercial production by July this year. To part finance the project the company plans to tap the capital market on May 23 with a public issue of 90,00,000 equity shares of Rs 10 each at par. Asian Finance and Investment Corporation which has been promoted by Asian Development Bank will have a 10.2 per cent stake in the company's Rs 22.85 crore post-issue equity capital.

Janak Turbo Dynamics

Janak Turbo Dynamics is setting up a project for manufacturing 1,200 turbine blade disc assemblies per annum at a total cost of Rs 11.7 crore. In addition to finding applications in a number of industrial units like fertilisers, cement, chemical units, etc, these turbines find extensive use in thermal and hydel power generators. The company initially plans to concentrate on manufacturing turbine blades for the Indian railways. Dresser Rand (Worthington and Terry) Steam Turbine, USA, will supply technical information and design/process know-how through its local collaborator V K Sankhala and Associates, Indore, which will also provide the plant and machinery. To part finance the project the company plans to tap the capital market on May 17 with a public issue of equity shares of Rs 10 at par aggregating Rs 7 crore.

Priya Dyes and Chemicals

Promoted by the Priya group which is headed by A K Bhuwania, Priya Dyes and Chemicals (PDC) is presently engaged in exporting dyestuffs, pigments, dyestuff intermediates, naphthols, fast bases, bulk drugs and other fine chemicals which it procures from various indigenous manufacturers in the small-scale sector. The company proposes to acquire office premises and leasing warehouse facilities and plans to set up a quality control laboratory for quality testing of its product range. Estimated to cost Rs 6 crore the project is to be part financed through a public issue of 10 lakh equity shares of Rs 10 each at a premium of Rs 40 per share. Even after the public issue which opens for subscription on May 16 the promoters' stake in total equity capital will stand at 66.7 per cent.

Malhotra Steel Industries

Promoted by G D Malhotra and his sons, Malhotra Steel Industries is engaged in the manufacture of rolled mild steel products like CTD bars, angels, etc. The company now plans to increase its rolling capacity from 66,400 tpa to 1,48,000 tpa in addition to setting up a backward integration project for manufacturing ingots with a capacity of 53,745 tpa. The project which is estimated to cost Rs 12.3 crore is to be financed through equity capital of Rs 4 crore, share premium of Rs 6 crore, term loans of Rs 2 crore from State Bank of India and internal accruals of Rs 44 lakh. To part finance the project the company plans to tap the capital market on May 16 with a public issue of equity shares of Rs 10 each at a premium of Rs 15 per share aggregating Rs 7.8 crore.

Pithampur Steels

Pithampur Steels, which has been promoted by Radheshyam Maheshwari and Mahesh Chokse, presently manufactures MS structurals. The company plans to enter the capital market with a public issue of equity shares at par on May 16 to finance its expansion-cum-modernisation plans. It plans to expand its capacity from the present 15,000 mtpa to 28,000 mtpa in addition to modernising its unit at a total cost of Rs 3.6 crore which will be fully financed through equity capital. The company's products which find application in machine parts, furniture, automobiles, channel gates, RCC construction work, industrial sheds, dams, agricultural machinery, windows, etc, are to be marketed through the company's own existing marketing network. Commercial production on the expanded capacity is expected to commence this month.

Prakash Solvent Extractions

Incorporated in 1991, Prakash Solvent Extractions is setting up a solvent extraction plant to produce 30,000 mtpa of castor oil and rice bran oil from de-oiled cakes. The project which is estimated to cost Rs 3.35 crore is to be financed through equity capital of Rs 3.4 crore, cash subsidy of Rs 15 lakh and term loan from Syndicate Bank to the tune of Rs 30 lakh. The company will procure the major raw material, namely, castor oil cakes, rice bran oil cakes and hexanes from the local market. The company's products which find wide application in industries like soap, lubrication, paints, surface coating, perfumery, etc, will be marketed through the company's existing marketing network. To part finance its project the company plans to enter the capital market with a public issue of equity shares of Rs 10 each at par on May 16.

Gujarat NRE Coke

Originally incorporated in 1986 under the name Madhusudan Traders for carrying on the business of trading and investment in shares and securities, the company changed its name to the present one to reflect its future plans. Gujarat NRE Coke plans to set up a one lakh tpa plant for the manufacture of low-ash metallurgical coke at a total cost of Rs 10.6 crore. To part finance the project the company plans to tap the capital market on May 16 with a public issue of 8.8 lakh equity shares of Rs 10 each at par and 13 lakh 17 per cent partly convertible debentures (PCDs) aggregating Rs 3.3 crore. Part A of Rs 10 of each PCD of Rs 25 will be converted into one equity share of Rs 10 at par while part B of Rs 15 will be the non-convertible part. As against the price of imported coke (with an ash content of around 12 per cent) which stands at Rs 4,700 the company plans to market its product at a price of Rs 4,000 per mt. Commercial production is expected to commence by July this year.

CURRENT STATISTICS

***EPW* Research Foundation**

Industrial growth is showing an unusually divergent pattern with signs of deceleration emerging in such areas as infrastructure industries that had shown reasonably decent growth earlier. Food industries are also showing absolute declines over the year. But the automobile and man made fibre industries have registered an acceleration in growth. The equity prices have shown continued downtrend in recent weeks following the ban on badla trading, lack of support from FIIs and cancellation of VSNL Euro issue. M3 growth is continuing at high levels but reserve money growth has been arrested due to a drastic reduction in RBI credit to the centre. The increase in WPI has reached 11.2 per cent on an annual basis which is to a great extent contributed by the prices of food items.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	April 24 1994	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91
All Commodities	100.0	261.1	1.6	11.2	7.0	1.6	0.8	10.2	7.0	13.6	12.1
Primary Articles	32.3	264.3	2.0	13.5	3.3	2.0	0.3	11.6	3.0	15.3	17.1
Food Articles	17.4	287.4	2.1	6.5	5.0	2.1	0.5	4.8	7.5	20.9	18.9
Non Food Articles	10.1	285.0	2.2	27.0	neg	2.2	nil	24.2	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	278.0	nil	10.4	18.0	nil	2.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	256.1	1.8	10.0	7.2	1.8	0.7	8.8	7.9	12.6	8.9
Food Products	10.1	256.6	2.3	11.4	6.5	2.3	2.6	11.8	6.8	10.2	13.2
Food Index (computed)	27.5	276.1	2.2	8.1	5.5	2.2	1.2	7.1	5.8	17.2	16.8

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993-94	Fiscal Year So Far: 1992-93	1992-93	1991-92	1990-91	1989-90
Industrial Workers (1982=100)	263[1]	0.4	9.1	5.7	8.2	5.2	6.1	13.9	13.6	6.6
Urban Non Man Emp (1984-85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1166[1]	nil	9.4	5.0	10.7	1.9	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Apr 15 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92
Money Supply (M3)	448224	15572 (3.6)	16178 (3.7)	18173 (5.0)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	87182	3750 (4.5)	5015 (6.1)	3874 (5.7)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	357199	9848 (2.8)	9848 (2.8)	10945 (3.7)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	211529	7668 (3.8)	7420 (3.6)	6344 (3.6)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	242176	6464 (2.7)	6284 (2.7)	9221 (4.3)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	54592	3728 (7.3)	865 (1.6)	794 (3.2)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money	142392	5036 (3.7)	3770 (2.7)	7410 (6.7)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	99656	1746 (1.8)	2873 (3.0)	8378 (8.6)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	324203	10389 (3.3)	10389 (3.3)	6967 (2.6)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	169200	5578 (3.4)	5578 (3.4)	5850 (3.8)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non food advances	159996	7281 (4.8)	7281 (4.8)	6005 (4.1)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	138559	6166 (4.7)	6166 (4.7)	2267 (2.1)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Dec 1993	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent) Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	240.9	214.7 (2.4)	209.7 (4.0)	1.6	-0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	251.2	213.0 (0.2)	213.5 (2.5)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	230.5	204.7 (1.8)	201.0 (4.1)	0.9	1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	300.9	284.0 (7.3)	264.6 (4.7)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	May 13 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year: 1992-93	1991-92	1990-91	1989-90	1988-89
BSE Sensitive Index (1978-79=100)	3809 (-3.4)	3945	2286 (-33.4)	2037	3455	2281 (-46.8)	4285 (266.9)	1168 (49.6)	781 (9.4)	714 (79.4)
National Index (1983-84=100)	1851 (-3.0)	1908	1034 (-31.5)	934	1659	1021 (-48.1)	1968 (234.1)	589 (39.9)	421 (13.2)	372 (76.3)

External Sector		1993-94 Quarterly Data: Apr-Jun	July-Sept	Oct-Dec	Jan-Mar	Fiscal Year So Far: 1993-94	1992-93	1991-92
Exports	Rs crore	16073 (39.8)	16388 (27.0)	16721 (29.4)	20365 (27.1)	69547 (30.4)	53351 (21.1)	44042 (35.3)
	US $ mn	5127 (27.8)	5224 (15.2)	5330 (17.8)	6492 (21.5)	22173 (20.4)	18421 (3.1)	17866 (-1.5)
Imports	Rs crore	17018 (6.5)	16825 (5.8)	17634 (13.1)	21329 (38.1)	72806 (15.7)	62923 (31.5)	47851 (10.8)
	US $ mn	5429 (-2.7)	5363 (-4.1)	5621 (2.9)	6799 (33.4)	23212 (6.8)	21726 (11.9)	19411 (-19.4)
Balance of Trade	Rs crore	945	-437	-913	-964	-3259	-9,572	-3 809
	US $ mn	-302	-139	-291	-307	-1039	-3,305	-1,545

Foreign Exchange Reserves	Apr 29 1994	Variation Over: Month	Year	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Rs crore	47434	192	25444	159	3004	27430	5385	10223	-1383	-795	-647
US $ mn	15134	-42	8107	39	1005	8724	731	3383	-1137	-854	-1386

Industrial Production

Infrastructure Industries	Feb 94	Variation Over Month	Variation Over Year	Cumulative for Fiscal Year So Far 1993 94	Cumulative for Fiscal Year So Far 1992 93	1992 93	1991 92	1990-91
Coal (mn tns)	24 93	–1 9 (–7 0)	0 03 (0 1)	226 0 (3 6)	218 2	238 (3 9)	229 (8 3)	212 (5 4)
Electricity Generation (mn kwh)	26563	–2181 (–7 6)	1591 (6 4)	293167 (7 1)	273770	300989 (5 0)	286700 (8 5)	264300 (7 7)
Hydel (mn kwh)	4782	–253 (–5 0)	–9 0 (–0 2)	64925 (0 9)	64365	69776 (3 8)	72550 (1 4)	71530 (15 2)
Thermal (incl nuclear) (mn kwh)	21786	–1928 (–8 1)	1600 (7 9)	228242 (9 0)	209405	231213 (8 0)	214150 (11 1)	192700 (5 1)
Crude Petroleum (000 tns)	2052	–280 (–12 0)	42 (2 1)	24382 (–1 3)	24705	26945 (–11 2)	30340 (8 2)	33020 (–3 1)
Petroleum Products (000 tns)	4250	–581 (–12 0)	131 (3 2)	49493 (1 0)	48997	53487 (10 6)	48350 (0 4)	48560 (–0 3)
Saleable Steel (000 tns)	1021	–693 (–6 4)	87 8 (9 4)	10727 (5 0)	10213	10454 (1 1)	10570 (13 3)	9330 (1 3)
Cement (000 tns)	5029	–204 (–3 9)	348 (7 4)	52923 (8 3)	48856	54140 (–5 2)	57100 (4 0)	54900 (–0 9)
Fertilisers (N) (000 tns)	591 6	–61 4 (–9 4)	–4 1 (–0 7)	6558 (2 6)	6735	7431 (1 2)	7300 (4 4)	6990 (3 7)
Fertilisers (P_2O_5) (000 tns)	182 4	–28 8 (–13 6)	28 1 (18 2)	1590 (25 9)	2146	2292 (–10 5)	2560 (4 9)	2050 (14 5)
Revenue Earning Goods Traffic on Railways (mn tns)	30 1	–2 3 (–7 0)	1 3 (4 5)	320 5 (1 7)	315 0	350 (3 4)	338 (6 2)	318 (2 7)

Selected Food Processing, Textile and Non-Ferrous Metal Industries	Feb 94	Variation Over Month	Variation Over Year	Cumulative for Fiscal Year So Far 1993 94	Cumulative for Fiscal Year So Far 1992 93	1992 93	1991 92	1990 91
Sugar (lakh tonnes)	19 5	3 0 (–13 4)	–1 9 (–8 9)	85 7 (19 2)	106 1	126 (5 3)	133 (10 8)	120 (9 1)
Tea (mn kg)	15 2	2 9 (–16 0)	5 7 (60)	730 (7 0)	682 3	721 (3 0)	743 (5 4)	705 (0 7)
Vanaspati (000 tns)*	83 1*	3 4 (4 3)	11 8 (16 5)	666 1 (2 6)	649 4	895 (6 5)	840 (1 8)	850 (9 5)
Cotton Yarn (mn kg)	168 6	–9 0 (–5 1)	5 6 (3 4)	1891 3 (13 9)	1660 7	1523 (5 0)	1450 (4 0)	1511 (10 1)
Cotton Fabrics (mn mtrs)	157 9	–9 9 (–5 9)	7 9 (5 5)	1766 3 (2 3)	1726 6	1565 (5 2)	1651 (11 2)	1859 (5 0)
Jute Goods (000 tns)	96 3	–8 1 (–7 8)	–0 3 (–0 3)	1100 6 (10 3)	998	1097 (15 0)	1290 ([illegible] 8)	1430 (9 7)
Natural Rubber (000 tns)@	57 8*	5 6 (10 7)	–0 5 (–0 9)	371 1 (8 4)	342 5	451 6 (23 2)	366 7 (11 3)	329 6 (10 9)
Aluminium (tns)	36390	–5050 (–12 2)	–794 (–2 1)	425545 (4 0)	443229	483399 (6 0)	514200 (14 5)	448900 (3 7)
Copper Cathode (tns)	4420**	1870 (73 3)	397 (9 9)	29894 (21 2)	37957	45275 (0 7)	45600 (12 3)	40600 (–1 2)
Lead (tns)	1762	–913 (–34 1)	–2513 (–58 8)	22641 (32 6)	33578	38650 (21 9)	31700 (15 7)	27400 (28 0)
Zinc (tns)	11306	–2718 (–19 4)	1158 (11 4)	132800 (17 3)	1131 5	126748 (24 3)	102000 (39 5)	73100 (8 9)

* December ** January

Automobile Industries (Number)	March 1994	Variation Over Month	Variation Over Year	1993 94	1992 93	Full Fiscal Year 1991 92	Full Fiscal Year 1990 91	Full Fiscal Year 1989 90
Medium and heavy commercial vehicles	11622	4074 (54 0)	1406 (13 8)	65975 (13 2)	76051 (15 1)	89544 (3 2)	86807 (13 3)	76594 (9 2)
Light commercial vehicles	9480	2554 (36 9)	3115 (48 9)	75461 (43 7)	52529 (2 2)	53710 (7 0)	57746 (19 2)	48457 (4 7)
Passenger cars	18891	115 (0 6)	2079 (12 4)	209695 (28 6)	163100 (2 0)	166383 (7 7)	[illegible] ([illegible] 6)	179278 (8 1)
Jeeps	5486	416 (8 2)	1646 (42 9)	49896 (27 0)	39276 (24 7)	31501 (15 7)	[illegible]69 (15 7)	44309 (23 9)
Two wheelers	175490	14928 (9 3)	37052 (26 8)	175609 (17 0)	150054 (6 4)	1603067 (12 0)	18 [illegible]786 (5 2)	1731686 (5 8)
Three wheelers	10456	898 (9 4)	5571 (114 0)	91608 (40 6)	65166 (15 0)	76652 (14 0)	89162 (6 5)	83752 (5 5)

Employment

Employment Exchange Statistics (000)	Dec 1993	Month Ago	Year Ago	Cumulative for Fiscal Year So Far 1993 94	Cumulative for Fiscal Year So Far 1992 93	1992 93	1991 92	1990 91	1989 90	1988 89
Number on live registers (end period)	36276	36252	36758	36276	36758	36306	36551	34890	34249	30305
Number of registrations	520	341	397	4480	4047	8021	5583	6404	6823	6010
Number of vacancies notified	31	32	40	297	316	403	415	497	581	538
Number of placements	19	19	24	175	172	228	258	253	294	312
Vacancies as % of registrations	6 0	9 4	10 0	6 6	7 8	5 0	7 4	7 8	8 5	9 0

Employment Data for Sample of 38 Large Cos in Private Sector(@)	1993	1992	1991	1990	Net Sales 1992 93	Net Sales 1991 92	Fixed Assets 1992 93	Fixed Assets 1991 92	Total Assets 1992 93	Total Assets 1991 92
Total workers (no)	96 249 (–0 2)	96,448 (–2 0)	98 372 (2 4)	96 093	(In lakhs of rupees)					
Regular Employees	65 955 (1 2)	66,783 (0 5)	66,454 (3 3)	64 323	5 28 447	4 55 520	4 65 625	3 66 959	7 28 949	5 28 015
Others (contract piece rated and part time)	30 294 (2 1)	29 665 (–7 1)	31 918 (0 5)	31 770	(16 0)		(26 9)		(38 1)	

Notes (i) Superscript numeral denotes month to which figure relates, e g superscript 7 stands for July (ii) Figures in brackets are percentage variations over the comparable previous period (iii) — means not available (iv) * Apr Sept (v) @ April Oct

HINDALCO

Self-Sufficiency in Power

THE merger of Renusagar Power Co with Hindalco from April 1992 is expected to result in a larger company with stronger reserves and assets and the financial results of the latter for 1992-93 include those of the former. An Aditya Birla group company and a giant in the aluminium industry, Hindalco improved over its performance in 1992-93. The company's net sales rose by 15.4 per cent to Rs 755 crore while operating profit rose by 35.5 per cent. Gross and net profits rose by 34.3 per cent and 31.2 per cent respectively. The company also raised the dividend rate from 37.5 per cent to 40 per cent. While production of calcined alumina rose from 2,93,079 mt to 3,05,300 mt, production of metal fell from 1,66,197 mt to 1,63,485 mt due to reduced availability of power as a result of poor quality of coal supplied and shutdown of unit 4 at the Renusagar power plant following breakage of the turbine rotor blade. Production of rolled products fell from 31,529 mt to 29,619 mt while that of extrusions fell from 10,385 mt to 9,799 mt due to fall in demand in the consuming sectors, namely, transport, automobile and building construction. Inadequacy of funds with the State Electricity Boards led to poor offtake of EC grade metal. The high burden of excise duty on aluminium has also contributed to the demand recession for the metal. Despite very low prices on the London Metal Exchange, the company's exports on the other hand rose by more than 200 per cent to a record 20,433 mt of primary aluminium and semi-fabricated products as against only 7,281 mt last year.

During the year the company revalued land and buildings and major items of plant and machinery and a sum of Rs 910.4 crore (including revaluation of the Renusagar power plant assets) arising on revaluation was transferred to capital reserves.

In order to consolidate its premier status in the domestic market the company has undertaken major expansion and modernisation schemes which are to be implemented over the next three to four years. With a view to becoming self-sufficient in its requirements of alumina at current levels of production the company plans to increase its alumina production capacity from 3,00,000 mtpa to 3,50,000 mtpa by December 1993 by installing balancing equipment and removing bottlenecks. In order to help generate electricity and enable the use of exhaust steam in the alumina plant process it also proposes to install a back-pressure turbine for co-generation of power. The smelter capacity is also to be raised by 40,000 mtpa to 2,10,000 mtpa by installing a power efficient potline based on updated technology and inhouse research. In addition, two power generating units of 70/74 mw each are to be installed in phases at Renusagar which will make the company self-sufficient in terms of power requirement on the expanded smelter capacity and enable it to supply some power to the state/national grid. In order to enlarge its product mix and enable the marketing of hi-tech products as also increase its export of rolled products the company plans to install a new and modern cold rolling mill which is expected to be commissioned by August 1994.

The company's first euro issue aggregating $ 108 million which was floated in July 1993 was closed in three days. The issue which was lead managed by Robert Fleming and Co and co-managed by Bear Stearns consisted of 44,73,000 units, each consisting of one share and one half of a warrant, each warrant being convertible into a Hindalco global depository receipt (GDR) after 90 days. Hindalco is planning another $100 million euro issue.

The reduction in excise duty on aluminium in the 1993-94 budget to 25 per cent *ad valorem* has been passed on completely to customers. However, aluminium products still continue to bear a high incidence of duty as compared to substitute materials.

For the first six months of 1993-94 the company earned a net profit of Rs 54.6 crore on net sales of Rs 310.3 crore as compared to a net profit of Rs 60.2 crore on net sales of Rs 363.3 crore in the corresponding period last year.

ADVANI OERLIKON

Modernisation Programme

A pioneer in the field of welding technology, Advani Oerlikon is engaged in the manufacture of industrial electronics and power control equipment in addition to a wide range of electrodes, flexes and flux cored wires. The company's technical and financial collaborator, Oerlikon-Welding of Switzerland, is a world leader in welding and has a 7.7 per cent stake in the company's equity.

The year 1992-93 saw the company consolidate its past performance with a 15 per cent and 129 per cent rise in net sales and net profit respectively. This was despite an 84 per cent rise in tax provision. A sharp increase in profitability helped the company raise the dividend rate from 20 per cent to 30 per cent.

The company's exports saw a 20 per cent jump over the previous year. The company is the largest exporter of welded products from India and has established a joint venture in Malaysia for manufacturing welding consumables. In order to concentrate on the export front the company has commissioned a 100 per cent export-oriented unit for welding consumables in Sewree. The company has also undertaken major modernisation and upgradation programmes at all its manufacturing units for which it entered the capital market with a rights issue of equity shares at a premium of Rs 15 per share in January this year. The issue aggregating Rs 8.8 crore offered one equity share for every two held by the shareholder and has led to an increase in the company's equity capital from Rs 7 crore to Rs 10.5 crore. The extensive modernisation programme which is to be implemented over the next three years is estimated to cost Rs 30 crore. The company's application-oriented research centre has recently developed five new important electrodes.

Three of the company's subsidiaries, namely, Ador-Cooperheat, Advanced Welding Alloys and Ador-Samia have performed well for 1992-93. Semiconductors, the fourth subsidiary, is awaiting directions from the BIFR regarding the rehabilitation proposal submitted by the workers' union.

For the six months ended September 1993 the company earned a net profit of Rs 7.9 crore on net sale of Rs 168 crore as compared to a net profit of Rs 5.2 crore on net sales of Rs 169.7 crore for the whole of 1992-93.

KIRLOSKAR BROTHERS

Focus on Core Area

This Kirloskar group company was severely hit by the low demand for compressors and machine tools in 1992-93. Though the company managed to improve net sales by 16.8 per cent over the previous year, a sharp increase in input costs and other operational costs could not be passed on to the customer and operating profit fell by 3.6 per cent. However, gross profit and net profit rose by 43.4 per cent and 190 per cent mainly due to a large non-operating income, a major part of which was contributed by capital receipt of Rs 13.1 crore from Copeland Corporation of the US for giving up the compressor business and for non-competing with similar business of Kirloskar Copeland which is a recently established joint venture in co-operation with Copeland Corporation. The company has since transferred its hermetic compressor division to Kirloskar Copeland in which it holds a 51 per cent stake as compared to the 49 per cent stake of Copeland Corporation. The pumps and valves business of the company showed slight improvement during the year under review. The hermetic compressor factory of the company at Karad has become the only compressor factory in the country to have secured an ISO 9001 certificate.

The company's exports rose by 74 per cent over the previous year to Rs 17.3 crore with the company completing its biggest export order which was obtained from Egypt. With this the company has exported more than 90,000 pumpsets to Egypt in the last 20 years. The construction of a factory for the manufacture 4" submersible pumps

The Week's Companies

(Rs lakh)

Financial Indicators	Kirloskar Bros March 1993	Kirloskar Bros March 1992	Advani Oerlikon March 1993	Advani Oerlikon March 1992	Hindalco March 1993	Hindalco March 1992	Coromandel Fert March 1993	Coromandel Fert March 1992	Surya Roshni March 1993	Surya Roshni March 1992
Income/appropriations										
1 Net sales	22114	18927	13930	12104	75524	65438	22968	27176	46654	42779
2 Value of production	22323	18939	14161	11748	74768	66865	26712	27627	47288	43664
3 *Total income*	22670	19115	14353	11846	79938	69899	27085	28147	47684	44125
4 Raw materials/stores and spares consumed	12635	10067	7069	6303	27041	25453	17143	17757	26269	23489
5 Other manufacturing expenses	1754	1632	1022	774	16745	17412	3476	3346	4691	3825
6 Remuneration to employees	2811	2604	1582	1449	4354	3824	1172	985	3005	2892
7 Other expenses	3294	2555	3064	2072	4531	3082	2772	2497	3838	3640
8 *Operating profit*	2176	2257	1616	1248	27267	20128	2522	3562	9881	10279
9 Interest	1107	772	415	508	5324	3227	1838	1327	2260	1374
10 *Gross profit*	2421	1482	1261	711	22974	17110	666	2218	8059	8929
11 Depreciation	320	266	231	205	3699	2106	485	408	2646	2175
12 *Profit before tax*	2101	1216	1028	506	19275	15004	181	1810	5400	6732
13 Tax provision	300	596	533	290	7725	6200	10	860	1742	2461
14 *Profit after tax*	1801	620	495	216	11550	8804	171	950	3658	4271
15 Dividends	108	108	210	140	1551	1454	0	486	1015	985
16 Retained profit	1693	512	285	76	9999	7350	171	464	2643	3286
Liabilities/assets										
17 Paid-up capital	307	307	700	700	3877	3877	2432	2432	5853	5853
18 Reserves and surplus	3706	2013	1556	1274	136127	34742	15034	16430	20394	17746
19 Long term loans	4096	3808	1004	1021	28696	22827	4025	2419	10053	7142
20 Short term loans	1011	727	965	769	5000	3237	5590	4553	7596	5449
21 Of which bank borrowings	0	0	848	595	4637	2967	4540	3481	2859	2251
22 Gross fixed assets	4967	4200	4521	3528	186748	56679	44213	42372	42235	35787
23 Accumulated depreciation	2464	2157	2076	1851	68515	32923	27636	25905	16008	13295
24 Inventories	4933	4263	1491	1481	14436	11233	7582	3002	9773	9673
25 Total assets/liabilities	18363	13707	6876	6255	183419	75142	31448	30650	54771	47795
Miscellaneous items										
26 Excise duty	170	201	2737	2305	22033	20149	0	0	718	518
27 Gross value added	7476	4780	3385	2696	29187	22954	3590	4406	13614	12983
28 Total foreign exchange income	3075	1738	525	439	7786	2421	0	0	812	978
29 Total foreign exchange outgo	1340	854	670	294	3132	1428	11323	10432	2787	1454
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	120.4	138.1	202 6	193 5	41 2	87 1	73.0	88.7	182.2	187.9
31 Sales to total net assets (%)	242.5	276 1	329 7	321.6	43 5	101.2	84 8	105.2	218.1	237.2
32 Gross value added to gross fixed assets (%)	150.5	113 8	74 9	76 4	15.6	40.5	8.1	10.4	62.5	69.9
33 Return on investment (gross profit to total assets) (%)	13.2	10.8	18 3	11 4	12.5	22.8	2.1	7.2	26.8	33.4
34 Gross profit to sales (gross margin) (%)	10.9	7 8	9 1	5 9	30 4	26.1	2 9	8.2	31.3	36.9
35 Operating profit to sales (%)	9.8	11.9	11 6	10 3	36 1	30.8	11.0	13.1	40.7	44.9
36 Profit before tax to sales (%)	9.5	6.4	7 4	4 2	25 5	22.9	0.8	6 7	20.5	27.2
37 Tax provision to profit before tax (%)	14.3	49.0	51 8	57 3	40 1	41 3	5 5	47.5	43.3	48.1
38 Profit after tax to net worth (return on equity) (%)	44.9	26.7	21.9	10.9	8.2	22.8	1.0	5.0	31.6	41.6
39 Dividend (%)	35.0	35.0	30.0	20.0	40 0	37.5	0.0	20 0	45.0	43.0
40 Earning per share (Rs)	59.05	20.33	7 07	3 09	29 79	22.71	0.70	3.91	14 98	17.49
41 Book value per share (Rs)	131.51	76.00	28.73	24.66	144 16	89.93	32.67	31.97	91.61	80.80
42 P/E ratio (based on latest and corresponding last year's price)	3.3	7.4	8.8	21 1	23 8	27 7	42.7	10.2	25.9	22.5
43 Debt-equity ratio (adjusted for revaluation) (%)	102.1	164.1	49.9	59.2	51.3	65 5	50.7	31.1	154.0	149.0
44 Short term bank borrowings to inventories (%)	0.0	0.0	56 9	40 2	32.1	26 4	59.9	116.0	78.5	67.3
45 Sundry creditors to sundry debtors (%)	81.7	95.6	160 1	80 3	69.0	36.4	292 5	133.2	109 5	169.1
46 Total remuneration to employees to gross value added (%)	37.6	54.5	46.7	53 7	14.9	16 7	32.6	22.4	40 9	40 2
47 Total remuneration to employees to value of production (%)	12.6	13.7	11.2	12.3	5 8	5.7	4.4	3.6	11.5	11 6
48 Gross fixed assets formation (%)	18.3	18.9	30.7	9.3	118.7	15.3	6.2	7.0	46.5	72 3
49 Growth in inventories (%)	15.7	6.3	0.7	–19.9	28.5	17 1	152.6	–8.8	5.8	80 5

in collaboration with Ebara Italia at Shindewadi in Pune undertaken by the company has been completed. Efforts are also on to acquire a large tract of land for Kirloskar Silk Industries.

The company plans to focus on its core competency, namely, fluid handling, in future and in line with this strategy it vacated its publishing business in 1986 87 and more recently exited from its hermetic compressor business. The mulberry plantation undertaken by it on a pilot scale has reportedly shaped up quite well and the company is searching for a suitable piece of land. The company has recently bagged an order for three offshore fire water pump packages from L&T for its platforms for ONGC, against stiff competition from American and Indian companies. The company's vertical turbine pump involved in the package will have a suspension length of about 30 metres and is built with special materials which are suitable for sea water.

For the first six months of 1993-94 though the company's net sales rose to Rs 101.8 crore, net profit fell to Rs 50 lakh.

COROMANDEL FERTILISERS

Dim Outlook

The disturbance in the industry caused by the decontrol of phosphatic and complex fertilisers coupled with the decanalisation of imported diammonium phosphate (DAP) and the consequent cut in selling prices due to the dumping of DAP in the domestic market led to severe pressure on the company's margins. The company was forced to reduce its prices to very low levels in order to be entitled to the one-time *ad hoc* subsidy scheme of the government of Andhra Pradesh. The scheme, introduced in the company's primary marketing territory, provided for a price concession of Rs 609 per tonne for urea-ammonium-phosphate 28:28:0 grade, the company's main product.

The discontinuance of subsidies for nitrogenous fertilisers and large-scale dumping in the domestic market led to a sharp fall in sales in 1993-94. Sale of the company's 'Gromor' products fell from 3,79,000 mt last year to 3,16,000 mt. Further, inventory levels continued to rise with the percentage of inventory to net sales rising from 11 per cent to 33 per cent. With subsidy dues rising to about Rs 60 crore there was significant increase in working capital. High interest rates on the one hand and a synchronous increase in working capital due to escalation of costs, reduced sales and increased inventory resulted in interest charges rising sharply by 38.5 per cent over the previous year. With depreciation also increasing sharply by 19 per cent, profit before tax fell by a phenomenal 90 per cent. Even a 99 per cent fall in tax provision for the year could not stop net profit from plummeting by 82 per cent

The power restrictions and failure of certain equipment especially in the ammonia/sulphuric acid plant adversely affected operations and production of fertilisers fell from 3,86,607 mt last year to 3,76,689 mt. Further the plant had to operate at lower loads due to the lead in the ammonia converter cartridge which is a critical equipment in the ammonia plant. The low demand forced the company to extend the turnaround of the plant for a period of about 75 days.

The replacement of the ammonia converter cartridge is expected to improve the operational efficiency of the ammonia and urea plants. The company has spent a substantial amount on the sulphuric acid and complex plant debottlenecking projects and also taken steps to conserve energy. These measures are expected to yield Rs 1.6 crore per annum. The company also plans to replace the kellogg converter basket in the ammonia plant with a higher capacity ammonia-casale converter basket and the gas-cooler in the sulphuric acid plant with economisers. Installation of HT Quench system in the ammonia plant is also on the cards. These additional energy conservation plans are expected to result in a savings of Rs 3.2 crore per annum.

The reduction in urea prices on the one hand and the rise in prices of phosphatic fertiliser due to decontrol on the other has led to a shift in preference of farmers to nitrogenous fertilisers. The introduction of the *ad hoc* subsidy scheme in the rabi season in 1992-93 and again in both the seasons of the subsequent year has led to downward pressure on prices of phosphatic fertilisers and the company is pessimistic concerning its performance in 1993-94.

For the first six months of 1993-94 the company suffered a net loss of Rs 9.3 crore on net sales of Rs 128.6 crore.

SURYA ROSHNI

CFL Joint Venture

High interest and depreciation charges have taken their toll on the bottomline of Surya Roshni (formerly Prakash Tubes) for the year 1992-93. The company's net sales were higher by 24.3 per cent over that in 1991-92 and operating profit rose by 19 per cent during the same period. The steel tubes division in Haryana produced 41,947 mt of pipes/tubes and 11,919 mt of cold rolled strips as compared to 39,569 mt of pipes/tubes and 6,792 mt of cold rolled strips in the previous year. Despite stiff competition after the decontrol of steel the division claims to have maintained its grip on the market. The division also supplied pipes conforming to various Indian and international standards including API for sophisticated and specialised use to its customers in addition to completing projects for the manufacture of cold rolled coils and strips and larger dia pipes.

The company exported steel pipes worth Rs 1.9 crore (including export incentives) during the year under review. Its two lighting units in Kashipur, Uttar Pradesh, and Malanpur, Madhya Pradesh, saw a 14 per cent rise in turnover over the previous year. However, margins were under pressure due to the substantial increase in cost of LPG, furnace oil, electricity and interest charges.

During the year projects worth Rs 30 crore, including the new factory at Malanpur which were completed in the previous year, were stabilised. Further, the projects of tungsten wire drawing, molybdenum wire drawing, GLS filament and balancing equipment at Kashipur and the expansion in capacity of the GLS lamp and fluorescent tube lamps (FTL) at Malanpur involving Rs 8 crore were completed. Projects worth Rs 45 crore comprising Halogen Lamp H-3, H-4 and MR16 series at Malanpur and a new factory of lead glass and the expansion in the capacity of GLS lamps, GLS filaments and FTL filament at Kashipur were expected to be completed by March this year. The various projects implemented were expected to have a favourable impact on the performance of the company in 1993-94.

To part finance its project the company entered the capital market with a rights issue of 16 per cent partly convertible debentures (PCDs) of Rs in the ratio of one PCD for every five equity shares held. Part A of Rs 40 of each PCD was converted into one equity share of Rs 10 at a premium of Rs 30. With the conversion the equity capital of the company rose by Rs 11 crore.

The company plans to set up a joint venture with Osram GmbH for the manufacture of energy-efficient compact fluorescent and other lamps. Osram GmbH is one of the three largest lamp manufacturers in the world and plans to concentrate its activities in India on manufacturing compact fluorescent and other innovative lamps.

For the six months ended September 1993 the company earned a net profit of Rs 3.5 crore on net sales of Rs 89.6 crore.

FINOLEX CABLES

Bonus Issue

Finolex Cables is the first electrical, power and telecommunication multi-product cable company with multi-location of plants to be awarded the ISO-9002/IS-14002 certificate for its factories at Pimpri and Urse. Encouraged by its performance for the year ended March 1994, Finolex Cables has declared a 1:1 bonus (the third bonus issue in the last six years). Though turnover increased marginally due to the lower excise rates and also lower copper prices leading to corresponding price reduction, profit before tax and profit after tax were higher by 6.3 per cent and 5.2 per cent respectively. In addition to the bonus issue the company has declared a divided of 55 per cent for the year. During the year there was an all round increase in production with production of jelly filled telephone cables going up from 13 lckm by over 28 per cent to 17 lckm and that of light duty and power cables recording an increase of about 14 per cent over the previous year.

Triple Talaq Judgment

Do Women Really Benefit?

Flavia Agnes

The Allahabad High Court's judgment regarding triple 'talaq' creates the erroneous impression that it safeguards the rights of Muslim women. In fact, the judgment weakens their position by validating the discriminatory aspects of the Land Ceiling Act.

THE Allahabad High Court's judgment has raised yet another controversy regarding Muslim person law. The reactions are varied. The Muslim orthodoxy and the Muslim Personal Law Board have criticised it on the ground that it violates the constitutional provisions for minorities under Articles 25-28. Secular forums and some Muslim women's organisations have welcomed it as a positive step which safeguards women's rights. Islamic legal scholars while condemning the practice of triple talaq and the inertia of the Muslim Personal Law Board to declare such practice as invalid have nevertheless expressed their concern that the judgment might result in hampering the development of reform from within the community. Some scholars have asked whether a retrospective judgment in a land ceiling issue was the proper forum to tackle the grave and sensitive issue of validity of triple talaq.

But there is hardly any discussion on the effect of this judgment on the woman concerned and her rights to property, and also about the precedence it has created in the realm of marriage relations and women's right to property and matrimonial home. The publicity creates an erroneous impression that the high court has upheld a Muslim woman's petition challenging the triple talaq and in the process safeguarded the rights of Muslim women. It is in this context that certain clarifications regarding the case are necessary.

The UP Imposition of Ceiling on Land Holding (Amendment) Act was passed in 1972. Under this act in the year 1974, notice was issued to Rahmatullah in respect of excess land in his possession. In November Rahmatullah filed his objections stating that the land which belonged to his wife, whom he had divorced in 1969, had been erroneously and illegally included as his land. In 1980 Khatoon Nisa stated before the authority that she had been divorced by her husband 11 years ago.

Overriding the objections, in August 1982 an order was passed holding the land to be surplus land. Rahmatullah and Khatoon Nisa filed separate appeals against the order. In August 1984, the appeal was admitted, the order of the 'prescribed authority' was set aside and the case was remitted for fresh trial to ascertain whether Rahmatullah and Khatoon Nisa were divorced according to law or whether the plea of divorce was raised only to save the land from the Land Ceiling Act.

In 1986, after fresh trial, the prescribed authority reconfirmed its order. Again, both Rahmatullah and Khatoon Nisa filed appeals. In April 1993 the additional commissioner, Faizabad, dismissed both the appeals and held that since there had not been a divorce or a judicial separation through a court order between Rahmatullah and Khatoon Nisa, their income could be clubbed together. The talaqnama and evidence of Khatoon Nisa's father and other witnesses were held to be not sufficient proof of divorce. The court held that since the names of the parties appeared in the same voter's list and since they lived in the same house and village, this was sufficient proof that the couple was not divorced.

The controversial judgment was passed in the matter of two writ petitions filed by Rahmatullah and Khatoon Nisa against the above order. The issue before the court was whether an orally divorced wife is qualified for the benefits available under the act to a judicially separated or divorced wife. On April 15, 1994 justice Hari Nath Tilhari of Lucknow bench of Allahabad High Court held that a customary divorce, either under the Shariat Law or under the Hindu Marriage Act, is not a valid divorce if it violates the provisions of the Constitution, and since triple talaq is discriminatory against women, such a divorce is not valid. The effect of the judgment is that the woman who had been divorced 25 years ago is held to be married even against her own depositions before the state authorities. Further, the judgment held that since she is not legally divorced, she and her husband are not entitled for exemption granted to a couple who are divorced or separated through a court order, and hence their land can be acquired by the state under the Land Ceiling Act.

The judgment has grave adverse implications for the woman concerned. At one level, Khatoon Nisa is divorced by her husband according to a valid form of divorce under the provisions of the Applications of Shariat Act of 1937, and as a consequence under the provisions of the Muslim Women's (Protection of Rights on Divorce) Act of 1986 she is not entitled to maintenance. At another level, she is deemed to be married for the purposes of Land Ceiling Act and will lose her right to the land which at present stands in her name.

The court has held triple talaq as invalid. But would the situation of a Muslim woman be any different if she is not divorced in one sitting but in three consecutive sittings? What is even more crucial for women is that once they are divorced under the Muslim Women's Act, they lose their right to maintenance. And no court in the country has declared the Muslim Women's Act as unconstitutional and granted divorced women right to maintenance.

The judgment has also other implications for women. Khatoon Nisa herself has pleaded in all court proceedings that she has been divorced. Since all laws permit a divorce by consent of the parties, even assuming that the divorce was to gain certain economic benefits, can a court hold such a divorce as invalid when a woman herself has not challenged it? When parties to a marriage have a right to voluntarily enter into a marriage contract, can the state have the power to compel them to remain married just because it is to the advantage of the state? The judgment provides the state with the authority to interfere with the most intimate aspects of people's life against the wishes of the parties concerned.

The Bombay High Court had given a ruling in a case of similar nature. In a petition for divorce by mutual consent, the family court, Bombay, refused to grant the couple a decree of divorce on the ground that the dissolution of marriage was sought with an ulterior motive of saving the property from prospective creditors and held that the petition was an eye-wash as there were no real differences between the parties. The family court had reached this conclusion in spite of the fact that the parties had appeared before the court voluntarily and had deposed that they had mutually agreed upon divorce. The high court set aside the judgment of the family court and expressed surprise as to how the trial judge had arrived at the conclusion that the divorce was an eye-wash, when all the legal requirements for a valid divorce had been complied with.[1]

When laws are framed, the specificity of minority communities is ignored. The Land Ceiling Act exempts women who are divorced or temporarily separated through a court order. The concept of judicial separation is not recognised under Muslim law. So, while concessions are made to Hindu women whose law recognises the concept of temporary separation, no concessions are made to communities whose personal law recognises customary forms of divorce. A Muslim man has no other recourse to divorce than the customary provisions under the application of Shariat Act.

The only point of dispute seems to be whether it is to be done in one sitting or in three consecutive months. All the debate has centred around this point. One fails to understand how a woman's situation will improve even if she is divorced through a process of three pronouncements in three months. What is far more relevant to women is that both law and custom recognise her right to be maintained even after divorce, and her belongings and 'mehr' is returned to her promptly, and she is not dispossessed from her matrimonial home when she is divorced.

The Family Courts Act is another example of how specificity of minorities is overlooked when legislations are framed. The family courts were meant to provide speedy, informal and inexpensive forums to settle matrimonial disputes. But in Bombay their jurisdiction is limited to Hindus and those married under Special Marriages Act. The jurisdiction over matrimonial disputes of minorities is retained with the high court where the procedures are expensive and far more technical. This has resulted in an increasing number of women turning to qazis and maulvis for an amicable settlement under the customary form.

While holding such divorces as invalid, the state has not made any provisions for quick redressal within formal court procedures. The situation for a Muslim woman in Bombay today is that she has to approach the family court for maintenance under Section 125 of Cr PC while her marriage is subsisting. If she also wants a divorce, she has to file under the Dissolution of Muslim Marriages Act in the high court. As soon as she obtains a decree of divorce, her right to maintenance under Section 125 Cr PC is forfeited. At the end of it, in order to claim her belongings, mehr and maintenance during 'iddat' period, she has to approach the magistrate's court under the Protection of Muslim's Act. All this under the state-enacted legislations which claim to uphold the dignity of Muslim women.

The issue of validity of triple talaq was not challenged by the woman concerned in her writ petition. The opposing party was not her husband but the state authorities. It is pertinent to note that not just the advocates of Khatoon Nisa and Rahmatullah and the *amicus curae* assisting the court, but even the advocate general appearing for the state had pointed out to the judge that since the issue of triple talaq had not been challenged, the judge had no authority to decide this issue. Perhaps it needs to be pointed out that the advocate general, Bhatnagar, who represented the state is not a Muslim. In fact, Bhatnagar had to pay a heavy price. The Avadh bar association passed a resolution to suspend the advocate general for his comments against the judgment.[2]

While the Allahabad judgment has held triple talaq as unconstitutional in a matter where constitutional validity of the issue was not even challenged, in several cases where constitutional validity of discriminatory personal laws was challenged the court had either skirted the issue or upheld the discriminatory provisions.

In 1983, the Andhra Pradesh High Court had held that the provision of Restitution of Conjugal Rights (Section 9 of the Hindu Marriage Act) as unconstitutional as it violated the right to privacy guaranteed by Article 21 of the Constitution.[3] But subsequently the Delhi High Court diverged from this judgment and held that the provision serves a useful purpose of reconciliation. It is interesting to note the comments of the judge: "Introduction of constitutional law in the home is most inappropriate. It is like pushing a bull into a China shop. It will prove to be a ruthless destroyer of the marriage institution and all that it stands for. In the privacy of the home and the married life neither Article 21 nor Article 14 has any place."[4] Subsequently, the Supreme Court upheld this judgment and overruled the Andhra Pradesh judgment.[5]

The Allahabad judgment also assumes it an essential requirement that the couple should have a separate residence. In fact, our demand today is that a woman should have a right to reside in her matrimonial home. Most women are claiming their right to reside in the matrimonial home along with their petition for divorce. What would be the implications of this judgment for such petitions?

The press has compared this judgment to the judgment in Shahbano's case. The comparison is limited only to its discussion of Islam and Muslim personal law. But while Shahbano had herself approached a court for reliefs and had gained personally from the judgment, Khatoon Nisa has been deprived of her land.

The judgment does not question the discriminatory aspects of the Land Ceiling Act. The practice of clubbing a woman's property and treating it as the property of the man is detrimental to women's rights. The assumption is based on the premise that husband and wife are one unit and this unit is of a permanent nature. After the property is acquired, if the couple are divorced, will the couple be entitled to reclaim their property from the state? The act also provides two additional hectares of land for each adult son but no such benefits are provided for adult daughters. The act presumes that either women are not capable of owning property or property is of no concern to adult females. With his preoccupation with the position of rights of women under personal law, the judge has failed to examine the discriminatory aspects of the Land Ceiling Act.

Notes

1 Leela Mahadeo Joshi v Mahadeo Sitaram Joshi, AIR 1991, Bombay 105.
2 *The Times of India* (Bombay), April 19, 1994, p 1, 'Avadh Bar to Suspend Advocate General'.
3 T Sareeta v T Venkatasubhiah, AIR 1983, Andhra Pradesh 35.
4 Harvinder Kaur v Harmender Singh, AIR 1984, Delhi 66.
5 Saroj Rani v Sudarshan Kumar Chadha, AIR 1984, SC 1562.

IISCO Privatisation: The Real Issue

A K Roy

The real issue in the privatisation of IISCO is not economic or technical, but political and so has to be faced politically as part of our struggle for economic independence against the neo-colonial assault in the new unipolar world

THE proposed privatisation of the Indian Iron and Steel Company (IISCO) has become a matter of public controversy This Burnpur-based historic iron and steel complex in West Bengal came to the public sector after becoming sick in private hands It is now to be handed over to a private party again As per the decision of the government, the management of this concern will be entrusted to the Bombay based company, Mukand However, the bill brought forward in the Lok Sabha in the last session to give legal shape to this proposal had to be withdrawn after facing stiff opposition and is now under consideration before a standing committee The ruling Congress(I) has an absolute majority in the house and so withdrawing a bill at the introduction stage is something unprecedented suggesting a division in the party itself The labour wing of the Congress(I), the INTUC has raised the banner of revolt on this issue In the countrywide strike in the public sector steel companies on September 7, 1993, officers lent their support to the workers, though normally the two tread opposite paths All these developments raise doubts whether the IISCO privatisation move is really in the interests of the nation

In 1975 when the goal of self-reliance was at least kept on paper, the target of steel production by 2000 AD was shown as 100 mn tons in a white paper In the 80s after the appearance of the IMF, the target came down to 35-40 mn tons Now in the 90s we are to be satisfied with production of 22-25 mn tons No new steel plant is coming up in the Eighth Five Year Plan and the emphasis of modernisation of the existing plants is on curtailment of manpower and not on increasing production There is much noise about over-staffing of the public sector steel industry (2 25 lakh employees) and excessive cost of production, though wages and salaries constitute only 13 per cent of the production cost, the rest being raw materials (29 4 per cent), stores and spares (21 per cent) depreciation (12 per cent) maintenance (9 5 per cent), fuel (8 4 per cent) and interest (6 5 per cent) Many would be surprised to know that American steel is costlier than Indian By exporting 30 mn tons of good quality iron ore to Japan, India gets Rs 600 crore which could be obtained by exporting only 1 5 mn tons of steel So to remain an exporter of iron ore rather than of steel is against our national interest

All these only add to our apprehension whether the plan for IISCO privatisation has come as a move to throttle the future of the Indian steel industry as a whole specially in view of the many unanswerable parts in that plan IISCO like TISCO is a complete industrial complex with its steel factory, iron ore mines, colleges colonies offices, even airstrips spread over at least three states West Bengal Bihar and Orissa Its production capacity is 1 2 mn tons of hot metal (crude iron from the blast furnace) but in 1992 93 production was 0 86 mn tons yielding 0 428 mn tons of pig iron and 0 398 mn tons of steel even with two of its four blast furnaces damaged and not repaired On March 3, 1993 there were 32 414 persons on the rolls 19 563 in the steel factory On February 14 1972 when IISCO was taken over there was a solid assurance in parliament given by the then steel minister Mohan Kumaramangalam that this historic concern would never be handed over to any private party, that its incorporation in SAIL was irreversible and that the plant would be renovated increasing its capacity to 2 5 mn tons Kumaramangalam is dead and so apparently is his promise

It is well known that economic production of steel requires optimum use of capacity and low consumption of coke and energy The old and long neglected IISCO was behind in all these respects While to produce one ton of hot metal the coke required (coke rate) is 0 644 ton in Bokaro, 0 682 ton in Bhilai, 0 70 ton in Rourkela, 0 716 ton in TISCO and 0 856 ton in Durgapur, for IISCO it is 1 027 In foreign countries the figure is much less—Japan 0 485, US 0 525 and UK 0 557 The high coke rate in India is mainly due to the high ash content of Indian coke of between 18 and 22 per cent, while that outside is only 7 to 8 per cent Similarly, while in foreign countries the energy consumption per ton of steel is 4-5 giga calories, the average in India is 9 giga calories and that in IISCO is above 12 giga calories Reducing the coke rate by 10 kg reduces the cost of production of steel by Rs 19 per ton If the coke rate of IISCO is brought at par with TISCO there would be a saving of Rs 600 per ton and Rs 50 crore per year, i e, IISCO would show a net profit of Rs 20 crore after wiping off the present loss

So there is no dispute about the need for modernisation of IISCO In 1988-89 the government also decided to raise its capacity to 2 5 mn tons and a memorandum of understanding (MOU) was signed and Rs 200 crore spent on repairing and renovating some parts of the plant creating great enthusiasm among the workers which enabled cash losses to be eliminated in two successive years However controversies started on who would do what how it would be done (and who would pocket the commissions!) First it was decided to hand over the job to a Japanese consortium which would scrap the whole old plant and replace it with a new one on a turnkey basis As there was no role for indigenous technology it was not liked by the Janata Dal government headed by V P Singh Then Dastur and Co stepped in giving a compromise scheme replacing some parts and retaining the rest In both cases the cost envisaged was Rs 6 000 7 000 crore and the time span 6 7 years Many other exercises were carried out but curiously SAIL was bypassed though IISCO belonged to SAIL and SAIL with its design and planning organisation MECON was best suited to handle the job as is being demanded by the trade unions today and as has been proposed by the consultative committee of parliament on the steel ministry only recently

The V P Singh ministry fell without taking a decision on IISCO modernisation and the Narasimha Rao government launched its new economic policy championing the cause of privatisation So the earlier MOU was cancelled and it was decided to handover the entire Rs 15 000 crore worth property of IISCO to the Bombay based scrap melter company (mini steel plant) Mukand reviving memories of the Dalla episode in UP

Apart from the fact that both MEACON and Dastur have held Mukand s proposal to be defective and unpractical the people are wondering whether this is the beginning of the end of the Rs 1 36 000 crore public sector The only reason for privatisation given by the government is the lack of funds, the other alternative being going to the BIFR It is true that the Planning Commission has reduced the demands of the steel ministry from Rs 24,000 crore to Rs 14,000 crore (SAIL s Rs 19 500 crore to Rs 12,000 crore) and now SAIL is to proceed with its Rs 6 500 crore modernisation from its internal resources only But it is also true that the modernisation of the Bhilai Durgapur and Rourkela steel plants, each costing Rs 4 000 5 000 crore is at the final stage and Bokaro modernisation would cost only Rs 1 625 crore So soon SAIL would be left with no major jobs What will its design and construction experts and

workers be doing? Would MEACON go the Hindustan Steel Construction (HSCL) way? What is more the annual turnover of SAIL is around Rs 12,000 crore while that of Mukand is Rs 600 crore So if the latter could manage to raise funds of Rs 3 500 crore for modernisation of IISCO why not SAIL? If the funds are to be raised from the market or taken from banks, why should SAIL lag behind?

Many steel experts have proposed a strategy of phased modernisation of IISCO According to one such plan, there would be a Phase I programme involving Rs 400 crore for revamping the boilers, the power plant and other critical equipment to get one million tons of hot metal Phase II would cost Rs 1 500 crore to provide LD converters oxygen plants extra captive power to yield 1 5 mn tons of hot metal There would be a Phase III, with a similar investment, for setting up raw material yards a sinter plant and additional blast furnaces to produce 1 5 mn tons of steel and 0 6 mn tons of pig iron Mukand would also follow a phased programme spending practically nothing in the first two years

What is surprising is that the proposal for privatisation of a premier steel plant has come when Indian steel has attained maturity to compete in the world steel market and the public sector has demonstrated better performance than the private sector in steel marketing There is a recession in the world steel market and world production which was 786 mn tons in 1989 came down to 733 mn tons in 1991 Steel factories are retrenching workers on a large scale in the US, UK, Germany and even Japan The US has already levied an anti-dumping tax of 48 2 per cent on some types of Indian alloy steel to save its sagging markets, while dumping the Indian market with stainless steel at exceptionally low prices taking advantage of the lowering of customs duty from 170 per cent to 85 per cent The onslaught would be more this year with customs duty further lowered to 65 per cent, threatening to make our alloy steel plants sick and then pushing them to privatisation if the first test with IISCO proves successful But even in the midst of such an unfriendly situation and despite all the corruption and waste, our public sector steel industry is showing improved performance Capacity utilisation, which was below 70 per cent in the 70s and around 80 per cent in the 80s, now exceeds 95 per cent SAIL has yielded profits for the last nine years continuously In 1992-93 when TISCO's profit got reduced from Rs 214 56 crore to Rs 127 17 crore, SAIL's profit increased from Rs 365 72 crore to Rs 423 30 crore In 1993-94 also SAIL's production rose but not overall production of steel in the country which was around 15 mn tons much below the target of 17 4 mn tons, as the mini steel plants in the primary sector, contributing 35 per cent of production, were affected by the global and domestic recession According to a recent report out of 178 mini steel plants in the country 73 are lying closed rendering more than 10 000 persons jobless Instead of managing a major steel plant like IISCO why not Mukand be entrusted with managing some of the other mini steel plants in the country? Moreover, what are Mukand's special qualifications except that it has a collaboration arrangement with a Netherlands based concern, Hoogovens? People ask how a scrap melting company which has never handled an integrated steel plant be entrusted with the modernisation of IISCO and with raising its production to over 2 mn tons

There is no convincing reason, economic or technical, for privatisation of IISCO and definitely not for handing it over to Mukand. This will serve only the interests of the west which wants that India should remain an iron ore exporter and a steel importer If this year's budget is any indication with the increase of excise duty and lowering of customs duty on steel products, the whole of SAIL may go the IISCO way and then slowly TISCO would also follow The IISCO-to-TISCO cycle would then be complete for the Indian steel industry So the issue is not economic or technical but intensely political and so has to be faced politically as a part of our struggle for economic independence against the neo colonial assault in the new unipolar world

PUNJAB

NHRC and Human Rights Violation

Sucha Singh Gill

In view of the advisory nature of the national human rights commission and the unhelpful attitude of the state and central administration the commission may not be able to fulfil the task expected of it

WITH the installation of the Congress(I) government in Punjab in February 1992, led by Beant Singh, the chief minister, the militancy began to be controlled at a fast pace and most of the terrorist cadres and leaders within the country either have been killed in police 'encounters' or have been arrested Consequently, terrorist guns have nearly been silenced almost for a year or so But the extraordinary powers given to the police and security forces remain with them even now Similarly, a large number of draconian laws led by the notorious TADA have also not been withdrawn The psyche of the security forces of being at war with the terrorists and hence being in a privileged position to use and abuse the law in the larger interest of securing and sustaining peace in the state has brought forward several cases of brazen violation of human rights of people in the region in the post-terrorist violence phase There are many such reported cases where even elected representatives in the state assembly, even those from the treasury benches, are helpless before the police force The failure of political process to check police excesses has led some affected persons to knock at the door of the courts and opposition leaders and the democratic rights activists have sought the help of journalists to highlight such cases in the press

The intervention of the Supreme Court saved a lawyer couple from illegal harassment One of the lawyers is a daughter of a former deputy commissioner of Hoshiarpur district who was getting married crossing caste and religious barriers against the wishes of her father The Punjab and Haryana High Court intervened recently to restrain the SSP of the Ludhiana district who was trying to settle personal old scores with an influential businessman family of the city Sensational press exposure of the police killing of a lawyer family at Ropar and of a young boy of Valtoha (Amritsar) led to handing over the cases to CBI for investigation The concerned police officials, threatened with arrest, had to secure pre-arrest bail from the courts The high court also intervened in the case of women whose foreheads were allegedly tattooed 'jebkatris' (pickpockets) by the police Apart from these well known cases, several other such cases have been reported in the vernacular press, and have been highlighted by human and democratic rights activists and leaders of the opposition parties

The growing number of cases of human rights violation by the police being brought to the courts and several others being reported by the press, in the face of the claims by the state government that militancy has been completely curbed, prompted National Human Rights Commission to visit Punjab and Chandigarh from April 16 to 20, 1994 The commission team consisted of five members headed by R N Mishra, the retired

chief justice of India. The state government and the ruling Congress(I) attempted to create an impression that there was no violation of human rights by the police in the state. Their effort was to impress upon the commission that the only source of such violation were the terrorists who have been silenced, and that all is well in the state. Initially, they allowed to meet the commission only those individuals and delegations who held opinion similar to that of the ruling party. The government did not publicise the visit of the commission to the state in advance lest many complaints should come forward. The commission reportedly took serious note of this fact. But with the publication of the news that the commission will be holding its sittings at Chandigarh, Ludhiana, Jalandhar and Amritsar for one day at each place, a large number of individuals and delegations came forward to lodge their complaints.

The commission could get evidence of human rights violation during its first sitting itself at Chandigarh on April 18. A woman, whose seven relatives, including a two-year old child, were taken away by the police and were not traceable, was illegally detained by the police when she tried to appear before the commission. Ultimately, the case came to the notice of the commission and the chairman of the commission R N Mishra had to intervene to get her released from the illegal police custody. In another case, the day the commission arrived at Chandigarh on April 17 a group of drunkard policemen, during late hours, reached a dhaba at Zirakpur, a small town situated on Rajpura-Chandigarh road, in a police gypsy. They went on rampage, beat up the workers, the owner and some customers present at dhaba, damaged the furniture and threw away the eatables. They also kidnapped three persons, including the dhaba owner, "to teach them a lesson". They were irritated that on an earlier occasion these policemen and their guests were not attended to properly (free of cost) by the owner. The report of this incident was flashed by a local English daily on the day of the first sitting of the commission at Chandigarh.

The Ludhiana sitting of the commission must have been an eye-opener for the members of the commission. One Sat Paul Gosain, who wanted to produce before the commission two girls who had been allegedly raped by policemen, was not allowed to do so by Congressmen and the district administration. He ultimately raised slogans against the commission and could manage to meet the chairman in the committee room when the sitting of the commission had wound up. Gosain learnt later on that the commission had not refused to meet him. It was at the same time that Tarsem Jodhan and Vijay Sathi, CPM and Janata Dal MLAs, respectively, reached the committee room, followed by Congress (I) men including some councillors of the municipal corporation. There was a heated exchange of words for sometime. During the day-long sitting of the commission, delegations and complainants were not freely allowed to meet it. They were stopped by the police and were asked to first meet the political secretary of the chief minister to ascertain what they wanted to talk to the commission. In the case of inconvenient delegations, they were not at all allowed to see the commission.

There was a disturbance during the sitting of the commission when a delegation led by CPM Kisan Sabha state president was lodging a complaint relating to alleged beating of CPM MLA Tarsem Jodhan. A group of Congressmen and some liquor contractors tried to disrupt the proceedings of the commission. It was on the intervention of the commission members that the Congressmen were made to leave the room and the CPM delegation was able to speak to the members about their complaint related to the beating up of the party MLA by the political secretary of the chief minister in the circuit house at Ludhiana on April 17. Janata Dal MLA, Vijay Sathi, told the reporters that he was prevented by Congressmen from meeting the commission and was asked to meet first the political secretary of the chief minister. He also disclosed that several other persons were given the same treatment and were not allowed to present their complaints to the commission.

A large number of individuals and delegations of common people, other than those of political parties, could also not meet the commission due to the interference by the police. The commission had fixed its sittings in 'circuit houses' of the state at Chandigarh, Ludhiana, Amritsar and Jalandhar cities. The police converted these circuit houses into fortresses under the pretext of providing security to the members of the commission and created many hurdles for non-party individuals and delegations. Knowing that many such persons would complain against the police, the latter did not allow them to come near the commission.

As there were a large number of persons who wanted to present their complaints and express their grievances personally, the commission did not have time to meet all of them. A large number of persons came forward to tell the commission the story of their woe and brazen violation of their human rights. They made serious efforts to file their complaint with the commission. A woman from Sangrur district could not meet the commission at Chandigarh and Ludhiana, and was finally successful in doing so at Amritsar. Finding their effort going waste, people unitedly raised their voice through slogan-shouting and attracted the attention of the commission at Amritsar. The chairman and other members of the commission then addressed the people and asked them to submit their complaints in writing at Amritsar or at Delhi as it was not possible to meet every one due to paucity of time. An assurance was given to the gathering that the complaint of every one would be attended to and the aggrieved parties would be replied or given an appointment to see the commission.

A majority of the complaints filed related to police excesses. There were a large number of cases of individuals 'missing' after their arrest by the police. Their relatives complained that they had been killed in police custody through excessive torture or in fake police encounters. The cases of harassment of women, custodial rapes and harassment of children and political opponents were brought before the commission. Some complainants also brought to light specific cases of kidnappings, extortions and land grabbing by the members of the police force. The Akali delegations raised their voice for the hundreds of TADA detainees, without any regular cases, for the last five to seven years, and occupation of houses of killed militant leaders by the police and their conversion into police posts. The police was accused of helping influential Congress leaders to grab private property and capture power in panchayat elections by not allowing opponents to file nominations.

Another set of complaints was related to the apathy of the state government and non-fulfilment of specific commitments. A large number of women whose policemen relatives were killed in fight against militancy had not been given announced benefits including government job to the next relative. Similarly, several women complained that families who had been victims of the terrorists had yet to get announced compensation.

Several delegations complained that extra legal powers given to police to deal with the terrorists continue to be with them in spite of the end of the terrorist violence. They stressed that in view of the gross misuse of these powers, they need to be withdrawn immediately and guilty police officials need to be punished. It was also stressed that the district police be brought under the civil administration of district.

People who dared to present their complaints, risking hostility of powerful police officials, expect concrete action on their complaints from the commission. At the same time, they expect protection from possible retaliation by the police officials. For this purpose each case has to be investigated independently by the investigation team of the commission which has not as yet been set up. It was stated by the chair-

man of the commission that such a team is in the process of being set up. If the commission proves to be helpful in giving relief to the victims of human rights violation, its credibility will be established in the eyes of the common man. The least the commission can do is to immediately direct the state government to restrain the police, withdraw extra legal powers given to them and bring them under the control of civil administration. This assumes importance in view of the opinion of the chairman of the commission which he expressed when the chief minister met him. The chairman has been quoted as having said that, "with the normalisation of the situation in the state, the commission would like to see the police returning to normal policing". But in due course the commission must become instrumental in getting punished the violators of human rights, whatever their social or political status may be.

This will help in restoring confidence of human and democratic rights organisations in the state. The co-operation between the commission and these organisations can go a long way in checking violation of human rights by the state machinery entrusted with the task of enforcing the rule of law. Any lapse on this count will further shake the confidence of the people in the working of the institutions in the country. In view of the advisory nature of the commission and the past attitude of the state and the central administration, the expected task appears to be quite daunting.

BIHAR

New Dynamics of Agricultural Workers' Struggle

Mukul

Agricultural workers in Madhapur block of Madhubani district of Bihar are successfully organising themselves to demand minimum wages from landowners.

"SINCE July-August 1993, the Mushhar agricultural labourers of the village are facing the wrath of total boycott by the landowners. We were getting only 1.5 kg paddy husk for a day-long work. But when we organised ourselves, demanded a little more and called for a bandh, the landowners retaliated like this"—so narrates Rameshwar Sadai, an agricultural labourer of Hashauli village in Madhapur block of Madhubani district, revealing a new, unfolding situation in various villages of northern Bihar. Not only Hashauli, but other villages in the same block, too, like Nandanvan, Navlakha, Vindeshwar, Mushhari, Kheri, Khashyam, Rahuwa Sagrani, Bheja Fakirana, are witnessing for the first time a major dispute over payment of minimum wages to agricultural labourers.

Behind this issue lies a deep socio-political polarisation, which is taking place in the remote rural hinterland of Bihar. On the one hand, even the most downtrodden castes, like Mushhar, are organising themselves together with the agricultural labourers of other backward castes, like Mandal and Yadav. On the other hand, the landowners, who are all from forward castes, are not ready to accept this and are conspiring to crush the labourers.

Thus, in the months of January and February 1994, many Mushhar labourers received anonymous, threatening letters. Nasiblal Sadai reads one such letter: "Now the last time has arrived. This is our final statement. Bloody holi will take place. You have reached your last stage".

Though it all started in Madhapur with the formation of Lok Shakti Sangathan, a mass organisation working primarily among the Mushhars, the socio-political scenario dominated by Laloo Yadav regime seems to be a constant reference point for the contending parties. The Mushhars, Mallahas, Yadavs and Mandals feel a sense of security and hope, even though the state government has not done anything to enforce the Minimum Wages Act or to resolve the conflict. And the forward caste landowners hold the Laloo Yadav government to be primarily responsible for creating these types of disturbances.

Hashauli is a remote Mushhar village, almost 4 km away from any road or regular transport. All the 50 families of the village are totally landless, and dependent on agricultural work, available in Bhagwanpur village. This village is dominated by the forward caste landowners who own vast amount of agricultural land in the area. Only one adult Mushhar is skilled in carpet weaving and has recently come back from Varanasi. The male workers do the main agricultural work, like ploughing, sowing, harvesting, and the female workers do the supplementary work, like carrying the crop load, taking care of crop, cleaning the field, etc.

These Mushhar families are one of the worst victims of socio-economic exploitation in the rural set-up of Bihar. Deprived of land and other productive resources, they are at the mercy of landowners for their day to day survival. Their poverty and helplessness is strengthened by beliefs such as that Mushhars in Bihar eat rats and snakes to feed themselves. Hashauli village is a typical example of Mushhars' plight, where they are continuously being denied even the minimum legal and democratic rights. In 1978 and 1981, altogether 24 Mushhar families were given 'pattas' of land, but they are not in a position to take possession of that land even today. The common and government land in the village is under the control of landowners. Kaushalya Devi and other women complain that they have been beaten up and humiliated a number of times by the landowners. The villagers allege that the landowners murdered one, young, Jhamalo Yadav who tried to organise the Mushhars and other backward communities in the 80s.

The payment of minimum wages to the agricultural workers is the most burning issue today in Hashauli. The Bihar government has fixed the daily minimum wage of agricultural labourers as Rs 24.50. But in Hashauli, the Mushhars are getting 1.5 kg paddy husk, wheat or maize for a day-long work, which comes to Rs five to eight. No other benefits are being given.

Deepak Bharti, convenor Lok Shakti Sangathan, explains the issue in Jhanjharpur: "The conditions of an agricultural labourer are pathetic, since he is getting such meagre wages since the last 10 to 15 years. But we have not demanded the government wage rate and are only asking for a daily wage of 3 kg paddy husk, wheat or maize. This will only cost Rs 12 to 15. The rationale for this demand comes from the specific situation of the area. Every year floods come in the area and destroy most of the crop. Thus the landowners are also suffering. In this situation there should be a workable rate of minimum wage by which agricultural labourers can survive and landowners can also continue."

The landowners are not ready to accept this workable rate and complain about carelessness, lethargy and limited working hours of agricultural labourers. Chandrakant Jha, mukhia of Bhagwanpur village, says: "We are not going to give 3 kg wage. We cannot bear this burden, and above all, the Mushhar workers are working for very few hours. They are not delivering the goods. Their ways of demanding higher wages are also not acceptable to us, as they have suddenly decided on it and are now asking us to implement it."

Hashauli and the surrounding villages are in a constant state of tension and trauma since July 1993. When the Sangathan asked for an increase in the minimum wages and threatened with a bandh only, the landowners aggressively decided on a total boycott of local labourers. The landowners are now hiring labourers from outside and in

their desperate need are even paying 3 kg wages to them. The labourers are being threatened in many ways and the landowners are imposing various restrictions to break their struggle. The cattle belonging to Mushhars are not allowed to go in the open fields and lands of landowners. They are not allowed to use some of the common ways which pass near the houses of landowners. The use of tanks and wells is also being heavily restricted. Some stray, violent incidents have taken place between the landowners and agricultural labourers, but they were controlled within a short span of time.

The Mushhar agricultural workers and their Lok Shakti Sangathan have successfully organised protest during the last nine months. Facing a boycott from landowners is really difficult but the labourers are continuing with their struggle and sometimes they go out to find some casual work.

Hashauli has also initiated similar protests in nearby Mushhar villages. Though the degree of protest is limited in other villages up till now, it is just the beginning. The most significant development lies in the fact that the agricultural labourers from the nearby villages are not working in the fields of Bhagwanpur. In some cases, they are actively joining the protest of Mushhar labourers. Even the Yadav and Mallaha agricultural labourers of Bhagwanpur village have refused to work in the fields of landowners. Kheli, the mukhia of Bhagwanpur Mallaha 'toli' and Dhyani Yadav, the mukhia of Yadav toli jointly assert: "We are not working. We will not work until the demands of Mushhars of Hashauli are settled."

The emergence of organisations like Lok Shakti Sangathan, the rising aspirations of the most downtrodden castes like Mushhar and the coming together of persons Kheli Mallaha, Dhyani Yadav and Surya Narayan Sadai are some of the notable dynamics in Bihar today.

ANDHRA PRADESH

Rising Son

M Shatrugna

The chief minister of Andhra Pradesh is attempting to use the Kurnool by-election to project his son, Surya Prakash Reddy, into the political arena.

THE Kurnool Lok Sabha by-election, scheduled towards the end of May, is likely to witness one of the most fierce electoral battles between the Congress(I) and the Telugu Desam in the state. Money, muscle power, rampant misuse of official machinery, following the trend set in Nandyal by the ruling party, would mark the by-election.

As expected, the Congress(I) nominee for the by-poll is Surya Prakash Reddy, son of the chief minister. Though his name came up for 'consideration' several times, after the election of Kotla from Panyam assembly seat, the chief minister vehemently denied every time that his son would be the Congress(I) nominee. Not only that. To give a modicum of legitimacy and 'popular' backing to Surya, an AICC team headed by Janardhan Poojari and A K Antony visited the state 'seeking' the 'opinion' of the partymen and legislators on the nomination. The moment the team had left Hyderabad, Surya's candidature was announced giving credence to the dissident's charge that the exercise was only a formality. The AICC observers seeking the opinion of the partymen itself was a big joke. Gate crashing, jostling, exchange of abuse between warring factions and downright rowdyism, which have been the standard Congress(I) meeting preliminaries, marked the observers' visit. Various factions in the party led by the supporters of former chief minister Jalagam Vengal Rao, former union minister P Shiv Shanker, Tamil Nadu governor Marri Chenna Reddy, 'BCs' group led by the former minister K E Krishna Murthy who had defected to the Congress(I) before the 1989 poll from the TDP, 'gave' their opinion backed by hundreds of their vociferous followers. Added to this comic opera was the group led by the former chief minister N Janardhan Reddy, presently unemployed after his sack two years ago. Not to be left alone, even Bhuvanam Venkatram (Reddy), who cannot even win his own seat in any assembly constitutency in the state, had made a beeline to meet the AICC observers.

The chief minister marshalled the services of his ministers led by K Rosiah. Muscle and lung power was provided by his lieutenant minister P Janardhan Reddy and Youth Congress president Sudhakar Reddy. Surya Prakash Reddy, whose only qualification is that he is the son of the chief minister, has no political background whatsoever. As expected, he filed his nomination papers followed by a host of ministers, MLAs and partymen. His supporters came from all castes, ranging from the landowning Reddy community to the SCs, the multicaste alliance mirroring the present-day electoral politics. They managed to ensure the presence of even a Muslim minister.

Compared to Congress(I), the TDP show of strength was moderate and more sober. S V Subba Reddy, the vice-president of the state TDP, is the official nominee. The TDP nomination ritual was led by the general secretary Nara Chandra Babu Naidu who was followed by a score of legislators and MPs. In addition to their own folk, the TDP managed to get the attendance of CPI(M) MP Bhim Reddy Narasimha Reddy and a CPI leader of Kurnool. In contrast, the BJP, the so-called third independent front, was nowhere in the picture.

Kurnool district has a chequered history. Till the end of the 18th century it was under the rule of the Nizam of Hyderabad. During that period the British and the French alternated their military troops in the service of the Nizam. In 1800, the Nizam, both as a gesture of gratitude and as a 'compensation', granted the area south of Tungabhadra river to the British. The four 'ceded' districts were Bellary, Cuddapah, Kurnool and Anantapur. All the four districts have considerable Muslim population. Kurnool assembly segment itself has substantial number of Muslims. In the 1989 assembly polls, the TDP Front had allotted the seat to the CPI(M). The Front candidate M A Gafoor had polled about 43,000 votes and the winning Congress(I) candidate 57,000 votes. Kurnool Lok Sabha constituency has a million electorate with two lakh Muslim voters. Since 1971, barring the 1984 mid-term poll, the seat was always won by the Congress(I). Of the six elections held since then, Kotla contested four times and had won thrice. Even during the 1984 poll he lost by a narrow margin. The constituency has seven assembly segments with two SC reserved seats. In the 1967 polls, the seat was won by Damodaram Sanjivayya, the first and the only scheduled caste chief minister of the state. In the latest state polls held in 1989 the TDP could bag only one of the seven seats. In the 1991 Lok Sabha polls, Vijaya Bhaskar Reddy polled about three lakh votes, 50,000 more than the TDP candidate S V Subba Reddy, the present contestant. At that time, the BJP candidate had polled about 20,000 votes and the rejected votes were a massive 16,000.

With 16 per cent SC population in the district, two SC reserved assembly segments and a substantial Muslim electorate, and with the BJP out of the contest and the post-Ayodhya developments, it will not be an easy task for the Congress(I) to retain the seat. Specifically, much depends on the mood of the minorities and the dalits.

The political outcome of the election will have a significant impact on the state assembly elections, scheduled six months away. While retaining the seat may not be a major political gain for the Congress(I), any creditable performance by the TDP at the polls will help it to consolidate its presence in the Rayalaseema region for the ensuing assembly elections.

Designing Wood-Fired Cooking Stoves

Where is the Woman?

Mangala Subramaniam

The 'appropriateness' of a technology is to a large extent measured by how well it satisfies the needs of the client in the case of the cooking stoves of the rural woman. Such an assessment of the needs and priorities of the rural woman in respect of wood-fired cooking stoves is severely lacking.

ACCELERATING deforestation in much of the third world has been adversely affecting fragile soils causing increased pollution and also resulting in negative effect on all life on earth. The loss of forests has been attributed to pressures from growing populations, land-hungry small farmers and rural households in search of fuelwood and forage. There has at the same time been a tremendous response and concern expressed over the issue. The principal causes of deforestation have been spelt out as the three symptoms of population growth and poverty—shifting cultivation, agricultural conversion and fuelwood gathering. In addition, commercial exploitation including logging and land clearing for ranches and agricultural estates have also been identified as causes for loss of forests.

Studies indicate that nearly half of the world's present population live in areas of acute fuelwood scarcity or deficit. Extrapolations indicate that up to three billion people will be living in such areas by the year 2000 [Manibog 1984]. India alone faces an extraordinary challenge: the population is expected to touch 1 000 million by the end of the century. Thus India's demand for food, firewood, fodder and building materials (like timber) and various such products will grow by leaps and bounds [Agarwal 1989]. Between 1950 and 1983 forest and woodland areas dropped 38 per cent in Central America and 24 per cent in Africa. Deforestation rates are estimated to be extremely high in countries such as Niger, Ivory Coast, Paraguay, Haiti and El Salvador, and others such as Indonesia, Brazil and Colombia that have large forest areas are also losing vast tracts.

Many governments and aid donors have stepped in to address the problem and much of the effort has been concentrated on the supply side: tree planting projects. Demand management activities have been lacking and attempts at promoting improved energy efficient stoves are still in the infant stages. However, whether it is the tree planting schemes or the development and dissemination of improved models of cooking stoves, involvement of the local population has been side-stepped.

The government of India first articulated a forest policy in 1952 which was only a modified version of the policy statement made earlier during British rule. According to the act the government has the right to charge levy on timber and forest produce in government and other forests. The Forest Policy 1988 gives higher priority to environmental stability than to earning revenue and prefers mixed forests. But it wishes to curtail the rights and concessions of forest dwellers by relating them to the carrying capacity of forests. The new policy read together with the Forest Conservation Act implies that the government intends having exclusive rights to management and ownership over both non reserve and reserve forest lands. Unfortunately, laws enacted by the central government have not been effective in either checking encroachment onto forest areas for fuelwood purposes, nor in checking private contractors who are working for the timber based industries. The effectiveness of policy both to create and protect forests and regulate its use has a direct relationship to woodfuel availability and use. The government has, no doubt, realised that legislation passed to protect forest areas in and of itself, is not sufficient to ensure that woodfuel energy requirements are met and that deforestation is adequately controlled. Therefore, the central and state governments have become involved in several reforestation programmes as also other means to minimise/optimise the use of woodfuel. Demand management activities are lacking and attempts at introducing and promoting use of improved models of wood fired cooking stoves, on a large scale, have not been successful.

Improved Cooking Stoves

Efforts have been made to design and disseminate improved models of cooking stoves in many countries like Guatemala, India, Kenya, Nepal, Sri Lanka and West Africa. Improved cooking stoves have been looked upon as an important tool for reducing fuelwood consumption (and conserving energy), as also improving the health of women. A major advantage could be better or complete cooking of food and therefore better nutrition for the members of the household. In Guatemala, many different forms of the Lorena stove are in use—round, rectangular, square, L or T shape. There were about 20 stove programmes in which the first level included laboratory tests and field trials in controlled dwellings. Estimates made indicated that national stove coverage had reached 0 7 per cent of families (this is around 1982) [Caceres 1983].

The cook stove or 'jiko' industry in Kenya is well-established and has been developed by small-scale entrepreneurs responding to local community needs and based on availability of materials. The 'jiko' is made from scrap metal. The proximity of jiko makers to the users partly explains the low price of the jiko, which has been fairly stable, rising from $ 0 5-1 0 in 1960 to only $ 1 20-3 0 in 1983. Several government and non-government programmes have been under implementation. The 'kimaki' jiko project that was initiated in 1981 aimed at developing construction techniques for a multi-fuel metal stove. Kimyanjui (1983), however, points out that lack of continuous training led to the manufacture of poor quality stoves. The 'umeme' stove that was developed, under the UNICEF project in Kenya, was more complex to use than the traditional one. In this model, the pot sits inside the stove rather than resting on the top. Larger pots can be placed on the top of the stove, but then the fuel efficiency is reduced. The cost of the 'umeme' stove is high, but the selling prices are low because of the arrangements made by UNICEF to procure materials from large companies at lower rates. However, once this is withdrawn the price of the stove may not be within the reach of the users [Hyman 1986]. An interesting aspect of the Kenyan programme is the active involvement of the non-governmental organisations and the ministry.

In Sri Lanka, improved models of stoves were designed under the Sarvodaya stove project. The Lorena stove (popular in Guatemala) was initially introduced as it compared with the traditional Sri Lankan stove. The estimated capital cost for the stove was $ 5 each. Later, a modified clay stove was developed which was quicker and easier to build. Quality problems, however, arose with this model and the material could not withstand high temperatures resulting in the cracking of the stove. Subsequently, in 1981, the 'Tungku Lowon' stove from Indonesia was adopted. The materials used for construction were sand, clay, cowdung and ash and this proved stronger than the previous model. However the $ 2 00 cost of the thin metal chimney made it unsuitable for mass dissemination. The most popular model was the pottery liner stove which costed only $ 1 00 each and the construction of nearly all these stoves was technically correct. Dissemination of the stove was taken up in Kandy district and studies have shown that 78 5 per cent of the users preferred this model to the traditional stove [Navaratna 1983]. Portable metal stoves costing about $ 3 00 each are being widely used in West Africa. This improved stove is being manu-

factured and distributed in Burkina Faso, Mali, and Niger. Studies have indicated a 30 to 33 per cent savings in fuel on an average. The sales of this model was reportedly low because the 'giveaway' programme had deterred potential users from purchasing the stoves [Baldwin 1984].

In the 1930s, Gandhian organisations in India developed stoves with chimneys, with an intention of reducing the indoor smoke pollution [OTA 1992]. This was followed by the HERL model, developed in the 1950s, which however was found to provide no fuel savings. There was only a marginal reduction in the indoor smoke levels in this model. Following this, attempts were also made by other developing countries but the models were found to contribute to little or no fuel savings This has been attributed mainly to the material used for construction—sand-clay mixtures [Baldwin 1984]. Researchers at the Indian Institute of Science's Centre for Application of Science and Technology to Rural Areas (ASTRA) in Karnataka developed an alternative to the traditional claystove the three pan model called the ASTRA-OLE. The improved version, developed in 1983, had one of the highest recorded efficiencies and provided a 40 per cent reduction in the cooking time [Baldwin 1984]. A single pan stove with a similar level of efficiency was also developed at ASTRA around 1985 [Goldemberg et al 1987]. ASTRA-OLE is similar in design to the Lorena stove and main field trials and dissemination were first undertaken in the Ungra region of Tumkur district (southern Karnataka) [Somasekhara 1984]. The cost of the three pan stove, made of sand clay, was \$ 7.00 (\$ 1 = Rs 10.00 in 1984) which proved to be a disincentive for purchase. The state government intervened and the stoves were made available at a subsidised rate [Baldwin 1984]. In spite of the above, in a study conducted in the North Kanara district of the state of Karnataka , Nadkarni (1989) points out that though the use of fuel efficient 'chulhas' designed by ASTRA have been canvassed for quite some time, the traditional 'chulhas' dominate even though they are not fuel efficient. The reasons for the non-use of the improved fuel-efficient model has however not been elaborated upon.

The 'addupu' model developed by the Kerala Sastra Sahitya Parishad (a voluntary organisation responsible for the almost 100 per cent literacy in the state of Kerala) in Kerala is reported to have an efficiency of almost 30 per cent [Somasekhara 1985]. The actual performance of the stove and its acceptance by users is not well known. The 'Nada' chulha was developed in the villages around Chandigarh, under a programme of the Ford Foundation. About 98 such chulhas had been built in the villages near Chandigarh as at the end of 1983. The only cost for this model was for the chimneys and dampers. The asbestos cement pipes (about three inches in length) for the chimneys cost about \$ 2.50, while if made of tin by local tin smiths, it is \$ 3.20 [Sarin 1984]. The involvement of women users for the development and construction of the stoves has to some measure contributed to the success of the model [Agarwal 1986].

Work in this area has also been initiated in two more states of north India—Himachal Pradesh and Uttar Pradesh—by the Delhi-based development alternatives. Four designs were developed, based on a market survey that was undertaken to determine cooking practices, fuel consumption, availability of present stove designs and other economic and social parameters. Each of the designs had a provision for secondary air to ensure maximum combustion of wood with a high content of volatiles. The models are both one-pot and two-pot stoves made from fired clay or metal. The costs of the various models vary from \$ 1 50-\$ 7.50 All designs can and should be covered with mud plaster of approximately 2 cm thickness for both thermal insulation and safety. Field tests had been proposed to be conducted before final dissemination [Khosla 1984] The agency has followed a systematic procedure to arrive at alternative models—the market survey, it is assumed, covered a significant number of users in the two states.

Research and development efforts at the Gujarat Energy Development Agency (GEDA) at Vadodara, Gujarat state, have been directed towards use of mud, pottery lining, mild steel, cast iron and stainless steel as raw materials Under the National Programme on Improved Chulas, of the government, both portable metal chulas and fixed mud clay chulas are being promoted. Fixed stoves are constructed in the kitchens of different households and provided to beneficiaries for a token contribution The metal chulas are sold at subsidised rates ranging from 50 per cent (for beneficiaries in the general category) to 75 per cent (for scheduled caste and scheduled tribe beneficiaries) of the cost of the stove. At current prices, the improved mud chula costs about Rs 50 depending upon whether it is a single pot or double pot model, while the traditional chulas cost about Rs 10-15 each. The user has however to pay only Rs 15 for the improved model; of which Rs 5 goes towards the cost of the material and Rs 10 to the 'mistri' (the persons who does the construction). In addition, GEDA offers these self-employed workers, an honorarium of Rs 10 per chula for its repair and maintenance for a year. The cost of ceramic chulas range between Rs 120 and Rs 180 depending upon the size [Gandhi 1991].

There is thus ample evidence of the stress laid by many countries to develop appropriate models of cooking stoves and ensure their acceptance. The 'big' gap is that there is absolutely no mention of the felt needs of the user—the rural woman It can clearly be observed that in almost all cases the field tests conducted consequent to dissemination give no indication of the sample size of the survey as also whether the improved model is continuing to be used. Gill (1987) has in her analyses of the reasons for the 'failure' of improved models of stoves, cited that the priorities of the villagers may be different from those of the promoters. The monitoring of the stove programmes has generally been on the numbers disseminated rather than a determination of the effects and impacts in relation to the expected benefits.

In fact, it is the end users consideration of stove cost; sturdiness, quality of construction, life expectancy, visual appeal; and ease of operating, regulating, extinguishing, cleaning and maintaining that will determine stove design acceptability and usage. Agarwal (1986) rightly states that the available evidence strongly points to the unsuitability of a 'top-down' approach and 'straight-transfer' approach for the diffusion of wood stoves; and to the importance of field adaptation involving the local users, local materials and local artisans. To this extent, Sarin (1984), who was involved in the development of the 'Nada' chula mentions that the experience of working with village women has demonstrated the importance of making technology suited to varying needs. Being more explicit—specific criteria should be adopted for the generation of new designs and user needs must be the question to be answered before setting out on the improvement of the existing or traditional model [Howes 1983; Foley 1984]. A list of evaluation factors for development of programmes on improved wood-burning stoves has been provided by Islam (1984). The 'user and use factors' has been categorised as a part of the pre-project evaluation of existing stoves, which in turn is followed by other categories within 'research and development' While the study in specific pertains to Bangladesh, the major factors listed are applicable for any such programmes embarked upon

Prasad (1983) has pointed out that traditionally stoves were constructed on the basis of intuition and with experience have modified gradually However, such processes have been slow and to take care of rapidly deteriorating resource situations, more formal approaches are capable of yielding quicker results This also explains, with illustrations, that in the recent past, there have been examples of transplanting stove designs from one community to another but sufficient care has not been taken in the process

Stoves have been designed with emphasis on being smokeless or more fuel-efficient but the users may have in fact looked upon smoke as a means of keeping away pests and mosquitoes In addition, fuel efficiency is significantly linked with the way, the stove

is used and women may definitely look at reduced time for cooking as a major factor to influence its adoption. Gandhi (1992) in connection with the GEDA experiment argues that laboratory testing and design development often do not take into consideration environmental conditions or the multiple cooking needs of the family. The 'most efficient' cooking stove may not provide these outputs efficiently, although it might use less fuel for the cooking operation alone. Gandhi (1992) thus states that women's knowledge of stove design and construction must be taken into account and for which a survey of traditional cooking practices would be required. Such a survey, should ascertain the socio-cultural criteria to be met and should also include other parameters like diet, cooking styles as also the kind of fuel being used. Islam (1984) has elaborated on similar details after a study in Bangladesh.

In sum, there are a large number of designs in the 'market' and all of them are put together by intuition rather than perceptible engineering analyses backed by reliable data. The caution must be in the adoption of technologies that are appropriate to local conditions, so that they do not lead to undesirable consequences. The factors to be considered for designing of stoves, essentially include the social factors or considerations, the engineering considerations, and the development and ecological considerations. The social factors and the development and ecological considerations are segments that are location and country specific. Several studies now show that a considerable part of the intransigence exhibited by the consumers in not accepting the newer designs should be attributed to the simple reason that the designs do not meet their needs.

Underlying these various initiatives, however are a variety of fundamental issues that must first be addressed for the development of better/optimal designs leading further to appropriate programme formulation for dissemination and thus increased adoption of the improved models. These fundamental issues include identification of user needs as also the affordable price. The prices at which the new models are made available is also crucial, considering that the traditional models used in rural households generally do not involve any investment. It, then becomes necessary to question the success or failure of new designs or improvements on traditional stoves and its non adoption. Are these designs and improvements being introduced without assessing the needs and priorities of the 'consumers', in this case the rural population or to be specific the woman? It is plausible that interest and initiative is lacking since it is the woman who cooks and it is the man who brings in earnings. In view of the existing social system in India, there is every possibility that no attention is paid to this aspect; since cooking is associated with the woman and any form of assessment or even consulting the woman will be only a secondary concern.

The government of India as also the state governments, have launched programmes for designing improved models of cooking stoves. It is learnt that the department of non-conventional energy sources, is carrying out work with the assistance of academic institutions to design suitable models. Efforts are also being directed by other non-governmental agencies. The question then is. Why has the acceptance levels been so low and the impact almost negligible? This is especially significant considering that women have been active supporters for preserving forest wealth. Women are actively involved in both the 'Chipko' and 'Appiko' movement (launched by the youth of Sirsi taluk, of north Kanara district, who were moved by the destruction of essential ecological processes and in which women became active participants); which is a strong indicator of the level of awareness of forest wealth and the need for preservation. In fact, the receding forest line, has increased the drudgery of the rural woman who has to walk longer distances to collect fuelwood. This implies that women users, if involved could provide crucial inputs for the programmes. Unfortunately, this has not been so and complete success has eluded most programmes.

By time-honoured tradition, the finalisation of the system of formulating and administering programmes, has been behind 'closed' doors. This is true not only of the programmes related to improved models of cooking stoves but also of the numerous poverty alleviation and family welfare programmes—all of which have evolved without field level specificity. Such 'sophisticated' development will prove expensive for the rural family leading the government to return to its accustomed practice of 'subsidising'—for which the government will have to earmark revenue and which will in a way cause either the buyer to attach no value to the item or the seller to have no incentive to cut down costs. Thus, every year begins the dilemma of either continuing the subsidy or withdrawing it. It must be pointed out here that the withdrawal of the subsidy would entail the decision-maker to be dubbed 'anti-poor' or 'anti-development'. In addition, large outlays and investments for implementation of programmes through the government machinery is not likely to yield results.

Efforts are worth being directed to involving the NGOs, which are established and have strong links at the grass roots level. It must however be cautioned, that the credentials of the NGOs identified should be examined carefully to ensure results. Actions to create awareness will in a way, provoke the rural populace to seek improvements or new facilities and programmes. Participation and programme impact are bound to be positive, when the need arises or is coaxed to arise from the rural masses/ from within. Attention thus needs to be drawn to careful planning and formulating programmes involving local women. Women are key agents to change and inputs from them are vital for the success of the stove programmes.

References

Agarwal, Anil, Narain, Sunita (1989): *Towards Green Villages: A Strategy for Environmentally Sound and Participatory Rural Development*, Centre for Science and Environment, New Delhi.

Agarwal, Bina (1986): *Cold Hearths and Barren Slopes*, Zed Books, London.

Baldwin, S et al (1984): 'Improved Cooking Stoves in Developing Countries: Problems and Opportunities', *Annual Review of Energy*, California.

Caceres, Armando (1983): 'The Dissemination of Wood-Stoves in Guatemala' in Clarke, Robin (ed), *Wood-Stove Disseminations*, Intermediate Technology, London.

Foley, Gerald, Patricia, Mose and Lloyd, Timberlake (1984): *Stoves and Trees*, International Institute for Environment and Development, London.

Gandhi, Nandini, et al (1992): 'Improved Chulhas: A Technology for Women', *UrjaPatra*, Vadodara.

Gill, Jas (1987): 'Improved Stoves in Developing Countries: A Critique', *Energy Policy* (April).

Goldemberg, Jose, Johansson, B Thomas, Reddy, A K N Williams, H Robert (1987): *Energy for a Sustainable World*, World Resources Institute.

Howes, Michael (1983): 'The Dissemination of Rural Innovations: General Principles and Implications for Wood-Stove Programmes' in Clarke, Robin (ed), *Wood-Stove Dissemination*, Intermediate Technology, London.

Hyman, E L (1986): 'The Economics of Improved Charcoal Stoves in Kenya', *Energy Policy* (April).

Islam, Nurul M (1984): 'Energy and Rural Development: Critical Assessment of the Bangladesh Situation' in Islam, Nurul M, Morse, Richard, and Soesastro, Hadi, M (eds), *Rural Energy to Meet Development Needs: Asian Village Approaches*, Westview, Boulder.

Khosla, Ashok (1983): 'A Delivery System for Appropriate Technologies' in Clarke, Robin (ed), *Wood-Stove Disseminations*, Intermediate Technology, London.

Kimyanjui, Max (1983): 'The Jiko Industry in Kenya' in Clarke, Robin (ed), *Wood-Stove Disseminations*, Intermediate Technology, London.

Manibog, R Fernando (1984). 'Improved Cooking Stoves in Developing Countries; Problems and Opportunities', *Annual Review of Energy*, California.

Nadkarni, M V (1989): *The Political Economy of Forest Use and Management*, Sage Press, New Delhi.

Navaratna, Harishini (1983): 'The Sarvodaya Stove Project in Sri Lanka' in Clarke, Robin (ed), *Wood-Stove Disseminations*, Intermediate Technology, London.

Office of Technology Assessment (1992): *Fuelling Development: Energy Technologies for Developing Countries*, US Government, Washington, DC.

Sarin, Madhu (1983): 'Improved Wood-Stove Dissemination by Village Women: The Case of the 'Nada Chulha'' in Clarke, Robin (ed), *Wood-Stove Disseminations*, Intermediate Technology, London.

Somasekhara, N (1984): *Rural Energy: Flows, Interfuel Substitution and Development: Profile of a Developing Country with Special Reference to India*, Sterling, New Delhi.

IMF's Shock Therapy and Russia

R G Gidadhubli

At a seminar in Washington in February, the managing director of the IMF sought to defend the Fund's prescription of so-called 'shock therapy' to bring about the successful economic transformation of the former USSR and other countries of eastern Europe. How convincing were his arguments?

MICHEL CAMDESSUS, managing director of the International Monetary Fund (IMF), while addressing a seminar in February on 'Implications of Western Policies for the Economic Recovery of Eastern and Central Europe' made an attempt to defend 'shock therapy'. He presumably considered it necessary to do so in reply to severe criticism of the policy prescriptions of the IMF which had been put in the dock.

Shock therapy as an important policy instrument for the economic transformation of the former socialist countries of erstwhile USSR and eastern Europe has been a subject of intense debate and controversy among academics and policy-makers not only in these countries but outside, particularly in the west After the virtual defeat of Russia's Choice, the party led by Egor Gaider, in the December 1993 election, prime minister Viktor Chernomyrdin declared that the era of shock therapy was over In 1993 he had already introduced several measures to undo shock therapy Subsequently, in this February, he reiterated his attack on it (*Moscow News*, No 5, February 1994) stating that the government was not a club where experiments could be conducted when every decision affected the life of millions of people He blamed the shock therapy policy of the Gaider government for pushing the standard of living of 50-60 per cent of the population below poverty line in 1992

Chernomyrdin's view presumably got support in the remarks of the US vice-president, Al Gore, who, on the eve of his visit to Moscow in December 1993, stated that there had been only shock and no therapy in Gaider's economic policy in 1992 Joining the Chernomyrdin chorus, the well known Russian economist, Gavril Popov, opined that it was necessary to clean up the country from the remnants of the shock therapy of Gaider and Feodorov (*Argument i Fakti*, Moscow, February 7, 1994)

In short, the proponents of shock therapy both inside Russia and outside stood discredited This included the IMF whose economists had strongly supported the policy for Russia after the disintegration of the former Soviet Union To make matters worse, what made the position of the IMF unenviable was the other criticism that the free-fall of the Russian economy and its present catastrophic condition could have been avoided if external assistance from international financial agencies such as the IMF had been provided during 1992 and 1993

Camdessus has advanced several arguments in his defence He has given examples of a few former socialist countries which have attempted shock therapy and have achieved fairly satisfactory results For instance, Albania which was in a bad economic situation two years back registered 10 per cent growth in GDP in 1993 which was the highest in Europe Again Poland's GDP growth last year was stated to be the second highest in Europe and, despite several problems facing the country, a growing market economy has been established in four years The Czech republic is another success story where inflation has been brought down to single-digit level and reforms are progressing satisfactorily

He has pointed out that in contrast to the above cases, Russia and Ukraine have been experiencing crisis situations in their economies mainly due to their inability to implement rigorous and comprehensive policies of macro-economic stabilisation and structural reform In his opinion the mistake of Russia and Ukraine was that they have tried to "protect existing patterns of output and employment through subsidies and credits' In the past full employment was achieved as a part of the socialist ideology despite low levels of labour productivity in the country Similarly, a significant portion of output was not realised due to lack of demand or the output was of extremely poor quality and hence was a social waste Under conditions of transition to a market economy this should not have been continued According to IMF chief, Russia and Ukraine have mainly followed a gradualist approach for economic transition rather than shock therapy The implications of this are, first, that it takes long for the transition process to be completed and, second, that it is going to be painful Elaborating this, he pointed out that the result of this gradualist approach will be a high rate of inflation and prolonged recession which means disorder in the economy Such a situation will cause hardship to the population which may be more cruel than the economic effects of shock therapy itself While complimenting Russia for some success achieved in 1992 with regard to price liberalisation, the exchange rate system and privatisation, the IMF chief is candid enough to point out that Russia lacked consistency with regard to fiscal and monetary discipline In this regard he implicitly offers a piece of advice to all the CIS countries in economic transition that they should build a consensus among the people to sustain policies of change But this is not easy in Russia since political pluralism and the democratic forces operating in the post-disintegration period have created pressure groups with vested interests which openly advocate conflicting approaches and policies For instance, in Russia's super parliament there were strong policy differences between president Boris Yeltsin and the prime minister on the one hand and the speaker Ruslan Khasbulatov and vice-president Rutskoi on the other Similarly, there were divergent opinions between finance minister Feodorov and the chief of the Central Bank of Russia, Viktor Gerashchenko, on Russia's monetary policies

Another issue on which the IMF chief expressed his views was external assistance for economic transition This is linked to the earlier issue since there is a view that shock therapy in Russia has not succeeded due to lack of external economic assistance Camdessus does not agree with this First, the west as a whole (both governmental and international agencies including IMF and World Bank taken together) made available over $58 bn to Russia in 1992 and 1993 which could not be considered as negligible The IMF extended economic assistance to several CIS countries Kirgyzia Kazakstan and also Russia During the last two years the IMF provided financial assistance twice under the specially created scheme of systemic transformation facility (STF) to enable Russia to shift to market-based trade Despite the assistance Russia was not able to undertake and implement the necessary fiscal and monetary policies Second, IMF has to abide by the rules of the organisation with regard to the linking of financial assistance by the IMF with the recipient country's policies Third the essence of Camdessus's message is that external assistance, including that from the international financial agencies such as the IMF was to be seen as complementary to and not as a substitute for good domestic policies It can only play a catalytic role in the initial period of economic reforms and its role should not be over emphasised for the success of reforms Similarly the conditionalities of the IMF are not to be treated as constraints for the transition of the recipient country but as guiding principles in the implementation of strong and consistent economic policies In

other words, Camdessus has put the onus for the success of economic transition on the country concerned rather than on external factors or agencies.

The arguments of the IMF chief are not entirely convincing. For instance, intercountry comparisons, say between Russia and Albania, have many limitations. In the case of Russia, radical economic reforms under shock therapy were introduced in early 1992 when Russia was experiencing unprecedented political strain as a result of the break-up of the former Soviet Union. This was not the case with Albania or Poland. Secondly, the problems facing Russia in the task of politico-economic transition are far more complex and formidable considering the size of the country and the diverse ethnic, social and ideological groups working at cross-purposes. Third, the economies of Poland and the Czech republic are much more developed and per capita income in them was much higher than in Russia or Ukraine and hence transition through shock therapy was easier than in Russia. Fourth, Russia and Ukraine have inherited an unbalanced economic structure from the Soviet past in the form of dominant defence and heavy industry and relatively weak consumer goods and agricultural sectors. Fifth, in Russia and in other countries market elements and private sector were far too poorly developed when economic reforms were introduced in contrast to Poland or Hungary, which have made the economic transition much more difficult and painful. Last but not the least, sufficient effort has not been made by the western countries to open up their markets for Russia and other CIS countries to enable them to export their semi-manufactured and manufactured goods and earn hard currencies for facilitating their economic transition and integration with the world economies.

China after Deng

S P Seth

China's polity, dominated by Deng Xiaoping since 1978, is so lacking in legitimate constitutional processes and framework that speculation about its future yields widely varying scenarios.

THE recent improvement in India-China relations is a welcome development. But to romanticise it, as in the 50s, is dangerous. It is important to remember that nothing substantive has been achieved on the border question and that the strategic perspectives of the two continue to diverge.

Besides, there is great uncertainty about China in the post-Deng period. Deng Xiaoping is nearly 90. China's polity, dominated since 1978 by this patriarch, is so lacking in legitimate constitutional processes and framework that doubts about its future are quite natural. As Michel Oksenberg has written, "...the communist revolution did not fundamentally resolve the basic constitutional issues that have plagued China since the eighteenth century: orderly arrangements for succession; national, institutional decision-making processes as opposed to highly personal and factional rule; appropriate division of responsibilities among central, provincial and local levels of government..."

The personality factor in China's polity is so crucial that a recent issue of *The China Quarterly* is exclusively devoted to an examination of Deng Xiaoping's role. According to Michael Yahuda, "It may be regarded as paradoxical, but Deng's very success in presiding over the most successful programme of economic modernisation in the communist world and perhaps in China's history has brought to the fore the problems of modern statehood that his programme was designed to solve..."

He adds, "The policies of reform and the growing regionalisation of the economy have weakened the capacities of the central government, thus raising again questions about the underlying unity of the country". As Gerald Segal says, "...domestic reforms and openness in China is helping create several Chinas, with potentially different foreign policies".

Barber B Conable, Jr, and David M Lampton, who are otherwise upbeat about China in a *Foreign Affairs* article, opine, "...The dilemma China's leaders... face today is that the process of economic reform produces new interest groups, adversely affects traditional groups (like state-enterprise workers) and generally gives rise to increasing demands on the regime". They add, "The convergence of such social, economic and political crises with the leadership succession in Beijing could spell turmoil for China's Communist Party and its people".

In the absence of legitimate channels of political expression and mediation, things in China might get out of control once the supreme leader, Deng Xiaoping, is not around to lend his personal authority to decision-making.

There is, however, another school of thought which cautions against looking at China through the prism of conventional western political values. They argue that the Chinese people value order and stability over and above political reforms and democracy. And this will indeed dictate their preference for an authoritarian but stable political system. Vivienne Shue of Cornell University in the US is a strong proponent of this view.

According to her, the "economic contradictions and social strains" of China's partially-reformed socialist economy have created a political situation in China "that is highly incendiary". She argues, "Precisely for this reason—given the interest of almost all parties concerned to avoid either a quick slip or a gradual slide into chaos—the careful consolidation of a more stable, more authoritarian form of state/bureaucratic capitalism seems a more likely evolutionary option than the emergence of genuine popular democracy and a free-wheeling market economy."

Nicholas Lardy, another China-specialist, has no doubt that "over the long run a competitive market economy must be paired with a pluralistic political system. But authoritative governments in east Asia pursued market driven economic growth for decades without relaxing their hold on political power". In other words, China too has a long way to go before moving towards democracy.

Shue believes that "the weakness of civil society in contemporary China... will likely continue to contribute, in crises to come, to the ease with which the embattled state may put down its opponents in society". To this end, the state in China is likely to reinforce its authority with a heavy dose of patriotism. Indeed the Deng-led communist regime "rests most of its claims to legitimacy now, in fact, on patriotic sentiment and the pride and satisfaction all citizens are presumed to take in the modernisation and strengthening of the nation's economy and in the enhancement of Chinese power and influence in the international arena".

A successor regime, to consolidate itself, is likely to be even more strident in its nationalistic rhetoric because "the Chinese people, generally speaking, seem quite responsive to the prods of official patriotism".

A likely "pattern of state [and Communist Party]-corporate-military interpenetration and collusion", combined with "irredentism, deployment of an ideology of militant nationalism and cultural purity" is hardly a comforting picture of a post-Deng China. Either way—whether China disintegrates or develops into a quasi-fascist state—New Delhi should tread warily.

Cultural and Political Autonomy in Indian Society

Satya P Gautam

Indian society not only faces problems in its autonomy from external pressures, both in political and cultural domains, it faces equally strong pressures from within its own structures, traditions and practices

I

THE ideal of autonomy has gained considerable significance in recent times In theoretical discussions and analysis, social and political theorists and moral philosophers have questioned or justified the principles and practices of the liberal democratic states by invoking one or the other version of the ideal of autonomy Similarly, political and cultural activists have invoked this ideal to defend the rights of individuals and communities to survive and flourish without any external interference and control While autonomy is recognised and defended as a prerequisite for the very possibility of a civil society, there is an equally clear perception that the recent economic, political, technological and cultural developments have been significantly contributing towards the erosion of the autonomy of individuals and communities A major source of threat to the autonomy of the people of the third world can be seen in the western tendency to continue its domination with its control over technologies of communication, armaments, transportation and production This needs to be understood not merely in cultural and political terms but also in terms of the requirement on the part of the west to control and perpetuate the existing patterns of consumption of the global resources by which its high standards of living are maintained The west (also known as north these days) manages to do this by keeping a control on the global trade and financial markets through various mechanisms Western domination, achieved by means of unequal and unbalanced exchange of material goods, ideas, and skilled persons, is very much a part of the culture, politics and economy of the Indian society Socio-political and economic decisions at the government level continue to be taken under conditions of lack of autonomy

Autonomy, as self-rule, is to be seen as freedom from both external and internal heteronomy Indian society not only faces problems in its autonomy from external pressures, both in political and cultural domains, it faces equally strong pressures from within its own structures, traditions and practices Therefore, any discussion of the problems of cultural and political autonomy is bound to be multi-dimensional and multi-contextual Similarly, the aspirations for autonomy may also be rooted in diverse backgrounds relative to the vantage point of the individual or the community which chooses to pursue the project of achieving autonomy Autonomy should be seen as a project to be realised or achieved as it involves an active effort to give to oneself laws for determining one's conduct and affairs Autonomy is derived from the Greek terms auto (self) and nomos (rule or laws), used to distinguish such city states which made their own laws from those which were governed by the laws made by others In more recent times Kant contrasted between autonomy and heteronomy to distinguish between free rational conduct and actions lacking the condition of self control In the utilitarian liberal tradition autonomy has been seen as an individual's capacity to make choices and determine his/her own goals In the liberal individualist theory, autonomy is regarded as a standard by which actions and persons are judged in the sense that a person is not merely someone who *can* control his/her actions but someone who *should* control his/her actions as an autonomous free being separate and distinct from other persons Since the quest for autonomy does not arise in a vacuum, it needs to be seen as an outcome of the reflective activity of reason on one's role and place in one's social environment Individuals as well as groups or communities of individuals can aspire to exercise autonomy by gaining mastery over their circumstances by refusing to be merely passive bearers or instruments of their psyche and history Without adopting a critical reflective stance towards one's inclinations desires, emotions and ambitions (in case of individuals), customs, laws, traditions and future plans (in case of communities and societies), it is not possible to pursue the ideal of autonomy

I am well aware that the above brief characterisation of autonomy may not cohere with many other conceptions or characterisations of it These divergent conceptions can be analysed and evaluated with reference to the contexts in which they have been characterised, sharpened and defended I do not propose to go into this in this paper However in considering various conceptions of autonomy as expounded within the individualist and collectivist intellectual traditions we may do well to remember that we are *not* born autonomous but *become* autonomous by acquiring certain intellectual and practical capacities which enable us to appraise, order and control our instincts, impulses and inclinations and to change our natural and social environment in accordance with our choices and decisions Becoming autonomous is not a matter of all or nothing, or once for all The projects of becoming autonomous involve diverse elements and could be realised up to varying degrees in different ways It is part of our cognitive and active finitude that one could make mistakes in the formulation or realisation of the project of becoming autonomous And this very integral feature of human condition lies at the root of conflicts in the pursuit of autonomy by different individuals and communities It is possible for heteronomous persons to become autonomous and [illegible] versa as it is possible for subservient [illegible] ited communities to achieve autonomy [illegible] achieving autonomy from external heteronomy and internal heteronomy in the contexts of individuals and communities may also need to be distinguished according to the specificity of the project

Since the various forms of quest for cultural and political autonomy have been influenced by different conceptions I wish to present selected and brief accounts of a few possibilities for consideration These are only selective instances from the complex Indian scene But we shall have more than sufficient material for analysis even from these limited illustrations

(i) A large section of the tribal and rural population of the country lives under conditions of acute poverty Before one can envisage the democratic possibility of their being able to actively participate in the decision making processes influencing the politico-economic and socio-cultural affairs of the republic one has to think of their minimal needs education health care and so on From the modernist perspectives on autonomy, as they have virtually no control over the decisions concerning their own living conditions, these populations cannot be regarded as autonomous Activists of the voluntary organisations engaged in working with such sections of the population speak of their empowerment through spread of literacy, imparting of skills for sustenance, hygiene, etc But some activist groups also speak of the 'cultural autonomy' in the context of these communities It is contended that the outsiders from the so-called civilised modern world are responsible for their present unfortunate miserable conditions as they have deprived them of their natural resources and disturbed or damaged the ecology to satisfy their own

greed. It is pointed out by these activists that these people may be illiterate and poverty-ridden but they have their own values, beliefs, skills, crafts and rituals which have been orally transmitted from generation to generation for centuries. In the name of their development, it is claimed, the outsiders have no right to deprive them of their cultural traditions. It needs a serious consideration as to to what extent outsiders have a right to protect the autonomy of others. Does it not smack of some form of paternalism?

(ii) Among the major problems being faced by the post-colonial Indian state are those of (i) the relationship between the central government as the chief organ of the Indian state and its component parts, namely, the provincial or state governments, and (ii) the majority-minority relations (radically different from the electoral majorities-minorities of the western liberal democracies) which are invariably identified in terms of regional, ethnic, religious and caste identities. In more moderate and sanitised versions, the problem is usually articulated in terms of 'centre-state relations' but has also been vocally expressed in terms of 'political autonomy' for a 'nationality', 'community' or a people claiming a distinct identity. Demands for the formation of new states to be carved from the existing state-boundaries have often been projected as aspirations for cultural and political autonomy of the people concerned. In this context, it would be relevant and significant to consider: (i) Why has the project of a pan-Indian identity not been effective enough to contain and encompass the other identities? (ii) Will a restructuring of the centre-state relations be sufficient for meeting the demand for political autonomy, or is some other kind of radical restructuring in the political institutions required to sustain the political unity of the republic?

(iii) During the colonial era, the periodisation of the Indian history was done in terms of the Hindu, Muslim and British rules. This periodisation was questioned and subsequently revised in terms of ancient, medieval and modern phases. But the revision in nomenclature did not succeed in undoing the damage which had been done by the earlier characterisation. Sections of Hindus and Muslims continue to perceive the past through the distorting prism. The ideologies of the Hindu Maha Sabha and RSS explicitly, and some others indirectly, maintain that the Hindus in India have lived under political and religious slavery and subjugation for several centuries, first under the alien Muslim rulers and subsequently under the British colonial empire. The upholders of this view claim that complete liberation from alien subjugation is possible only through a return to a pristine pure nativity. Aspiration for cultural and political autonomy in terms of a recovery of lost freedom is articulated as an ideology of Hindu self-assertion. This tendency gains strength from such interpretations of nationalism which glorify nation as "coming to self-consciousness of a historical subject" through the "discovery of creation of a common past—it is the story of the victory and triumphs, defeats and betrayals which have formed the nation". Recent happenings are a disastrous manifestation of such an exclusivist approach to cultural and political autonomy. This raises several significant questions about the characterisation of cultural and political identities, inter-cultural interactions, and resolution of conflicts in a complex pluralist society.

(iv) Academies in the universities, research institutions and colleges have been engaged in the study of what have been traditionally known as the humanities and social sciences. During the post-independence era, they have been using western categories and conceptual schemes to analyse, interpret, describe, explain and understand the various facts and elements of the Indian social reality. Some of them have gradually started realising that "western models and concepts do not seem to apply to the Indian experience" but only contribute towards "distortions in the analysis of Indian social reality". Some of them go a step further and point out that "western education has alienated us" from the "vital Indian intellectual traditions" and it only contributes towards "a trained incapacity of Indian scholars to construct cognitive alternatives". Many intellectuals characterise the prevailing academic scene as 'academic imperialism' with a call to free ourselves from the 'enslaving modes' of western thinking. It is also emphasised by a section of the scholars that we need to learn to recognise and appreciate the richness of the indigenous intellectual traditions in areas as diverse as mathematics, linguistics, philosophy, aesthetics, politics, medicine, architecture and so on. It is contended that without keeping these intellectual traditions alive, our fractured cultural identity is going to be further damaged to the extent of total disappearance. The aspiration for autonomy is characterised in terms of "articulation, critical evaluation and creative development" of the indigenous intellectual traditions. The aspiration for cultural autonomy is proposed to be pursued through a conceptual reconstruction of the Indian intellectual traditions which have been "elaborated, refined, and developed over millennia". In this context, it would be relevant and significant to consider: (i) To what extent is it possible to use the indigenous concepts from the classical texts to analyse, interpret and understand the contemporary social reality? (ii) Can such a pursuit be possible within the existing educational system? (iii) To what extent is this quest for going back to the rich traditions of the past rooted in the perception or recognition that the Indian intellectuals are isolated or cut off from the complexities of contemporary Indian social reality so that they find themselves irrelevant and their work inaccessible to the people at large? (iv) How will it become possible for the Indian scholars to become more relevant and active participants in the social and cultural life of the Indian people?

Society as an orderly system of interaction among its members is possible only so long as the participating individuals believe and accept that their own specific ways of conduct, reflected in their customs and codes, are right and proper. So long as most communities lived in small and isolated settlements, it was possible for different cultural groups to take pride in their distinctive ways as the only right way or the most superior way. Using the categories of savage, barbarian, uncivilised, primitive, etc, to condemn the alien cultural practices while holding one's own community as the civilised, cultured and, thus, superior to others was an important way of legitimising and perpetuating the dominant practices of the community.

But over the millennia, cultures in different societies have changed gradually and significantly. These changes became possible because each new generation not only learnt and assimilated the cognitive and active skills from the previous generations but also analysed, appraised and gradually extended them in an endeavour to confront the previously unresolved questions and the new problems faced by it. In these efforts, mistakes were often made which were left for the next generations to identify and rectify. But till these mistakes were/are discovered, they remain(ed) as much an accepted part of the received heritage as the achievements and successes of the past generations.

Ethnocentricity, narrow sectarian attitudes, dogmatism and close-mindedness are related to the safer and convenient approaches adopted by individuals in hierarchical and rigid social formations during the early periods of civilisation. In the early social formations, one of the major obstacles to individual autonomy was the dominant trend of unquestioned acceptance of the prevalent customs, codes and norms, as deviance was not only punished severely but the options available to potentially dissenting individuals were extremely limited. The lack of effective alternative courses of action tended to encourage individuals to follow rather than deviate from the received traditions. These attitudes not only have survived but also continue to operate quite effectively even when members of different cultural communities fight one another with the same weapons, compete against one another for acquiring the same technologies, use common satellite networks for communications, and seek to outwit one another in the common arena of global market. These attitudes continue to dominate because many of us find it difficult to get rid of the ancient fallacious assumption that our unique and specific socio-cultural heritage is not only superior to or better than others but is also an essential feature of our distinctive identity, unity, solidarity and survival as specific cultural communities. In doing so, we tend to forget that, over the millennia, there has been considerable exchange (sometimes voluntarily but sometimes forced, sometimes deliberately planned and sometimes by the exigencies of circumstances) and interaction among different cultural communities so that it would be impossible to visualise how any cultural tradition would have developed in total isolation from the other cultures. Therefore, any attempt to search for a pure, unpolluted indigenous cultural identity rests upon a neglect of the ways in which cultural traditions have evolved and functioned in history. Such endeavours also rest upon an essentialist, monist, exclusivist ahistorical view of cultural 'identity' which invariably moves a mental closure against the perception of possible inconsistencies within a cultural tradition, and the possibility of conflict or clash between different structures, elements and norms within the same culture. This attitude is contrary to the aspiration for autonomy as any exercise of autonomy demands not a blind conformity but a critical questioning of the received traditions. Any quest for cultural autonomy involves a willingness to compare different cultures, recognising their relative strengths and weaknesses, powers and limits.

Why do we find a tendency to protect and safeguard one's cultural traditions in the garb of cultural autonomy? Partly, it has to do with the hangover of the dogmatic, sectarian and narrow-minded attitudes which have been mentioned earlier. But partly it has to be understood as a response to the rightly or wrongly perceived threats in an atmosphere charged with deep prejudices, fears, apprehensions and suspicions arising out of the use of cultural, religious and ethnic identities for narrow political gains. The process of dialogue and openness towards one another, indicating a willingness to learn from others, is likely to result in consequences inconvenient to those sections or groups which are beneficiaries of the existing inegalitarian and hierarchical structures. To contain, mask and distort the prevailing structures which obstruct the realisation of aspiration for autonomy on the part of individuals and oppressed sections of society, the cultural and political elites find it convenient to organise and activate the masses under the banner of protection of ethnic, communal and casteist identities by reclaiming collective memories of past oppressions, invasions, injustices and conflicts. These tendencies are not specific or exclusive to any particular part of India. At different times they may seem dormant in one part and manifestly active in another. Whenever the situation crosses the critical point, it is only then that we start hearing of a crisis. Otherwise, we tend to remain oblivious of what has been constantly happening all the time simply because it does not directly harm or hurt the relatively privileged and more articulate sections of Indian society. In this context it also needs to be noticed that the modern liberal discourse of autonomy is taken advantage of to propagate traditional communal and caste identities. Thus the secular language of political and religious tolerance is used for non-secular goals. Perhaps such distortions are not only convenient but also become necessary when there is only a semblance of civil society in the name of a democratic polity. The old feudal and colonial tendencies and methods of obtaining submission and obedience through brute force or contrived manipulations continue to operate despite the constitutional provisions of fundamental rights and directive principles of state policy.

A careful look at the construction and projection of pan-Indian identity during the freedom struggle may also be of some help to understand the complexities of the present situation. Being an 'Indian' provided an ascriptive unifying identity against the British. This identity was adopted by the middleclass, western educated elite to pursue the goal of political autonomy. But communal, caste and regional identities were also invoked and used for mobilising the masses to participate in the freedom struggle. How the encompassing pan-Indian identity would be sustained (without threatening the other ascriptive identities) in the post-independence era was not given sufficient attention during the period of struggle for independence. Consequently, we continue to face the constant tension between the homogenising universalist tendency, superimposed by the leadership of the nationalist freedom movement, and the heterogeneous particularising tendency expediently invoked to launch various struggles against the post-independence ruling elite by the newly emerging leadership. But these patterns and strategies are a continuation of the political processes initiated during the pre-independence period itself. During the post-independence era, the old politics of cooption, adjustments and compromises has only been taken to its logical conclusion in an effort to maintain and safeguard the structures of power and authority inherited from the colonial masters. Political autonomy for the Indian people would be possible only through a questioning of the policies of this new ruling elite and struggling for alternatives which may contribute towards the setting up of a civil society. It seems uncertain, at the present moment, whether an alternative political movement will emerge and sustain itself. Whether the lure of ethnic, religious and linguistic identities would permit the requisite sense of discrimination to identify and reduce, if not eradicate, the real sources of subordination and marginalisation—it is difficult to conjecture. But it would be a wishful thinking that the goal of decolonisation, one form of political and cultural autonomy, can be achieved simply by taking a collective decision to not be trapped or lured by the western sensibilities and striving for a reconstruction of indigenous or 'authentic' belief systems and values.

In Praise of Reform

Aditya Bhattacharjea

India in Transition: Freeing the Economy by Jagdish Bhagwati; Clarendon Press, Oxford, 1993; pp 103, Rs 150.

DELIVERING these Radhakrishnan lectures at Oxford in June 1992, Jagdish Bhagwati had reason to feel satisfied, even triumphant. After more than a quarter century of urging market-friendly economic reforms on his country's pertinacious policy-makers, he was no longer (as he put it) "kicking yet again against a stone wall". Instead, he was singing the praises of the Rao government's 'reform by storm'. Crediting finance minister Manmohan Singh with taking India on her 'tryst with destiny', Bhagwati declared "we are finally in the spring of hope".

It is impossible not to compare this assessment of India's economic record and future prospects with that of the late Sukhamoy Chakravarty, who had delivered the Radhakrishnan lectures seven years earlier. (An expanded version was published as Chakravarty 1987). Bhagwati's is much more readable, generously leavened with witticisms and anecdotes. There is, however, a certain glib superficiality in these lectures, the result perhaps of the euphoric mood in which they were delivered. In contrast to Chakravarty's carefully nuanced analysis, Bhagwati depicts the state of the economy up to 1991 in sombre black, and its future in a generally roseate hue. Thus, while Chakravarty's core chapter was (rather infelicitously) called 'Vicissitudes in the Career of a Strategy', the corresponding chapters in Bhagwati are more bluntly entitled 'The Model that Couldn't' and 'What Went Wrong?'. (With perhaps unconscious irony, a third chapter is entitled 'What Is To Be Done?') Apart from these stylistic differences there are, of course, differences on points of substance. A few of these will be indicated below. But instead of confronting Bhagwati with Chakravarty, I shall have occasion to confront him in this review with his own earlier writings on India and on trade policy.

India in Transition begins with an excursive account of how India has been perceived by governments and economists in the west, which as it turns out, means the US. These perceptions went through kaleidoscopic changes, mirroring geopolitical and ideological developments, resulting in periodic "reversals of the ideological preferences of the intellectuals' rank-ordering of India and China" (p 13). The purpose of this historical sketch, according to Bhagwati, is to bring out distortions in the west's perception of India, by confronting it with reality. However, he never gets around to doing this adequately, and this unnecessary prologue, positing India and China as alternatives, remains unintegrated with the rest of the book. (In his Preface, Bhagwati says he has drawn on his "recent work on the sources of friction between the US and India in the post-war period"; it is presumably this which has been summarised and made to serve as a rather inappropriate overture to these lectures).

Coming to the reality, as opposed to these perceptions, of Indian development, Bhagwati gives credit to India for maintaining a functioning democracy (except during the Emergency) and containing secession, but does not excuse its miserable record on growth and poverty alleviation on that account. He then adopts an instrumental view of growth as being necessary for poverty alleviation, and counterposes this against three 'fallacies' in development thinking. The first is that poverty removal requires direct anti-poverty schemes, not growth. This is promptly qualified by recognising that both require targeting policies in favour of the poor, but growth (even if it bypasses the poor) is still held to be essential in order to finance anti-poverty measures. The second fallacy, according to Bhagwati, is that developmental strategy in India until the 1980s emphasised growth and neglected poverty. To refute this, he goes lightly over the same ground as Chakravarty (1987, Chapter 3), whose 'thorough' treatment he acknowledges, adding only personal anecdotes of questionable relevance, and chiding (unnamed) economists for 'rediscovering' the problem of poverty in the 1970s. The third fallacy is that the growth approach is a conservative 'trickle-down' strategy; Bhagwati sees it rather as "offering a radical, interventionist, pull-up strategy" (p 32).

To this reviewer, this controversy seems to be a storm brewed in a tea-cup, in which Bhagwati seeks to drown sundry straw men. The conflict between growth and poverty removal is caricatured, and wrongly posed in terms of intentions rather than experience. Poverty had to be 'rediscovered' in the 1970s not because growth-oriented planners callously disregarded it earlier, but because of accumulating evidence that the benefits of growth were not in fact trickling down in many countries. Bhagwati's perception seems to have been permanently coloured by his brief stint under Pitambar Pant in the Planning Commission in the early 1960s, when growth was indeed seen as the remedy for poverty. A decade later, the Approach to the Fifth Plan took a very different view. In Chakravarty's words (in the same chapter Bhagwati commends), "It showed that if the growth rate of around 5-6 per cent per annum was about the maximum one could have, it was impossible to bring about a reduction in poverty, howsoever defined, without attacking the problem directly" [Chakravarty 1987, p 36, emphasis added]. Bhagwati concludes his chapter with the unexceptionable arguments that "the nature of growth matters as much as growth itself", and that growth and direct anti-poverty schemes can be complementary, but asserts again that inadequate growth is responsible for the limited success of India's anti-poverty efforts. Nowhere does he spell out how exactly growth entails a 'radical, interventionist' approach. He distances himself from *laissez-faire* and calls for productive rather than counter-productive intervention: "There are plenty of things for the government to do" (p 98), but apart from providing primary education, he does not have anything particular to suggest.

The poor growth record is invariably depicted by Bhagwati in terms of aggregate or per capita GDP, even though he specifies that it is agricultural growth that impinges directly on poverty. Yet, throughout these lectures he has little to say about the agricultural sector, presumably because that is not where his intellectual comparative advantage lies, or because it does not fit into his theme of "freeing the economy". At the very outset, he excludes consideration of India's successful policies and performance in transforming traditional agriculture" (p 17n); here the contrast with Chakravarty's book is especially marked. Even if Bhagwati wished to confine himself to industrialisation, sectorally disaggregated growth figures would have forced him to contend with variations in the industrial growth rate, with rapid growth in the Second and Third Plan periods despite controls, and again in the 1980s accompanying limited liberalisation, for which he is less than enthusiastic. He attributes the better (GDP) growth performance of the 1980s mainly to debt-financed fiscal expansion, but sourly remarks that since it took the form of inflated wages and salaries, implicitly in government services, it should be seen as growth of transfers rather than real national income (pp 92-93). The fact of an increase in the industrial growth rate during the 1980s seems to have escaped him. Ahluwalia (1991) and now Srivastava (1994) have presented evidence of productivity improvements in this period that they attribute to liberalisation, while Kelkar and Kumar (1990) point to new inefficiencies and distortions. Growing fiscal deficits were surely responsible in part for the industrial acceleration; this would be consistent with Srivastava's finding that productivity grew thanks to better utilisation of labour (a 'quasi-fixed' input), with no evidence of reduced price-cost margins.

The chapter on 'What Went Wrong?' contrasts the planners' obsession with capital accumulation and allocation with their neglect of productivity. India's success in raising saving and investment rates, according to Bhagwati, was nullified by rising capital/output ratios. He tersely but fairly

effectively rebuts the hypotheses that overestimated savings, underestimated growth, or compositional shifts among sectors were responsible for rising capital/output ratios. He does not, however, adequately deal with Chakravarty's argument that diminishing returns in agriculture and in energy production raised the ratios in these sectors. Nor does he acknowledge that the east Asian miracle economies, to which he frequently . not only have much better productivity growth but also much higher savings rates than India. In the light of this, it is not that easy to deride the (physical) capital accumulation bias of early development theory, which Bhagwati associates with "the Marxist focus on 'primitive accumulation'... and also with the quasi-Marxist models of the investment-allocation literature that grew up around Maurice Dobb" (p 10).

Bhagwati puts the blame for low productivity on pervasive bureaucratic controls, inward-looking trade and foreign investment policies, and "the spreading stain of inefficient public enterprises"—a triad he has railed against for many years. This 'oppressive framework above' is met in a pincer movement, as he puts it, by 'widespread illiteracy below', the result of India's neglect of primary education. On this, he cites Weiner's recent work (1991), and asserts a close relationship between literacy and productivity growth. His critique of the industrial and trade policy regimes follows the trail he himself blazed (along with Padma Desai and T N Srinivasan) in the 1960s and 1970s. Since this theme has been developed at length elsewhere, he is very succinct on the deleterious consequences of controls. In one of his more apt anecdotes, he recalls arguing in 1967 with the bureaucrat in charge of industrial licensing, who maintained that without licensing, resources would be frittered away on producing lipstick. "As I heard this", recounts Bhagwati, "I could not help smelling the Brylcream in his hair"! A decade ago, one would have responded that this indicated the need for more extensive controls, on the pattern of production as well as demand generation. Nowadays, we are wiser and sadder.

However, Bhagwati cannot be allowed to get away with questionable interpretations of the intellectual origins of the control regime. The following statement is decidedly misdirected:

> the failure to understand that markets will generally work better than central planning as a resource-allocational device... was manifest in the early assertions, from the writings of Barone, Lange and Lerner, that centralised planning would work better than a decentralised market system because it would calculate prices better. It was left to Hayek to expose the illogicality of this position by arguing that central planners would not be able to secure the information and knowledge that micro-level decision-makers alone would have. (Bhagwati 1992, p 51; a similar indictment of the Lange-Lerner mechanism is made on p 65.)

Most readers will recall that the Lange-Lerner system was conceived as a decentralised alternative to central planning under socialism, possessing all the features of the competitive price mechanism—and was trenchantly criticised by Dobb (1953) for that very reason. The reference to Hayek is debatable, but requires a digression that is better left to a lengthy end-note.[1] Bhagwati gives not the slightest evidence that the Indian control regime was influenced by the classic writings of Lange and Lerner, or for that matter by those of Rosenstein-Rodan and Hirschman, whose arguments for planning investment allocation he also implicates. Rosenstein-Rodan's focus on the pattern of consumer demand generated by an investment plan is in fact conspicuously absent in India's 'open-loop' planning models. Their preoccupation with ex ante supply-side consistency in an input-output sense is similarly far removed from Hirschman's prescription of stimulating deliberate imbalances And both authors' central concern, the inducement to invest, was neglected in debates on the Indian economy until the late 1970s. The Indian control regime in Bhagwati's eyes certainly has a muddled pedigree; elsewhere, he asserts that "India drew her policy ideas from Fabian politics and English economics (*sic*)" (p 21)![2]

On two issues, Bhagwati is much harsher than even his own earlier very critical writings on India. A three-paragraph section on direct foreign investment asserts offhandedly that the web of controls impeded technological change in Indian industry. While this is open to debate, Bhagwati cites no evidence to back his charge, unlike his documentation of most of his other indictments. The public sector also comes in for sharper criticism. Now Bhagwati admits that he was wrong to have expected any improvement: "the conditions that would make the public sector productive and efficient seem beyond reach, at least in India" (p 65).

Public-sector losses are now also seen as a macro-economic problem, contributing to the fiscal crisis that led to the current reforms. Sensibly, Bhagwati avoids blaming the crisis solely on bad micro-economic policies; political instability and external factors are given their due role. In particular, he points out that the deterioration of the aid environment, consequent on the diversion of funds to eastern Europe and American domestic problems, made donors more careful about the efficiency with which their aid was used. The dimensions of the crisis, and of the reforms of the 1980s and 1991, are spelt out in some detail, presumably for the benefit of the Oxford audience in 1992. Commenting at that time on the unfolding reform programme, Bhagwati inferred from the lack of decisive action on the external front that the government had chosen a deliberate sequencing of domestic before external liberalisation. His discussion of 'partial convertibility' is now dated, and there is of course no discussion of the tariff reductions of 1993, or of privatisation or foreign portfolio investment.

Bhagwati's 1992 prognosis was optimistic, although two years later his assessments are on weaker ground, and some of his caveats sound more dire. He recognised that the success of the reforms depended on producing quick and substantial results, which was made difficult by the need for fiscal stabilisation. His concern at the depressed growth rate for 1991 echoes louder now, with fiscal profligacy co-existing with industrial stagnation. His suggestion to cushion the impact of stabilisation on urban workers by channelling food aid from the US and EC through the public distribution scheme is doubly dubious. First, despite being Arthur Dunkel's Economic Policy Adviser, he does not seem to have foreseen the effects of the Uruguay Round on global food availability consequent on cutbacks in subsidies. Second, independent of availability, he does not recognise what Amartya Sen would call entitlement failures consequent on the unemployment resulting from stabilisation-cum-adjustment programmes. Without incomes, how are unemployed workers expected to buy even subsidised food? The government's bloated food stocks are symptomatic of demand failure even without substantial layoffs.

Bhagwati's suggestion that the geopolitical environment is ripe for playing a 'Japan card', encouraging aid and investment from that country, seems less of a winner now, given Japan's political and economic travails. Finally, he repeatedly insists that credibility and forward momentum in the reform process are crucial, and suggests that it be marketed politically as part of the war against poverty, presumably reversing the syllogism of poverty being the outcome of inadequate growth, which is caused by low productivity, which in turn is due to the control regime. This reasoning is surely going to be hard to sell as a mass platform.

I conclude this review with some general observations. The first is that the Jagdish Bhagwati of this volume is in several respects a different commentator from that of his earlier writings. Looking back at his early work at the Planning Commission, in an introduction written for a volume of his essays [Bhagwati 1985, p 2], he wrote: "The basic theme, i e, growth with a view to eliminating poverty, may have been too optimistic; indeed I think it was." By 1992, his optimism seems to have returned. In a 1975 essay reprinted in the same volume (p 86), he emphasised the need for economists to be more politically sensitive in their prescriptions; to learn in particular the lessons of 1960s trade reforms, which showed that while liberalisation of non-competitive imports was feasible, that of competitive imports was not. In 1992, he is sanguine about India's ability to accept the pains of competition, and quite dismissive of concerns for job security: "The public sector has so far operated on the assumption that, given the scarcity of jobs, it is bad enough to find one job in a lifetime and to ask people to find two is nothing short of cruel and unusual punishment. Without effective exit, the efficiency gains from other reforms will remain limited, for sure" (p 91). With the prime minister scrambling for the 'Middle Path' at Davos, enunciating a doctrine of

painless reform, the exit policy has disappeared from official discourse. Fiscal recidivism plagues North Block and it is not clear whether the momentum is being sustained. Bhagwati's 'spring of hope' may yet turn into his winter of discontent.

As Bhagwati's own theoretical work demonstrated to the economic profession, first best policies applied in second best contexts can be counterproductive [ibid 1985 p 86]. Yet there is no recognition in these lectures of the many such contradictions in the reform package. In particular, the liberalisation of capital and intermediate goods imports, combined with the demand stimulus of tax cuts, has probably increased the effective rates of protection of most consumer goods whose imports remain prohibited or subject to tight quantitative restrictions. Relaxed investment licensing has permitted excessive entry, with the absence of exit options preventing rationalisation. Many of these industries thus produce for the domestic market at inefficiently low scales and at high resource costs measured at world prices, and are highly capital intensive [Kelkar and Kumar 1990]. (This would also be consistent with high capital output ratios Bhagwati deplores.) Direct foreign investment in a protected capital intensive sector was theoretically shown two decades ago to be 'immiserising' by Bhagwati and several others; empirically it was held to have reduced growth in two of the country studies of the voluminous NBER project on foreign trade regimes and economic development co directed by him in the 1970s (see ibid 1985 pp 6 and 130 32 for a summary of these findings and caveats on foreign investment). Eight years ago I had tentatively pointed out some of these contradictions in these columns [Bhattacharjea 1986] and also quoted from the NBER studies on the striking lack of evidence linking export promoting strategies to greater efficiency, technical dynamism, or higher savings [Bhagwati 1985 p 133].

Revising former beliefs is a virtue not everyone possesses. Bhagwati himself has joked about the frequency with which economists change their minds on important policy issues [ibid p 84]. Possibly he believes that these inconsistencies are only transitional and will be overcome by the forward momentum of the reform process. On the other hand, if things do not work out he can always cover himself with the charge that the required package was not implemented in its entirety. For the present his optimism can only be based on locating the policy changes in a political vacuum. For despite his earlier plea for political sensitivity, and his own substantial work on the political economy of trade policy, Bhagwati takes a very idiosyncratic view of policy formulation in these lectures. The bad old *dirigiste* policies are held to be 'wittingly foolish and irrational' (p 18). Scathing remarks are made about the pernicious role of economic dirigisme (p 51) and the culpability of India's economists for the country's failings. Bhagwati shows some sympathy for "the cynical view that India's misfortune was to have brilliant economists" (p 54).

Although the 'general population' fed up with the permit raj, is seen to make for a broad pro reform constituency (p 82), the reforms themselves are seen to be a triumph of the right ideas, conceived by the right sort of economists and implemented by the right sort of politicians. With a patriotic flourish, Bhagwati eagerly reclaims the credit for these ideas for himself and his fellow Indian economists, denying the parentage of the World Bank and IMF (pp 68 69). His hosannas for Narasimha Rao, Manmohan Singh and their team echo through the book; he even takes pride in the fact that he went to the same colleges at both Oxford and Cambridge as Manmohan Singh (p 3)! In Bhagwati's view, most of all the psychology of the leadership that took power in June 1991 must provide the ultimate compulsion for the reforms unleashed by it (p 83). Apart from few rent seeking lobbies, he sees no serious political obstacle to the reforms. This panegyrist's view of change centred on personalities and ideas is possibly what causes him to suspend the critical judgment so effectively deployed in his earlier work. Success is said to have a thousand fathers, but the verdict is yet to come in on the Indian reforms and Bhagwati's paternity suit may yet be premature.

Notes

1 Bhagwati cites (p 51n) a 'seminal' essay by Hayek entitled 'Economics and Knowledge'. This, it turns out, is largely methodological, concerned with the informational content of equilibrium, only tangentially with central planning, and makes no mention of Barone, Lange and Lerner. In fact it was first read at the London Economic Club in November 1936 [Hayek 1949, p 33n], while Lange's essay was published in 1938 and Lerner's *Economics of Control* in 1944. Hayek was certainly aware of proposals for a market based socialism even earlier, but it was not until 1940 that he published a very critical review [reprinted as Chapter IX in Hayek 1949] of Lange's essay and a book by H D Dickinson propagating similar ideas. The information issue arose specifically in the context of their scheme for allocation of capital to socialised enterprises via a 'shadow' interest rate determined by supply and demand, mimicking the capitalist market without private ownership of capital. Hayek's point was that this would be unworkable because the enterprise managers would not have to suffer the consequences of their mistakes and would not therefore correctly value the productivity of their investment plans [ibid pp 199 203]. He then alleged, without any textual evidence: "It seems that here the two writers [Lange and Dickinson] are unconsciously led to fall back on the earlier beliefs in the superiority of a centrally directed system over a competitive system" (p 201) for investment allocation. It was in this context that he referred to his essay 'Economics and Knowledge', investing it retrospectively with a practical significance it does not seem to have originally possessed. This critique of planning was developed in Hayek's later works, one of which Bhagwati mentions. The problem, although certainly a very real one in socialist economies, is now also of course the subject of a vast 'principal agent' literature in the theory of the (capitalist) firm.

2 If anything, excessively detailed regulation of the private sector can be seen as a continuation of the wartime policies of the colonial government. This thesis has been recently argued by Tomlinson (1993, Chapter 4), who is equally critical of the consequences of this adherence to *dirigisme*. He points out that comprehensive controls instituted in the 1940s—on imports, foreign exchange, prices, and capital issues—were carried over in various ways into the post independence period for practical rather than ideological reasons. Nor was licensing just a bureaucratic hangover. In consultation with leading industrialists, the short lived Department of Planning and Development (1944 46) headed by Ardeshir Dalal, a director of Tatas, proposed an industrial policy with regulation through licensing for 20 key industries. Finally, the central legislation on industrial controls, the Industries Act of 1951, actually pre dates the theoretical literature on investment planning which Bhagwati indicts for spawning the licensing system "which then grew like Frankenstein" (p 53). (Incidentally, here Bhagwati makes a common mistake: in Shelley's novel, Frankenstein was not the name of the monster but of the scientist who created it!)

References

Ahluwalia I J (1991) *Productivity and Growth in Indian Manufacturing*, Oxford University Press, New Delhi.

Bhagwati J (1985) *Dependence and Interdependence* (Essays in Development Economics, Vol 2, G Grossman (ed)), Basil Blackwell, Oxford.

Bhattacharjea A (1986) 'New Trade Strategy', *Economic and Political Weekly*, February 8.

Chakravarty S (1987) *Development Planning: The Indian Experience*, Oxford University Press, Delhi.

Dobb M (1953) 'A Review of the Discussion Concerning Economic Calculation in a Socialist Economy', Chapter III C in *On Economic Theory and Socialism*, Routledge and Kegan Paul, London, 1954.

Hayek F A (1949) *Individualism and Economic Order*, Routledge and Kegan Paul, London.

Kelkar V L and R Kumar (1990) 'Industrial Growth in the Eighties: Emerging Policy Issues', *Economic and Political Weekly*, January 27.

Srivastava, V (1994) *The Impact of Liberalisation on Productivity and Competition: A Panel Study of Indian Manufacturing 1980 89*, unpublished PhD dissertation, Boston University.

Tomlinson, B R (1993) *The Economy of Modern India 1860 1970* (The New Cambridge History of India, Vol III 3), Cambridge University Press.

Weiner M (1991) *The Child and the State in India*, Oxford University Press, New Delhi.

International Trade and the Agricultural Sector in India

Deepak Nayyar
Abhijit Sen

This paper analyses the impact on Indian agriculture of trade policy reform in India and multilateral trade liberalisation internationally.

The rationale and structure of India's trade policy regime for agriculture over the last three decades are outlined to highlight the fundamental departures implicit in the recent trade policy reform. This is followed by discussion of the significance of the agricultural sector in India's economy and foreign trade on the one hand and the importance of Indian agriculture in world output and trade on the other and comparison of domestic and world prices for selected agricultural products.

The analysis is developed further to cover the implications and consequences of trade policy reform in India for the agricultural sector in particular and the economy in general. Shifting attention to the international context, the status of trade in agriculture in the multilateral trading system so far is outlined to bring out the fundamental departures contemplated in the Uruguay Round and their possible implications for the agricultural sector and the economy in India are examined.

Some conclusions that emerge from the analysis are drawn together in the final section of the paper.

I
Introduction

THE present conjuncture in India represents a watershed for the economy which may have profound implications for the agricultural sector. At the same time, developments in the world economy, in particular the multilateral trading system, may also have important consequences for world output and world trade in agriculture. The process of macro-economic stabilisation combined with fiscal adjustment and structural reform in India would of course be constrained by what happens in the agricultural sector, but would also have a significant impact on Indian agriculture particularly insofar as it moves domestic prices of inputs and outputs closer to world prices. The conclusion of the Uruguay Round of multilateral trade negotiations, largely in accordance with the Dunkel Text, would inevitably change the structure of relative prices for agricultural commodities in the world economy. Taken together, these developments may have serious implications and consequences for India, not just in the agricultural sector but in the economy as a whole. The importance of the issue should be obvious. Yet, the subject has received little attention from scholars and policy-makers, at least so far.

This paper seeks to analyse the impact of trade policy reform in the national context and multilateral trade liberalisation in the international context on Indian agriculture. In doing so, it is clearly not possible to abstract from other problems of the agricultural sector or limit the focus to the regime of trade policies alone. Hence the discussion needs to be situated in a wider context.

At the outset, it is essential to recognise the limitations of such an exercise. For one, it is always difficult to contemplate the future in a world where the degree of uncertainty is high and developments are interdependent so that arguments are at best *ex hypothesi*. For another, methods of economic analysis are not versatile enough to capture the consequences of change which is so large that it may reshape the parameters. In other words, there are too many imponderables. But that is not all. There are, in addition, two complex methodological problems. First, the small country assumption, so often the basis of conventional economic analysis, is simply not valid for the theme of our paper. This is partly because India's share in world output for many agricultural commodities is high and partly because a relatively small proportion of world output enters world trade in several agricultural commodities. Thus, how much India buys or sells in the world market would affect world prices. Second, any discussion of international trade in agriculture cannot be confined to border measures that affect the movement of commodities across national boundaries. This is because domestic economic policies exercise a significant influence on output, prices and trade. Consequently, it is difficult to disentangle the effects of trade policies from those of domestic policies in the sphere of agriculture. Given these limitations, it would be idle to pretend that a short essay can provide a systematic analysis or an exhaustive discussion of the problem. This paper should, therefore, be read as a preliminary attempt to explore the issues.

The discussion is structured as follows. Section II considers the trade policy regime for agriculture in the national context outlining its rationale and structure over the past three decades to highlight the fundamental departures implicit in the recent trade policy reform. Section III sets out the facts by providing an assessment of the significance of the agricultural sector in India's economy and foreign trade on the one hand, and the importance of Indian agriculture in world output and trade on the other. Section IV attempts a comparison of domestic prices and world prices in terms of absolute levels and relative stability for selected agricultural commodities, even though such an exercise is fraught with statistical and methodological difficulties. Section V develops the analysis further to discuss the implications and consequences of trade policy reform in India for the agricultural sector in particular and the economy in general. Section VI shifts attention to the international context, outlining the status of trade in agriculture in the multilateral trading system thus far to highlight the fundamental departures contemplated in the Uruguay Round and examines the possible implications for the agricultural sector and the economy in India. Section VII draws together some conclusions that emerge from the analysis.

II
Trade Policy and Indian Agriculture

Over the past three decades, if not longer, the trade policy regime in India has made a clear distinction between the agricultural sec-

tor and the industrial sector, whether we consider its rationale or its structure. Traditional exports which originate in the agricultural sector, both plantation crops such as tea or coffee and cash crops such as tobacco or spices, that have always been an important source of foreign exchange earnings for the economy, constitute the exception to the rule. For these commodities, the open trade regime has continued from the colonial era. Apart from this, however, in the sphere of agriculture, foreign trade flows have been perceived as a residual whether we consider exportables or importables. For exportables, the difference between actual domestic production and estimated domestic consumption has determined the surplus available for export. For importables, the difference between estimated domestic production and desired domestic consumption has determined the volume of imports. In an accounting sense, *ex post*, trade flows always measure the difference between domestic production and domestic consumption after we allow for net changes in inventories. It needs to be stressed that, in India, agricultural trade flows have been a residual in an ex ante sense. This has been implemented either through quantitative restrictions or through canalisation or, over time, through some combination of both. For agricultural exports, quantitative restrictions in the form of licences or quotas have, more often than not, provided the means for regulating the volume of trade flows. But, for some agricultural exports, canalisation through state trading organisations has provided the means for regulating the volume or the value of trade flows. For agricultural imports, canalisation through state trading organisations has provided the predominant means of regulating trade flows. Insofar as such canalisation is limited to designated state trade organisations, the decision about the volume or the value of imports has been made by the government.

The rationale underlying this trade policy regime for agriculture, which regulated the volume of both exports and imports, has been a concern about domestic prices. A large proportion of India's agricultural exports, whether consumer goods or intermediate goods, are exportables which enter into domestic consumption or use so that the volume of exports can exercise a strong influence on domestic prices. Similarly, a large proportion of India's agricultural imports, whether consumer goods or intermediate goods, are importables produced in the agricultural sector so that the volume of imports can exercise a strong influence on domestic prices. The concern about domestic prices has been particularly important for exportables and importables which are wage goods, or inputs for wage goods, because the majority of the poor in India do not have incomes that are index-linked. In the pursuit of this objective, therefore, the volume of agricultural exports has been restricted to prevent domestic prices of exportables from rising as much as they otherwise would, while the volume of imports has been enlarged in order to prevent domestic prices of importables from rising as much as they otherwise would. There have been two dimensions to this concern about domestic prices of tradeable agricultural commodities. For one, the trade policy regime has sought to maintain domestic prices at absolute levels that are commensurate with average income levels. For another, the trade policy regime has sought to impart a stability to domestic prices in the interest of both producers and consumers.

It is not as if domestic prices have been the sole concern of the trade policy regime for agriculture. There have also been other concerns but, in terms of importance, these have been subsidiary or secondary. First, the balance of payments constraint has been a significant factor underlying restrictions on agricultural trade flows; this has been so mostly in the sphere of imports where the volume or the value has been restricted to economise on foreign exchange expenditure. Second, a concern about terms of trade has sometimes been a factor underlying restrictions on agricultural trade flows; this has been so mostly in the sphere of exports, where the trade policy regime has sought to stipulate a minimum export price or impose a ceiling on the volume of exports in order to pre-empt a deterioration, rather than seek an improvement in the terms of trade. Third, the need to protect domestic agriculture has occasionally been a factor underlying restrictions on agricultural trade flows; this has been so for a few importables such as oilseeds or rubber.

The process of stabilisation and adjustment initiated in mid-1991 has been associated with a wide ranging trade policy reform which seeks to increase the degree of openness of the economy.[1] The government sees this as a beginning rather than the end. It would thus be reasonable to assume that more is to come. Yet, it is clear that trade policy reform already implemented in the form of actual changes represents a fundamental departure from the erstwhile trade policy regime for agriculture. The new perceptions articulated by the government suggest that, over time, the domestic prices of inputs used and outputs produced by Indian agriculture would move closer to world prices.

The recent developments can be summed up as follows.[2] First, the canalisation of agricultural trade flows, which enabled the government to determine the value or the volume of imports and exports, has been almost abandoned. All agricultural imports other than cereals, oilseeds and edible oils have been decanalised. All agricultural exports, except onions, have been decanalised. Second, many of the quantitative restrictions on agricultural trade flows have been dismantled. Apart from the general restriction on imports of consumer goods (neither pulses nor dry fruits are defined as consumer goods for this purpose), there are no longer any quantitative restrictions on agricultural imports. In the sphere of agricultural exports, however, there has not been a symmetrical liberalisation: exports of coconut, copra, oil cakes, pulses, paddy, rice bran and vegetable oils are subject to licensing; exports of specified varieties of natural rubber and cottonseed cakes are subject to quantitative ceilings; exports of foodgrains, sugar and raw cotton are in theory possible without licensing but in practice subject to limits on quantities; exports of groundnuts, guargum and tobacco are subject to minimum export prices. It is apparent that the concern about domestic prices of exportables which enter into domesic consumption remains an important consideration in the trade policy regime. Third, the decanalisation of a substantial proportion of agricultural trade flows and dismantling of quantitative restrictions on agricultural imports has not been associated with a systematic restructuring on tariffs. There is no evidence that the trade policy regime has attempted a tariffication of erstwhile quantitative restrictions in terms of equivalence. There is some evidence, however, of a substantial reduction in tariffs on selected agricultural imports, which is obviously not part of the multilateral trade negotiations but possibly reflects conditions of the programme negotiated with multilateral financial institutions.

In the preceding paragraphs, we have considered the rationale of trade policy over the past three decades and the direction of the recent trade policy reform. The locus, however, has been on the agricultural sector. Yet, trade policy *vis-a-vis* the industrial sector has implications for the agricultural sector. The argument, stressed by orthodox economists, runs as follows.[3] The emphasis on import substitution, associated with an overvalued exchange rate and supported by import controls or tariffs in the manufacturing sector, discriminated not only against exports but also against the agricultural sector. The regime of export incentives employed to compensate for this was confined mostly to manufactured exports. The relative profitability of producing tradables in the industrial sector was, therefore, higher than that of producing tradables or non-traded goods in the agricultural sector. The implicit bias against agriculture then led to a misallocation of resources. It would mean too much of a digression to enter into a discussion or provide a critique of this approach here. Suffice it to say that the analytical construct is narrow. The excessive concern with static allocative efficiency criteria tends to ignore inter-temporal considerations, just as the as-

Figure 1 Indices of Wholesale and Border Prices

Exportable Agricultural Goods

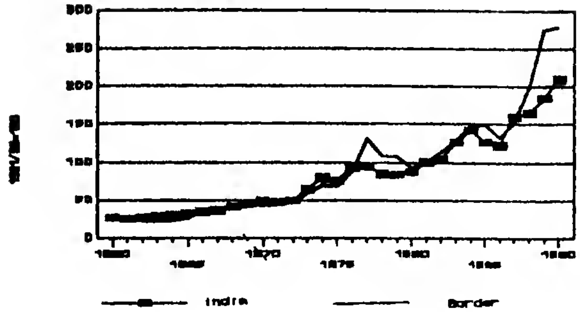


Figure 2 Indices of Wholesale and Border Prices
Importable Agricultural Goods

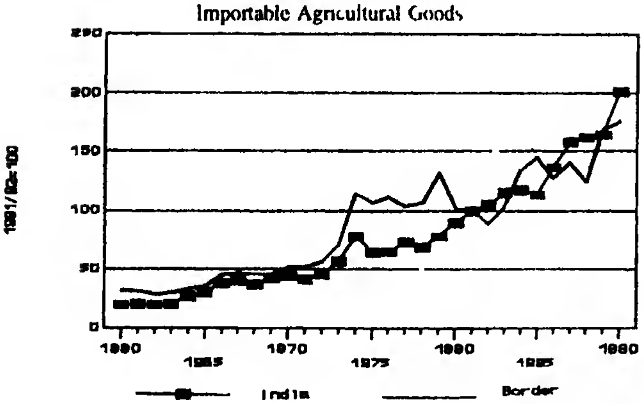
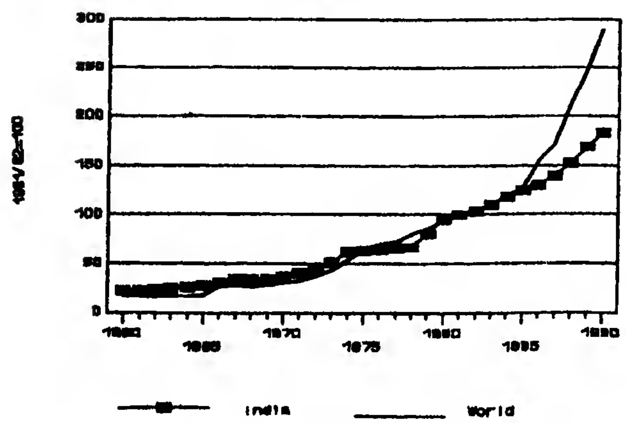


Figure 3 Indices of Indian and World Prices

Manufactures



sumption that resources are perfectly substitutable between uses or mobile across sectors does not recognise structural rigidities in economies In keeping with the logic of this analytical approach, however, recent trade policy reform has reduced tariff and non-tariff protection for the industrial sector and sought to eliminate the overvalued exchange rate through a substantial depreciation The implications of these recent changes, for Indian agriculture are considered later in the paper

III

Indian Agriculture and World Trade

Any discussion of the possible implications of India liberalising its policies regarding international trade in agricultural commodities must begin by noting two important facts

The first, which is well known, is that world agricultural trade occurs in a highly imperfect setting where, as a result of non-tariff barriers imposed by developed and developing countries alike, world prices are determined by the relatively small surpluses and deficits which enter world trade and do not necessarily influence world consumption and production The implication of this is that world prices can respond disproportionately to even fairly small changes in the proportion of world output which is subject to free trade, and this effect is likely to be magnified even more if, as is often the case, the relevant price elasticities are small

The second important fact is that while India is a very large producer and consumer of agricultural commodities by world standards she is presently marginal as far as international trade in such commodities is concerned According to UNCTAD estimates for 1989 India produced around 10 per cent of world agricultural output, but her share in world trade in agricultural commodities was only around 0 6 per cent Moreover, as Table 1 shows, India s involvement in world agricultural trade has been declining during the past 25 years, whether this is measured in comparison with world agricultural trade, India's international trade or her GDP

It is evident from the table that both Indian imports and Indian exports of agricultural commodities have declined as a share of world trade, of India's own total trade, and of her national income These shares have declined more than the share of the agricultural sector or of foreign trade in India's GDP And this trend has been much more marked for imports than for exports The reason is that the pattern of Indian agricultural growth since the onset of the 'green revolution' in the mid-1960s has been dominated by considerations of food security and self-sufficiency—with priority given to reduction, through increased domestic produc-

Figure 4 Indian and World Prices
(Rs/Quintal)
Wheat

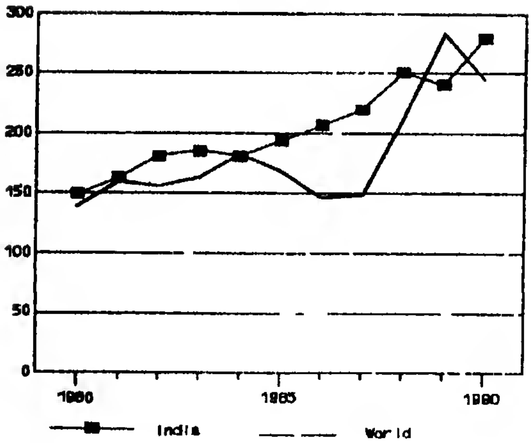


Figure 5 Indian and World Prices
(Rs/Quintal)
Rice

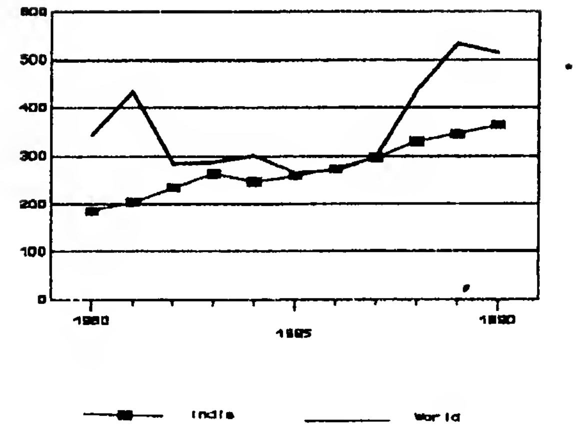


Figure 6 Indian and World Prices
(Rs/Quintal)
Maize

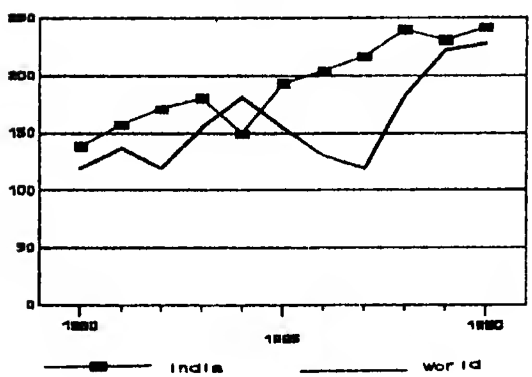


Figure 7 Indian and World Prices
(Rs/Quintal)
Groundnut

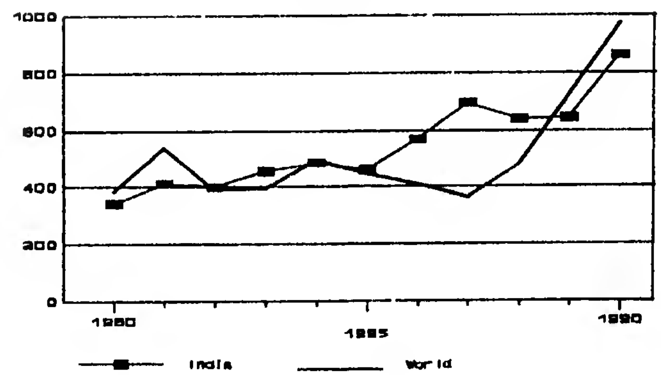


Figure 8 Indian and World Prices
(Rs/Quintal)

Soybean

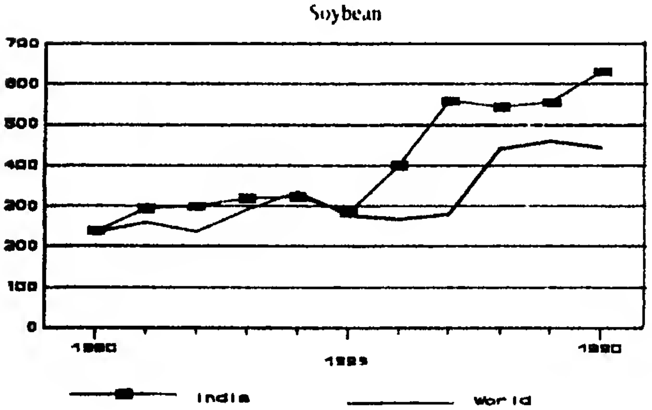


Figure 9 Indian and World Prices
(Rs/Quintal)

Copra

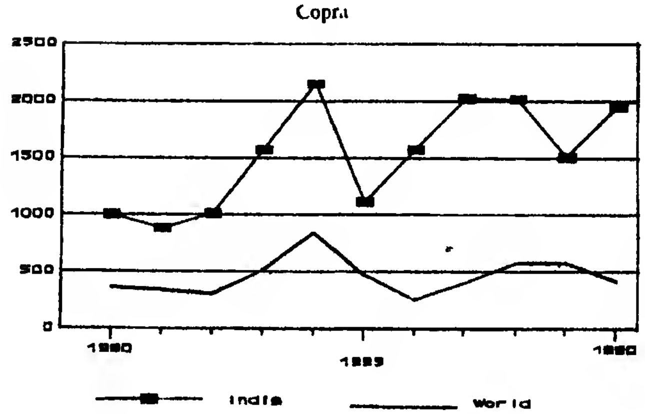


Figure 10 Indian and World Prices (Rs/Quintal)

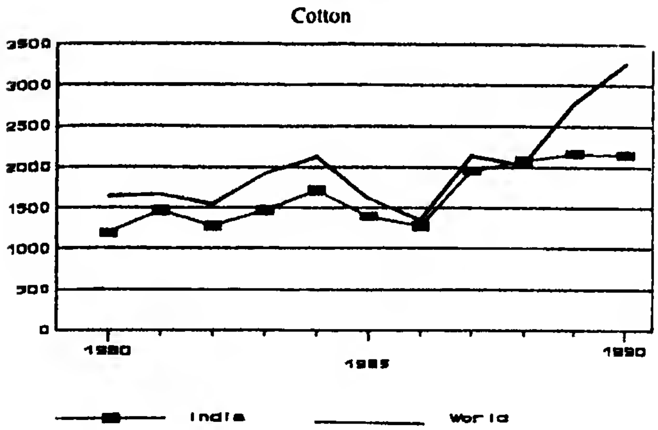


Figure 11 Indian and World Prices (Rs/Quintal)

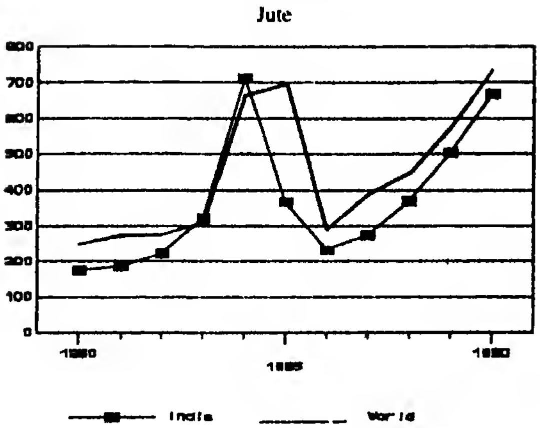


Figure 12 Indian and World Prices (Rs/Quintal)

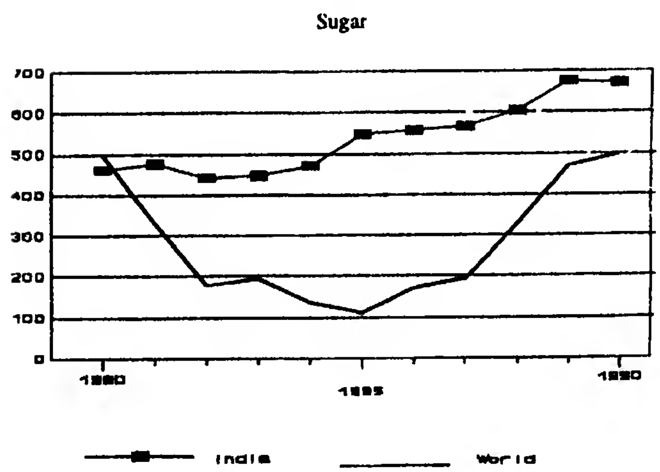


Figure 13 Indian and World Prices (Rs/Quintal)

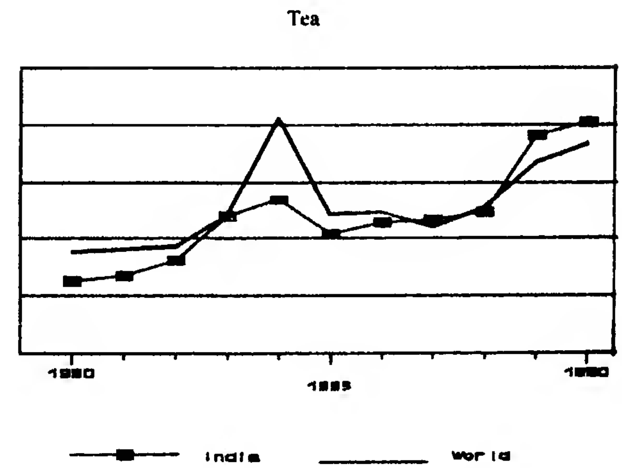


Figure 14 Indian and World Prices (Rs/Quintal)

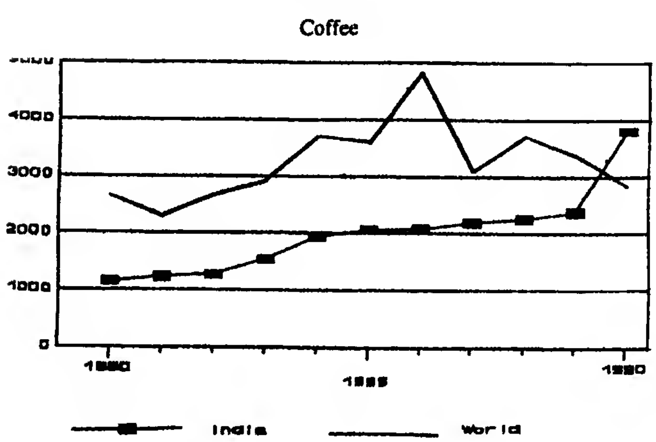


Figure 15 Indian and World Prices (Rs/Quintal)

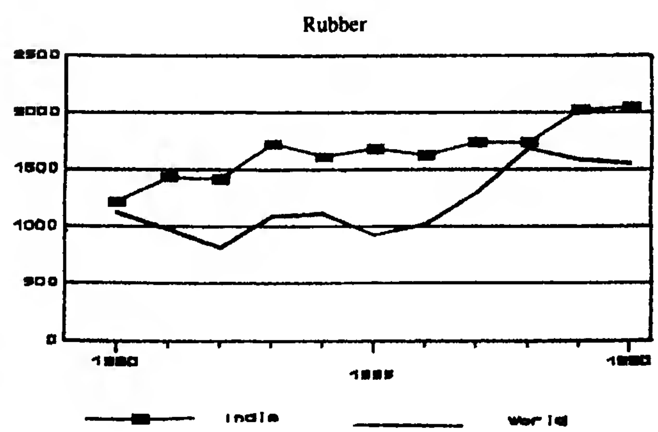


Figure 16 Indian and World Prices
(Rs/Quintal)

Tobacco

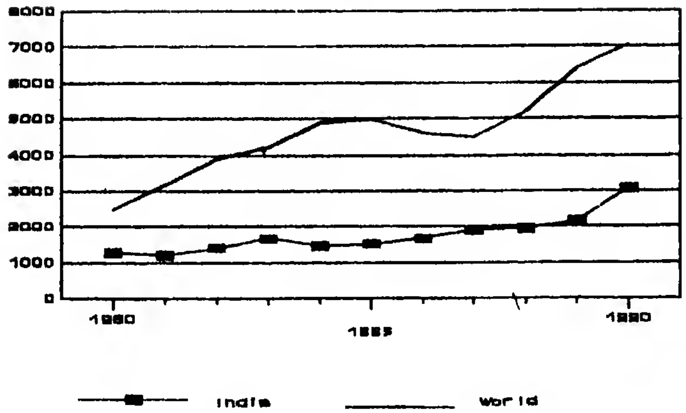


Figure 17 Indian and World Prices
(Rs/Quintal)

Pepper

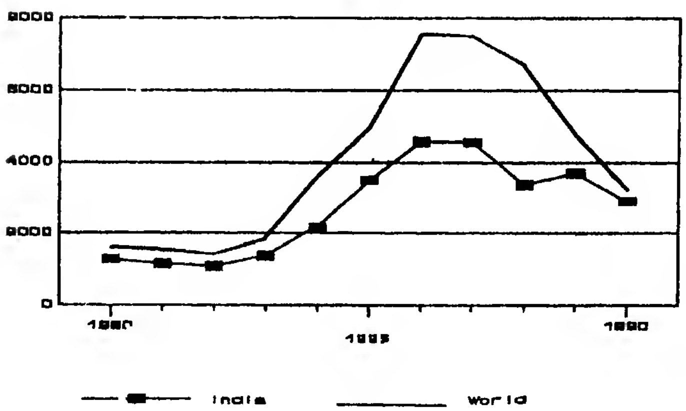
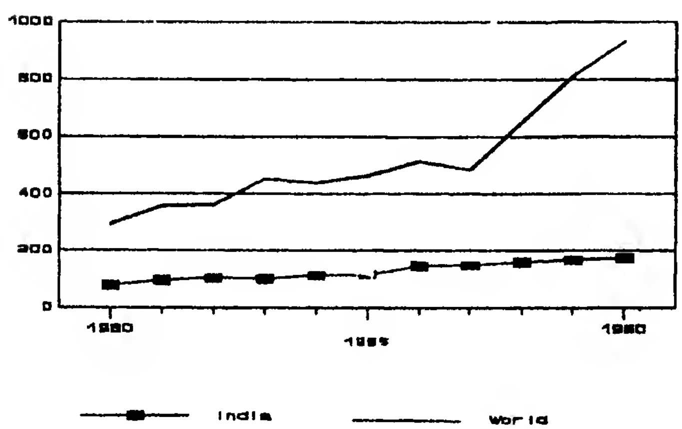


Figure 18 Indian and World Prices
(Rs/Quintal)

Banana



tion, of the large domestic cereals supply gap which had emerged in the 1960s. Success in this import substitution endeavour has been the main reason for the relative decline in India's imports of agricultural commodities. The reason why exports have also fallen relatively, albeit at a lower rate, is that the 'green revolution' while reducing the supply deficit of foodgrains did not lead to a generation of exportable surpluses, and because the emphasis on cereals in national agricultural policy distracted policy-makers from paying greater attention to the long-run problem that output growth of India's staple export crops has failed to keep up with the growth of domestic demand.[4]

Thus the dwindling share of India in world agricultural trade reflects not so much a failure of agricultural production as the result of a deliberate pursuit of import-substitution in order to achieve a perceived need to attain the objective of domestic food security. Indeed, as Table 2 shows, India's share of world output of major agricultural crops has, on the whole, risen or remained constant during the period—the relative performance here being the strongest for wheat, the prime 'green revolution' crop, and rather weak for certain export crops, notably tea. Moreover, the table also reveals that world trade in a number of crops forms a rather small share of world output (the exceptions being tea, coffee, rubber, cotton and wheat), and consequently that, although Indian trade is small in relation to world trade, Indian output is large in relation to the latter. This is particularly the case for jute, rice and groundnuts, but is also true for a number of other crops such as wheat, sugar, cotton, tobacco and a number of fruits and vegetables, all of which are of crucial importance for India's agricultural economy. The implication of this is obvious. Although India's trade in agricultural commodities is at present small, an opening up of India's large (and currently closed) agricultural sector to world trade may have an extremely large effect on the nature of the world equilibrium in terms of prices and, subsequently, outputs.

Of course, the fact that only a small part of Indian agricultural output currently enters world trade does not by itself mean that agricultural trade liberalisation by India would lead to large changes in world relative prices. For example, this proposition would not hold if Indian domestic relative prices were already close to world relative prices, because after all it is possible that even with free trade a large country such as India would account for a much smaller share of world trade than of world output. It is necessary therefore to compare domestic prices with world prices.

Indian and World Prices: A Comparison

Any comparison of Indian agricultural prices with 'world' prices is an exercise fraught with a number of problems. In part, this arises from the fact that it is difficult to be sure that the commodities being compared are of similar quality. But the more difficult problems arise because, given the imperfect nature of world agricultural trade and the large transport costs relative to commodity prices, prices of similar goods vary considerably over time and space. Nonetheless, since some comparison is necessary, an attempt is made here although it must be reiterated that the results are by their very nature rather crude and tentative.

The easiest price comparison is that between the domestic wholesale price index and the indices of average unit values in international trade. This permits the generation of a long enough and comparable time series but has the obvious problem that since indices rather than actual prices are being compared, it merely illustrates the relative movements of domestic and border prices without giving any indication of the absolute magnitudes involved. Figures 1 and 2 present this comparison separately for India's exportable and importable agricultural commodities for the period from 1960-61 to 1990-91. Here, importables are defined conservatively to include only wheat and edible oils, while exportables are defined more widely to include tea, coffee, spices, tobacco, raw cotton and oilcakes. In both cases the unit value indices (of exportables and importables respectively) have been converted to a 1981-82 base to make them comparable with the domestic wholesale price index and the weights used to aggregate across commodities are also those implicit in the domestic wholesale price index.

These comparisons show that the divergence between border and domestic price movements has increased in recent years which is much more marked for importables than for exportables. In case of exportables, the domestic and border prices grew more or less at the same rate (though with somewhat greater fluctuations for border as opposed to domestic prices) until the mid-1980s, since when domestic prices have risen at a significantly lower rate than the unit export values. For importables, there was a broad correspondence in the movements of domestic and border prices until the early 1970s but since then the two have had widely divergent year-to-year movements. During the mid-1970s the border prices of importable agricultural goods increased much more than the domestic prices, but since 1978 domestic prices have increased much faster than border prices, though again with somewhat less variability around the trend. In sum, border and domestic prices of agricultural commodities have tended to diverge more in recent years, while border prices have tended to fluctuate more around their trend than domestic prices. Moreover, it is evident that during the 1980s the changes in domestic relative prices, as compared to those in border prices, have tended to favour importables as against exportables among agricultural commodities. Thus, these price index comparisons confirm three points noted in the previous section. First, that, given its imperfections, the world market in agricultural commodities is less stable than the Indian domestic market. Second, that the import-substitution pattern noted for agricultural output and trade is matched by the relative price movements. Third, with domestic prices of importables increasing faster than border prices, and those of exportables increasing slower, there is some evidence that India's domestic agricultural relative prices were increasingly diverging from world price relatives during the 1980s; thus, by 1990 they were sufficiently different from world prices so that an opening up of Indian agriculture to freer international trade would have repercussions on both world trade and Indian price relatives.

In interpreting the above indices, it must be remembered that these are all indices of rupee prices. Since the rupee depreciated considerably over the period, particularly during the 1980s when it more than halved in value *vis-a-vis* the US dollar, these indices give a misleading impression of dollar prices. In fact, during the 1980s in India, both domestic and border prices of agricultural commodities fell in dollar terms. World price indices for agricultural commodities available from the World Bank and UNCTAD also show a sharp adverse movement against such commodities in their terms of trade with manufactured goods. According to these sources, between 1980 and 1990, in dollar terms, agricultural commodity prices fell by around 30 per cent while prices of manufactured goods rose by over 35 per cent. Indeed, an important feature of the 1980s is that whereas the terms of trade between agriculture and manufacturing moved against agriculture in the world economy, it moved in favour of agriculture in India. This has sometimes been interpreted as suggesting that India's farm price support policies pushed up domestic farm prices much faster than world prices. But, in fact, because of the continuous depreciation of the rupee during this period, there is little difference in the rates of growth of domestic and border agricultural prices when exportables and importables are aggregated and expressed in terms of a common currency.

The real reason for the differential movements in the agriculture-manufacturing terms of trade was the slower growth in India of manufacturing prices. This is brought out in Figure 3 which plots the Indian wholesale price index for manufactures against the World Bank's price index (converted to rupees) for manufactured exports from developed to developing countries. These two indices moved together till the mid-1980s, but thereafter the world index moved up much more sharply, mainly because while profit mark-ups rose in the West, these remained more or less constant in India.[5]

Clearly, during the 1980s, when most developing countries were forced into 'structural adjustments', not only did dollar prices of agricultural commodities fall sharply because these countries had to export more (or import less) of agricultural commodities (usually by squeezing consumption through devaluation led domestic price increases), they also had to pay higher prices for manufactured imports because reduced protection in developing countries enabled manufacturers in developed countries to increase their mark-ups.[6]

Since this is precisely the prospect that India faces in coming years, it is necessary to extend the price comparisons to a more detailed consideration of particular crops and also to consider differences in absolute price levels, rather than just differences in the movement of price indices. For this purpose, Figures 4 to 18 plot the Indian and world prices for 15 selected crops during the period from 1980 to 1990. The Indian prices are commodity specific annual averages of the absolute wholesale price quotations used to compile the wholesale price index, while the world prices are the UNCTAD reference prices published in the *UNCTAD Monthly Commodity Price Bulletin*, converted to rupees per quintal using current exchange rates.

TABLE 1 INDIA'S INTERNATIONAL TRADE IN AGRICULTURAL COMMODITIES

Year	As Per Cent of World Agricultural Trade		As Per Cent of India's Total Trade		As Per Cent of India's GDP	
	Imports	Exports	Imports	Exports	Imports	Exports
1966	2.1	1.3	37.2	34.2	2.8	1.5
1970	0.9	1.2	31.4	35.2	1.2	1.2
1975	1.1	1.3	27.7	41.9	1.9	2.0
1981	0.5	1.1	9.4	36.0	0.8	1.7
1985	0.6	1.0	10.9	29.3	0.8	1.2
1989	0.4	0.8	7.8	18.3	0.6	1.4

Source: UNCTAD, *Commodity Yearbook 1991*

These latter prices are quotations at major centres of world trade for the commodities concerned, but are something of a mixed bag because while these are FOB quotations at major producing centres for wheat, rice, sugar, jute, rubber and pepper, for the remaining crops they are CIF quotations at major consuming centres. Because of this comparisons need to be made with care since transport costs are being ignored, and for certain crops, notably tobacco and bananas, differences in quality may also exist although attempts have been made to compare like with like.[7]

On the basis of these comparisons it can be said that during the 1980s Indian prices were generally lower than world prices for rice, cotton, coffee, tobacco, pepper and bananas; they were unambiguously higher than world prices for sugar, rubber and oilseeds (including coconut but with the possible exception of groundnut) and were almost identical with world prices for tea and jute. For wheat and maize, Indian prices were such that considering the spread of transport costs they were always higher than world prices on an exportable basis but sometimes lower on an importable basis. In general it may be said that Indian prices were lower for a whole set of crops which are currently exported and also for some fruit a[illegible]tables currently not traded, but high[illegible] crops in whose case a deliberate policy [illegible]mport substitution has been followed [illegible]ntly and for which recent growth [illegible] output have been above average.[8] Mo[illegible] although movements in Indian and [illegible]rld prices were, if any thing, generally correlated positively with each other [illegible] also evident that the degree of such correlation was extremely low except for tea, jute, pepper and cotton,[9] and that in most cases the world prices showed greater [illegible]ability around the trend than the corresponding domestic prices for India.

These absolute price comparisons, though indicative, are however of limited usefulness in gauging the repercussions of possible trade liberalisation because changes in the exchange rate can alter the list of crops for which Indian prices are lower or higher than world prices. Indeed the substantial depreciation of the rupee in the period since mid 1991, has made many crops, notably wheat, relatively cheaper in India than abroad. And since further exchange rate adjustments are likely, it is preferable to concentrate on price comparisons which do not depend upon the choice of the exchange rate.

The obvious measure from this point of view is to compare price relatives rather than absolute prices. Table 3 sets out the 1980-1990 average Indian and world relative prices for the selected crops, in all cases taking wheat as the numeraire. The choice of wheat as numeraire follows from the fact that this is a staple crop in India and for which, unlike rice, world trade is significant as a proportion of world output. Moreover India is currently just about self-sufficient in wheat, without much export or import, and the Indian price is currently within the band of transport cost differentials so that in free market terms there is little private incentive to trade, and this situation is unlikely to change radically in the near future. The table also gives the coefficient of variation of these relative prices for India and the world.

What this table shows is that relative to wheat most crops are cheaper in India, the major exceptions being sugar, coconut and rubber. Maize, soybean and groundnut have more or less the same relatives in India as in the world. Thus, freer trade would lead to an increase in the relative domestic prices of most crops. The most significant among these is rice in which, at present, world trade is marginal. Also with the exception of tea, jute and soybean, the coefficient of variation of prices is less in India, so that freer trade is likely to lead to greater price instability in the Indian domestic market.

These crop price comparisons need to be supplemented by a brief discussion of input prices. This is important because along with liberalisation, reduction of subsidies on inputs is part of the agenda both in the domestic stabilisation and structural adjustment programme and in GATT. There are broadly two issues involved here. First, there is the question of whether reduction of these subsidies will affect different crops differently and, if so, how will relative profitability change. Secondly, to the extent that subsidy withdrawals reduce output, they will raise domestic prices, hence affect international competitiveness and it is necessary in this context to ask how input prices in India compare with elsewhere.

In India, the main input subsidies received by agriculture relate to fertiliser, electricity and irrigation, and the incidence of such subsidies varies considerably across crops. By far the most subsidised crops in terms of the incidence of budgetary subsidies as a

TABLE 2 INDIA'S OUTPUT OF SELECTED CROPS

	As Per Cent of World Output			World Trade as Per Cent of World Output	Indian Output as Per Cent of World Trade
	1970	1980	1989	1989	1989
Wheat	6.3	7.1	10.0	19.8	50.7
Rice	20.0	20.1	21.2	4.1	512.5
Groundnut	34.0	29.6	35.4	6.4	549.5
Soybean	0.0	0.5	1.7	22.4	7.7
Copra	10.3	8.4	7.8	6.4	121.2
Cotton	7.9	8.6	8.1	32.3	25.2
Jute	33.3	42.6	40.9	11.7	349.7
Rubber	3.0	3.9	5.3	91.1	5.9
Tobacco	7.2	8.3	6.1	19.2	31.8
Sugar	6.4	5.0	9.7	10.2	94.7
Tea	32.7	30.5	27.7	47.6	58.1
Coffee	1.7	3.1	3.7	80.0	4.6
Banana	9.2	11.7	10.9	18.8	57.8

Source: UNCTAD *Commodity Yearbook 1991*

TABLE 3 WORLD AND INDIAN RELATIVE PRICES (WHEAT=100)

Crop	World		India	
	Average Relative Price	Coefficient of Variation	Average Relative Price	Coefficient of Variation
Rice	198.6	16.5	132.9	4.3
Cotton	1102.7	14.6	806.9	11.7
Jute	241.7	32.7	176.7	45.3
Tea	1437.3	21.3	1146.3	22.3
Coffee	1857.9	29.6	950.3	18.7
Tobacco	2565.9	16.0	845.1	11.2
Pepper	2309.4	64.6	1286.4	41.4
Banana	283.0	18.1	61.6	9.4
Groundnut	276.6	21.3	261.8	10.9
Maize	87.2	7.7	94.5	5.4
Soybean	175.2	8.5	193.3	9.8
Copra	255.3	31.3	746.2	24.5
Sugar	155.3	50.1	265.5	8.4
Rubber	664.5	16.4	818.2	8.2

Sources: World prices are UNCTAD Reference Prices as given in *UNCTAD Monthly Commodity Price Bulletins* (various) and Indian prices are annual averages of quotations of absolute wholesale prices.

percentage of cost of production are sugarcane and wheat, with rice and cotton receiving less subsidy than average [10] As a result, the effect of subsidy withdrawals on relative profitabilities would be broadly in the same direction as that of trade liberalisation It would cause domestic prices to go up generally, along with a reduction in the relative profitability of sugarcane and with relative increases in the profitability of growing rice and cotton

As to comparing Indian prices of inputs with those in the rest of the world, the only subsidised input which is tradable is fertiliser Indian fertiliser prices are subsidised, and the fertiliser subsidy is the largest subsidy item in the central government budget However, the budgetary subsidy overstates the extent of economic subsidy given to farmers using fertilisers Defining the economic subsidy as the difference between the import parity price (including transport and distribution costs) and the price paid by the farmer this was only around half of the budgetary subsidy during the 1980s, the remaining part being in effect a protective subsidy to domestic fertiliser manufacturers Moreover, the world fertiliser market is also extremely imperfect with most countries subsidising their farmers and with trade prices higher and more volatile than the domestic price in most countries As a result, the rice (and wheat) price of fertilisers in India are in fact higher than in most major agriculture producing countries and unilateral subsidy reduction is likely to increase further this comparative disadvantage of the Indian farmer and reduce the already internationally low rates of fertiliser application [11] Moreover, since current Indian fertiliser production is large in relation to world fertiliser trade, and subsidy elimination would depress this production significantly, a sizeable increase is likely in the volume and hence price of imported fertilisers

Implications and Consequences of Unilateral Liberalisation

Following the discussion above in this section it is necessary to draw out the implications of unilateral liberalisation of agricultural trade by India Since India is a large world producer and consumer of agricultural commodities, such liberalisation is likely to have an impact on world prices And, because agriculture is such a large part of the Indian economy, supplying wage goods and raw materials to other sectors, price repercussions in agriculture would have a significant impact elsewhere in the Indian economy Given these pervasive effects, the full effects of such liberalisation are difficult to enumerate, let alone quantify, even with the aid of large Computable General Equilibrium models The discussion here is not based on any such model, and cannot therefore make any precise quantitative claims However, the important qualitative issues can be identified and the likely direction of the ensuing changes indicated

(a) Terms of Trade

Given that India accounts for a significant share of world output, and that a relatively small proportion of world output enters into world trade for most agricultural commodities, a larger participation by India in such world trade is bound to worsen its terms of trade

This is particularly the case for exportables such as rice and cotton In the case of rice with total world trade currently less than a fifth of Indian production and with the potentially large east Asian markets currently closed through quantitative restrictions, there is likely to be a very large fall in world prices even if India attempts to increase her exports by a relatively small share of domestic production For raw cotton, too, a drop in export price can be expected although the price implication may be somewhat less because India's output is not as large a proportion of world trade as in the case of rice, but here there is the further implication that large raw cotton exports by India would hurt the international competitiveness of India's important cotton textile industry by pushing up its domestic costs while reducing the costs of its competitors abroad

Similarly, an increase in the prices of importables is expected to follow any significant increase in the volume of imports Thus, if the existing protection to oilseeds is removed and oilseed production thereby reduced, there may be a significant increase in both the volume and the price of such imports Even more significant may be the implication for sugar of which India is now the world's largest consumer and whose domestic prices are currently almost double world prices Freeing sugar imports (currently banned as a consumer good) may lead simultaneously to large imports and a considerable hardening of world prices A similar effect is expected for coconut and, to a somewhat lesser extent, for rubber

(b) Balance of Trade

In view of the adverse terms of trade implications of trade liberalisation the consequences for the balance of trade would depend largely on what happens to trade volumes In the medium term, a worsening in the balance of trade may be expected because the trade policy changes so far have been asymmetrical with agricultural imports liberalised but without a corresponding degree of liberalisation of agricultural exports For reasons given above, this trend is likely to be accentuated even more if liberalisation extends to the import of sugar and edible oils and this occurs before export increases materialise

However, even if exports are liberalised, export earnings may not improve much without significant further devaluation This is because in the case of rice, the combination of an expected world price decline following exports and the fact that domestic price elasticities (for both demand and supply) are small is likely to mean only a small increase in the exportable surplus and an even smaller increase in export revenue [12] In order to generate sufficient export volumes without waiting for corresponding output increases which are likely to be slow, it would be necessary to squeeze consumption through a devaluation induced rise in prices For cotton there may well be a fairly quick increase in the earnings from raw cotton exports, but in the absence of devaluation this may well be swamped by a contraction in exports of cotton manufactures More generally with prices of cereals and textiles increasing, the cost of living of industrial workers is likely to go up despite any fall in the price of sugar and oilseeds and, consequently wage costs are likely to increase, requiring further devaluation induced real wage reductions to maintain international parity

In fact, the real export potential from agriculture may not lie in these major crops at all but in the development of horticulture and food processing And, in the case of these, it is not at all clear that current trade policy restrictions are the major handicaps at present The requirements here are marketing, technology and quality control and besides much improved infrastructure the supply of these would probably require added incentives for transnational firms

(c) Domestic Prices and Food Security

Since food and clothing prices are likely to increase with agricultural trade liberalisation even without devaluation and since further devaluation is likely to become necessary to keep the current account deficit in the balance of payments within manageable proportions an increase in the degree of openness of the economy following liberalisation is bound to increase domestic prices in absolute terms, and also lead to relative price changes which hurt the poor more than the rich or even the non poor

Also as has already been noted world food prices are considerably more volatile than Indian prices at least thus far and therefore price instabilities are likely to increase unless some tariff or non tariff wedge between world prices and domestic prices is retained An implication of this is that it would be inappropriate to replace the current buffer stock policy by one where international reserves are built up and reliance put only on trade to even out fluctuations due to weather [13] Moreover it is almost certain that reduced self sufficiency and reduced gov-

ernment procurement may erode the ability of the state to carry out the market intervention needed for an adequate buffer stock policy, and to avoid or mitigate, through public distribution, the possibility of sudden episodes of high food price inflation following unforeseen local shortages. Furthermore, with India entering a period where balance of payments problems are likely to become more severe in the medium term, and pressures on the exchange rate of the rupee correspondingly greater, currency speculation could result in sudden devaluations leading, in the presence of free agricultural trade, to possible periods of rapid and unanticipated food price increases. In a country where 40 per cent of the rural workforce is employed as casual labour, with highly seasonal employment and with extremely low degrees of wage indexation, the principal victim of liberalised agricultural trade may well be India's acclaimed ability, developed assiduously over the past quarter of a century, to prevent widespread famines despite large underlying poverty.

(d) Distribution of Income and Comparative Advantage

Clearly, as with any liberalisation, there will be gainers and losers from liberalisation of agricultural trade in India. The most obvious way of looking at this is to say that the gainers will be the producers of crops such as rice and cotton which are currently priced below world prices and consumers of goods such as sugar and oilseeds which are currently priced above world prices. And, simultaneously, producers of oilseeds and sugar will lose along with consumers of rice and cotton. But this way of looking at the distributional impact has merits as well as weaknesses.

On the positive side, it focuses on the fact that there might be fairly large redistribution of income across regions. Clearly, the predominantly rice growing regions in the south and east would gain, and so would cotton growing regions in the west. Rice and cotton re grown also in the north but the gains here re likely to be less, in part because here these crops are grown almost entirely under irrigated conditions with much more intensive fertiliser use and, therefore, the adverse effects of any simultaneous cuts in input subsidy are likely to be larger. The main losers will be growers of sugarcane and oilseeds, the former concentrated in irrigated parts of the north and the west and the latter in the dry regions of Peninsular India. But, of these, the loss is likely to be greater in the poorer dry regions growing oilseeds than the rich irrigated sugarcane regions because the scope of diversifying into other high valued crops is less.[14]

Thus, the regional impact is likely to have both equalising (poor rice growing regions gaining) and unequalising (poor dry regions growing oilseeds losing) features. But it is important to recognise that an weakness of this way of looking at the problem is that this glosses over the fact that it is precisely the rice growing regions which currently have the highest concentrations of poor casual agricultural labourers who will lose most if their wages do not keep up with rice prices and if their employment also fails to grow. Unfortunately, the available evidence does not suggest that the reshuffling of resources over crops consequent upon trade liberalisation will in itself increase agricultural employment without further investment and/or a modicum of land redistribution away from the rich.[15] Of course, it is possible that if agriculturists in a region become generally richer, then investment may pick up and more opportunities become available for the poor in non-agricultural activities. But, besides the historical fact that such 'trickle-down' has not been adequate in the past, there is the further problem that it is precisely these regions which are currently most lacking in infrastructure, and cutbacks in public investment, subsidies, and credit, as a result of the stabilisation policies being followed, may impede the 'catching-up' process which appears to have begun recently in some parts of the poor rice-growing eastern region, particularly West Bengal.

(e) Output and Employment

Notwithstanding these arguments on food security and equity, it is sometimes argued that trade liberalisation is on balance desirable because of its supposed positive impact on agricultural output and employment. This impact, acting mainly through the income and incentive effects of higher agricultural prices consequent to liberalisation, is dependent entirely on whether prices do increase (and the reverse will generally be the case for important commodities like edible oils and sugar) and on the likely supply response of agriculture. The latter will, of course, depend on the degree of price-responsiveness of agricultural output, which though high for certain individual crops is low for aggregate output, but there is also much else. Available studies show that more than 50 per cent of increments in agricultural output in India in recent years are attributable to shifter variables, such as technology and infrastructure, which are unlikely to be responsive to incentives or investment in the private sector.[16] These considerations, which emphasise the fact that non-price factors (particularly technology and infrastructure) are likely to be more important than the price consequences of trade liberalisation, apply with even greater force to the argument that a liberalisation of trade generally (i e, not just in agricultural commodities) would boost agriculture by removing the 'bias' against it.

While greater attention than in the past to India's comparative advantages within agriculture is certainly necessary, it does not necessarily follow that India's long run comparative advantage lies in agriculture given her high man-land ratio and limited water resources. Moreover, it is fairly clear that public investment (which in the Indian context crowds-in rather than crowds-out private investment) is critical in order to reap the benefits of comparative advantage, and financing of such investment would require some bias against agriculture at least as long as the tax system remains dependent entirely on non-agriculture.

As far as employment is concerned, the effects on direct agricultural employment would run in the same direction as output. But it is important to note that recent trends suggest that the elasticity of employment with respect to output is declining rapidly so that the direct employment potential of the agricultural sector is becoming less, particularly in pockets of high land productivity, and it is the secondary effects of higher agricultural output on employment which may be more important. In this context, it may be noted that agricultural trade liberalisation may have negative effects because both sugar and oilseeds production, which are expected to decline, have significantly larger industrial linkages than most other crops. And, employment in the cotton textile sector is also likely to be affected adversely, despite higher raw cotton production, because, as discussed earlier, freer trade is likely to reduce the international competitiveness of this industry. It is possible of course that more positive results may follow if trade liberalisation causes a massive take-off in fruit and vegetable production and processing. But, as mentioned earlier, this will depend on the development of infrastructure and export market links and, in any case, does not really require that agricultural trade be liberalised generally. The most significant effect of the latter on employment, both agricultural and non-agricultural, may well be through its other consequence, also discussed earlier, that higher prices of wage goods relative to capital goods will cause relative factor price movements which lower employment unless large declines real wages are allowed.

These conclusions about the consequences of unilateral trade liberalisation are borne out by results of simulations done recently with Computable General Equilibrium models. Such models, as applied to Indian agriculture, are all rather flawed because they make the 'small country' assumption that world prices will remain unchanged when India liberalises agricultural trade. Not surprisingly, therefore, these models predict sharp increases in export earnings (and in imports) following liberalisation. But, significantly, agricultural value added is predicted to rise marginally at best and even falls in some variants. The exact outcomes

depend on whether trade liberalisation is limited to unprocessed crops or extends to all commodities. But even in the latter case, when agricultural GDP does rise, only the large farmers benefit, with the urban and rural poor worse-off because of higher food prices.[17]

VI

Uruguay Round, Multilateral Liberalisation and Indian Agriculture

The multilateral trading system, embodied in the General Agreement on Tariffs and Trade, is, in principle, applicable to international trade in all goods but, in practice, differentiates between manufactured goods and agricultural commodities. For the past four decades, trade in agriculture has, *de facto*, been excluded from the GATT system.[18] First, there is no discipline on domestic support, with the exception of a non-operative clause for consultations in the event of serious prejudice. Second, in the sphere of export subsidies, there is a "virtual" waiver or exception for agriculture specified in Article XVI on subsidies. Third, in the realm of imports, for agriculture there is a departure from the commitment to eliminate quantitative restrictions set out in Article XI, for foodstuffs, critical raw materials and, in general, for stabilisation measures in the agricultural sector.[19] Taken together, this has meant that trade in agriculture is simply not subject to the regime of international discipline embodied in the GATT. The Uruguay Round of multilateral trade negotiations seeks to bring trade in agriculture under GATT discipline. The outcome is not definite or settled but the Dunkel Text provides a clear pointer to the probable changes on the horizon.[20]

It is important to note that the Dunkel Text on agriculture goes far beyond traditional GATT concerns in the sphere of export subsidies or import restrictions and extends to the whole gamut of domestic economic policies in the sphere of agriculture.[21] Thus, the Dunkel proposals are not confined to border measures that may affect the movement of agricultural goods across national boundaries, but constitute a fundamental departure from the traditional paradigm of the GATT to introduce discipline on intra-border economic regimes which would inevitably mean a transgression of sovereign economic space. In outlining the essence of the Dunkel Text on agriculture, therefore, it would only be appropriate to draw a distinction between old GATT concerns and new trans-GATT concerns.

The stipulations on export subsidies are straightforward insofar as trade in agriculture is to be progressively subjected to GATT discipline. The new regime for subsidies on exports is not to be implemented overnight. Over a period of six years, the subsidised volume of exports is to be reduced by 21 per cent while the budgetary support for export subsidies in terms of value is to be reduced by 36 per cent.

The stipulations on the import regime, as also the plans for liberalisation of trade in agriculture, are more elaborate and complex. First, imports, that is market access, can be restricted only for specified reasons such as balance of payments considerations and not for general protection of domestic agriculture. Second, such restrictions on imports must be price-based alone, so that all non-tariff measures including quantitative restrictions would have to be converted into their tariff equivalents, with a commitment to reduce these tariffs by 36 per cent over a period of six years. Third, in addition, countries must provide a guaranteed minimum market access to imports which would be at least 3 per cent of domestic consumption to start with and would be expanded to reach 5 per cent over a period of six years; in the case of developing countries, the minimum market access commitment would be less, at two-thirds of what is specified for others, i e, 2 per cent to start with and then increasing to 3.33 per cent over a longer period of 10 years; it is also stipulated that the market access so provided cannot, at any stage, be less than actual average annual imports during the period 1986-1988.

The limits placed on permissible government domestic support for agriculture seek to subject domestic economic policies *vis-a-vis* the agricultural sector to an international regime of discipline. The proposals embodied in the Dunkel Text distinguish between two forms of domestic support for agriculture that can be extended by governments. The measures that can be retained are categorised as green and include support for depressed areas, the environment, the infrastructure, extension services, plant protection, R and D activities and so on; in addition, subsidies to low-income and resource-poor farmers would be allowed. The measures that are to be brought within the purview of the GATT discipline are categorised as amber and include all other forms of support to agriculture that benefit producers in the form of lower prices for inputs or higher prices for outputs. The direct budgetary support in the form of expenditure disbursed and the indirect budgetary support in the form of revenue foregone must be included in computing the aggregate measure of support. The support implicit in any divergence between domestic prices and world prices of inputs purchased, or outputs sold, by the agricultural sector is also to be taken into consideration. For developed countries, domestic support to agriculture is subject to a maximum limit of 5 per cent of the value of output in each product and in the aggregate, but for developing countries the maximum limits are higher at 10 per cent. In cases where domestic support to agriculture exceeds the stipulated ceilings, such domestic support is to be reduced from the existing level, by 20 per cent over a period of six years in developed countries and by 13.33 per cent over a period of 10 years in the developing countries.[22]

The proposed multilateral liberalisation of trade in agriculture and the introduction of an international regime of discipline for domestic support to agriculture would obviously influence the output of, the trade in, and the prices of, agricultural commodities in the world economy. This, in turn, is bound to have significant implications and consequences for the agricultural sector in India. In a general equilibrium world, characterised by high degrees of uncertainty and interdependence, precise or quantitative analysis is exceedingly difficult if not impossible. It is, however, possible to identify the important issues and sketch likely outcomes or plausible scenarios. More definitive analysis can only be based on elaborate research which is beyond the scope of this essay. The issues consideredbelow are illustrative rather than exhaustive.

(a) World Prices

The culmination of the Uruguay Round of multilateral trade negotiations, in line with the Dunkel Text, would mean that trade in, and domestic support to, agriculture would be subject to GATT discipline. The most important consequence, perhaps, would be a progressive withdrawal of agricultural subsidies in the industrialised countries, particularly in the European Community, and the consequent increase in the world prices of such subsidised commodities. To begin with, a reduction in subsidies would lead to a *pari passu* increase in prices but, over time, the price responsiveness of supply and demand would moderate the increase in prices.[23] In any case, the benefits would accrue to countries that export these commodities while the costs would be borne by countries that import these commodities. In principle, then, the benefits and the costs to India would depend upon whether it is a net exporter or a net importer of such agricultural commodities.

It is important to recognise that the cuts in agricultural subsidies mandated by the Uruguay Round would, by and large, raise the prices of temperate crops. The prices of most tropical products, which constitute India's traditional agricultural exports and where India has a revealed comparative advantage, would not be influenced by the outcome of the Uruguay Round. Thus, the impact would depend upon India's trade in temperate climate agricultural commodities. The withdrawal of subsidies in Europe would raise the world prices of temperate crops such as wheat, oilseeds (hence edible oils), and sugar-beet (hence sugar), just as it would raise the world prices of dairy products, or of

temperate fruits and vegetables. The withdrawal of subsidies in Japan would raise the world prices of rice. India would be worse off in so far as it is a definite net importer of oilseeds or edible oils. India would be better off insofar as it can become a major net exporter of wheat, rice, sugar and livestock products. It is not clear, however, that substantial gains would materialise. For one, given the demographic pressure on land, the neglect of agricultural investment and existing structural imbalances, it is unlikely that India can transform itself rapidly from bare self-sufficiency to emerge as a large net exporter of cereals, whether wheat or rice. For another, should this happen, it would be associated with a deterioration in the terms of trade, inasmuch as India's exports may be large enough to dampen world prices, and an escalation in domestic prices of cereals, which would inevitably hurt the poor.[24]

(b) Subsidies and Support

It has been estimated by the ministry of commerce that the aggregate measure of support to agriculture in India is 5.2 per cent, and would be even lower if the exemptions allowed for low-income resource-poor farmers were to be taken into account.[25] As this is less than the 10 per cent *de minimis* provided for in the Dunkel Text, it appears that subsidies need not be reduced. However, the basis of these computations has not been made public and there remains the possibility that these underestimate the degree of support since cross-subsidisation of agriculture by public utilities outside the budget is common in India. Given the present compulsions to phase out such cross-subsidisation and make subsidies more transparent in the budget, it is possible that budgetary support for agriculture may rise over time. If, as a consequence, domestic support exceeds the *de minimis* level, the Dunkel Text would have definite implications, especially as the *de minimis* percentage for domestic support is itself not given once-and-for-all and may be reduced in future negotiations. The explicit and implicit subsidies provided on inputs for the agricultural sector, whether on fertilisers, irrigation, power or credit, would then constitute part of the aggregate measure of support that would be subject to discipline. Hence, regimes of subsidies which do not differentiate between farmers by size of holding, whether provided openly by Central or State governments or through the medium of concessional pricing by public utilities would be open to question.

(c) Public Distribution System and Government Intervention[26]

The proposals embodied in the Dunkel Text would impose two basic constraints on the public distribution system as it exists in India. First, it would mean that the government can buy foodgrains for its buffer stocks only at market prices and under no circumstances at less than market prices. Second, it means that subsidised food, below market prices, cannot be made available to all domestic consumers but would have to be limited to targeted groups in the population below a nutritional minimum. These limitations would erode the basis of the present public distribution system and inevitably limit its further expansion. We must, of course, recognise that the public distribution system in India is not without its flaws. It is not confined to the poor but extends to the non-poor. It does not reach out to all the poor, particularly in rural India. Yet, it is an important element of the food security system in India which would be at risk, because subsidies for consumers of food, as also the method of financing such subsidies, would be subjected to an international discipline.

The capacity of the government to intervene in the market, in keeping with the needs of food security, would be significantly circumscribed. Thus far, it has been possible for the government to build up buffer stocks of foodgrains, sometimes through procurement in the domestic market below market prices and sometimes through imports canalised through state trading organisations. The inventories so acquired, by the Food Corporation of India, for the public distribution system are, on occasions, released in the domestic market to dampen prices or inflationary expectations. The conclusion of the Uruguay Round in accordance with the Dunkel Text would almost certainly disrupt this mechanism. It would no longer be possible for the government to procure foodgrains from farmers below market prices. It would no longer be possible for the government to decide on imports, whereas decanalisation followed by tariffication would raise domestic prices of such imports. The possibilities of market intervention by the government to stabilise food prices, hence the general price level, would clearly be curbed by the proposals embodied in the Dunkel Text.

(d) Intellectual Property Rights and Agriculture

The implications of the Uruguay Round for the agricultural sector in India are not confined to the Dunkel Text on agriculture. The Dunkel Text on trade related aspects of Intellectual Property Rights excludes from patentability "plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes", but stipulates that countries "shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof".[27] There is, at least as yet, no compulsion to introduce patenting of seeds. In the absence of patents, however, there is an obligation to introduce a complete legal system that would protect new plant varieties in the interest of plant-breeders. The Dunkel Text provides no definition of such a *sui generis* system, but it is widely presumed that the International Convention for the Protection of New Varieties of Plants, termed the UPOV convention, should provide a point of reference or guidance. The system for protection of plant varieties implicit in the original version, UPOV 1978, was confined only to production for commercial marketing in designated species, so that farmers could retain a part of their produce to be used for sowing in the following season. The later version, UPOV 1991, is far more stringent and has moved the system of protection of plant varieties closer to a patents system. There are restrictions on the rights of farmers to retain produce for their own use as seed in the next season, while the coverage has been extended from designated species to the entire plant kingdom. At this stage, it is not clear whether the new system for the protection of plant varieties would be shaped by UPOV 1978 or UPOV 1991; the latter would obviously be more exacting from the viewpoint of farmers in developing countries.[28] It is clear, however, that while a *sui generis* system may allow some relief from immediate patentability for plant varieties developed out of purely biological processes, full patent protection will have to be extended to developments flowing from non-biological or microbiological processes, such as in the realm of bio-technology.

These provisions for the protection of intellectual property rights have two important implications for Indian agriculture. First, access to new technology, embodied in high-yielding or disease resistant varieties, would become more difficult in terms of both availability and price. The reason is simple. Once the benefits of knowledge are privatised, and not in the public domain, new seeds or new technologies would not be easily accessible in the rural hinterland and even where these become available the cost of acquisition would be high. This is especially so because, with full patentability extended to micro-organisms and also to non-biological and microbiological processes relating to plants and animals, India's publicly funded, and so far fairly successful, agricultural research infrastructure would find it difficult to keep pace with new developments elsewhere, particularly in the promising area of bio-technology. Secondly, even if new technologies do become accessible, their diffusion across the rural hinterland would become more difficult and would inevitably slow down. This is because farmers would not be able to adapt, propagate, sell or exchange seeds, even if seeds can be retained for their own use, without adding significantly to transaction costs. In an economy such as India, where a large proportion of seed requirements in agriculture are met through

exchange or sales transactions between farmers, such a regime would inevitably constrain the quick dissemination and spread of new seeds and varieties. Taken together, these implications for access to and diffusion of new technology will affect adversely the rate of productivity growth in Indian agriculture, both absolutely and even more so relative to agricultural productivity in the developed countries. Thus, developing countries, such as India, may or may not gain from the transient increase in world agricultural prices consequent to the once-and-for-all subsidy reduction in the developed countries proposed in the Dunkel agriculture text, but they are almost certain to lose, as a result of the TRIPS provisions, in the more long-run outcomes in international trade where differences in technological capabilities count for far more than static comparative advantage.

(e) Sequence of Liberalisation

The preceding discussion suggests that the impact of the Uruguay Round on Indian agriculture would not be limited to the volume, the prices or the value of trade in agricultural commodities. It would extend much beyond trade into domestic spheres such as subsidies and support for agricultural production, the public distribution system, market intervention by government and access to and diffusion of technology. This impact may, in fact, turn out to be far more complex if we consider the probable changes in the international context in conjunction with the actual trade policy reform in the national context. The problems of analysis may be complicated further if conditions imposed in medium-term structural adjustment programmes, negotiated with the multilateral financial institutions, lead to significant policy changes in the sphere of agriculture. In terms of temporal sequence so far, unilateral trade liberalisation, induced in part by such conditionalities, has preceded multilateral trade liberalisation contemplated in the Dunkel Text; it is also possible that some elements of the multilateral obligations mandated by the Uruguay Round, particularly those related to trade liberalisation and domestic subsidies, may be implemented on an unilateral basis as part of the programmes negotiated with the IMF or the World Bank. This sequence has two important implications. First, the unilateral liberalisation of trade in agriculture implies that the significant reduction of barriers to trade has simply not been used as a quid pro quo, or a bargaining point, in the multilateral trade negotiations. Second, if unilateral liberalisation is followed by multilateral liberalisation after a time lag, it would have an impact on trade volumes, import prices and domestic production that deserves attention. Consider the example of oilseeds and sugar where domestic prices are, at present, significantly higher than world prices. To begin with, unilateral trade liberalisation would expand the volume of imports and contract the domestic production of these importables. Land under oilseeds and sugarcane may be switched to alternative uses, while some processing capacities for edible oils and sugar may have to be shut down. Insofar as the small country assumption is not valid for India, world prices of these commodities may rise, so that the increase in the import bill would be greater than the increase in import volume. Some time later, multilateral liberalisation would raise the world prices of these commodities further. This may, in turn, through increased profitability, revive the domestic production of such importables in the agricultural sector. Land use may once again shift to oilseeds and sugarcane, just as processing capacities for edible oils and sugar may be needed once again. Actual outcomes are, of course, impossible to predict, but it is worth thinking about the stop-go implications of such an intuitively plausible scenario.

VII
Concluding Observations

It is exceedingly difficult to analyse the implications and the consequences of trade policy reform in the national context and multilateral trade policy changes in the international context for Indian agriculture. This is so for many reasons. First, domestic trade policy reform is a process that has begun but is by no means complete; even if it were, the impact of the trade policy regime on the agricultural sector cannot be easily separated from that of other factors and developments in the economy. Second, the outcome of the Uruguay Round of multilateral trade negotiations is by no means definite; indeed, the conflict between the US and the European Community may lead to significant compromises in the Dunkel Text on agriculture; even when the outcome is known, however, it would be difficult, *ex hypothesi*, to assess its impact on world output, world trade and world prices of agricultural commodities. Third, the longer term impact on Indian agriculture would be determined by an interaction of the changes in national trade policy and international trade policy; this inter-dependence makes the task of the analyst even more complex.

It is essential to recognise these problems. But the complexities and uncertainties should not mean that such an important set of issues is left unexplored. Indeed, the analysis in this paper, preliminary though it is, suggests far-reaching implications and consequences which deserve closer examination and further research. Instead of summing up the preceding discussion, however, it may be more appropriate to state some conclusions and highlight some policy implications that emerge.

The trade policy reform in India, which seeks to dismantle restrictions on trade other than tariffs, and to bring domestic prices closer to world prices, represents a fundamental departure from the past. It may set in motion a sequence of changes large enough to reshape the parameters not simply for the agricultural sector but for the economy as a whole. The impact would not be confined to trade flows. It would extend to output and prices. The changes in the distribution of agricultural output and incomes between regions may accentuate inequities which would have political implications. The increases in domestic prices of wage goods produced in the agricultural sector are bound to erode food security which, in turn, would have social consequences. There may not be much comfort in the balance of payments either. Insofar as the volume of India's agricultural imports or exports would affect world prices, terms of trade are likely to worsen. The possibilities would be constrained further inasmuch as structural rigidities in the agricultural sector inhibit supply response. But that is not all. The unilateral trade liberalisation in India would, perhaps, be followed by the multilateral liberalisation of trade in agriculture and the introduction of an international regime of discipline for domestic support to, and intellectual property rights in, agriculture as integral parts of the Uruguay Round. The impact of these developments, which would inevitably change the structure of relative prices and costs in the world economy, on Indian agriculture would not be limited to the volume or the terms of trade in agricultural commodities. It would extend much beyond trade into domestic spheres such as subsidies for agricultural production, support for the public distribution system and the potential for technological progress. The new multilateral obligations may impose costs on the agricultural sector and the economy in India which are not compensated for by benefits. Once again, there may be no comfort in the balance of payments but food security may be put at risk.

The most important policy implication which follows is that it is necessary to be extremely careful while proceeding with trade liberalisation in agriculture, particularly in the context of the changes likely to follow successful conclusion of the Urugday Round. Although detailed policy suggestions would be out of place, certain analytical points which should inform policy formulation, do need to be summarised in conclusion:

(1) Domestic relative prices of agricultural commodities in India are quite different from world price relatives, so that price signals received by domestic producers may be different from those consistent with India's comparative advantage. It is, in principle

desirable to reduce this gap between world and domestic relative prices. But this is subject to the important qualification that India is a large producer or consumer of most agricultural commodities in the world economy, so that dismantling existing restrictions on international trade would, in general, worsen the terms of trade. For this reason, and purely in her own interest, India should retain some wedges between domestic and foreign relative prices so as to ensure that the terms of trade loss is not excessive. This prescription is based on the optimum tariff argument which suggests that, when the small country assumption is not valid, it may be necessary to restrict the volume of imports or exports either to improve the terms of trade or to prevent them from deteriorating as much as they otherwise would.

(2) The world market for agricultural commodities is, at present, extremely imperfect and large changes in world price relatives are likely if, for example, agreement on the Uruguay Round leads to a rearrangement of the existing pattern of subsidies and other forms of government interventions in agriculture. For this reason, the current world prices are unlikely to be good signals for the situation which might emerge in the medium term, say six years hence. If adjusting the current pattern of production to that dictated by current world prices involves costs, these costs may, to a large extent, turn out to have been incurred needlessly if world prices alter subsequently. This is particularly relevant for crops in which India is currently uncompetitive but for which world prices are likely to increase subsequent to an agreement in the Uruguay Round. It is important, therefore, that any unilateral trade liberalisation be sequenced properly with the phased multilateral trade liberalisation on the anvil, keeping in view the possible impact of the latter on the evolution of future world prices.

(3) The current policy regime in India in effect taxes producers of agricultural commodities (and the effective taxation also varies substantially across crops) while subsidising consumers of these commodities. The situation is exactly the opposite in much of the industrialised world, particularly in the European Community and Japan, where the policy regime subsidises producers of agricultural commodities directly from the exchequer or indirectly through implicit taxation of consumers. The reluctance of Europe and Japan to liberalise trade in agriculture stems from a concern about the adverse income distribution consequences for producers. In contrast, in India, where average income levels are low, the concern is about consumers. To the extent that the poor (most of whose consumer expenditure is on food) are a major beneficiary of these implicit subsidies, there will be an adverse distribution of income as a result of freeing international trade. There is thus an equity argument against rapid trade liberalisation. Similarly, some major manufactured exports are in effect subsidised because of the lower domestic price of agricultural inputs (for example, cotton); and cheap food may also to a considerable extent be seen as providing an indirect wage subsidy. To the extent that such implicit subsidies to exports and employment are desirable in a labour surplus, foreign exchange constrained economy, there is a 'second-best or third-best' efficiency argument for not removing trade controls on agriculture indiscriminately.

(4) In this context, it is possible to argue that it would be more efficient, and less costly for agriculture, if trade restrictions (other than the optimal tariffs) were removed and income transfers to the poor or subsidies to exports and employment provided directly, meeting the necessary expenditure through revenues raised by imposing direct taxes on agricultural producers. There is theoretical merit in such an argument but it has its limitations. Even in terms of orthodox theory, such a tax-subsidy alternative may not be the first-best if the taxes levied involve large collection costs or impose sizeable distortions elsewhere and if the disbursement costs of subsidies are significant. The feasibility of such a policy prescription is limited even more in view of the administrative and political problems inherent in collecting the necessary taxes, and because some of the required subsidies may also be GATT inconsistent. In any case, the equity and efficiency considerations involved mean that trade liberalisation should follow rather than precede steps to put in place the required transfers-subsidies framework and the revenue collection mechanism to sustain it. It should also be remembered that trade liberalisation is itself likely to lead to some loss in tax revenue.[29] This could adversely affect public investment in agriculture, much of which (especially in infrastructure and research) is complementary to, and will not be replaced by, private investment even if farmers become better off. Thus, the relative price changes consequent to trade liberalisation may, in the absence of an adequate fiscal effort, result in slowing down the pace of long-run technological progress in agriculture, already under threat from the TRIPS proposals in GATT.

(5) So much for relative prices. In addition, there is an absolute price implication which needs to be considered, especially in relation to the maintenance of food security. It follows from the fact that nominal wages in unorganised sectors of the Indian economy have a very low degree of price indexation so that sudden increases in nominal food prices can cause large declines in food consumption of the poor. This has been the major cause of famine mortality in the past. To guard against such an outcome, it is necessary to prevent any sharp upward movement of food prices either in the process of transition to a new set of relative prices or in the course of normal price fluctuations. Two observations follow from this proposition. First, even if it is decided to move eventually to a higher relative price for, say, rice, this should be phased carefully and not done suddenly by allowing free exports. Some policy device should be in place to ensure that such price increases occur only at a pace commensurate with the likely speed of adjustment of wages in the unorganised sectors. Second, since world prices are currently more volatile than Indian domestic prices, it would be desirable to continue with the present domestic buffer stock policy for food security instead of replacing it with a policy of maintaining foreign exchange reserves and relying on foreign trade to even out production-consumption imbalances. What is more, since such a buffer stock policy is credible only if some wedge is retained between domestic and foreign prices, this is a further argument not to move towards complete free trade in foodgrains. There are, of course, gains to be derived from trade, but an open trade regime in foodgrains, which raises absolute prices and increases their instability, would put food security at risk.

The considerations set out above dictate that India should retain wedges between domestic and world prices for a number of reasons: because she is a large producer or consumer of most agricultural products; because the world market for such products is highly imperfect and may alter substantially in the near future; because problems of taxing agriculture directly preclude quick movement towards a more rational tax-subsidy-transfer scheme to serve the ends of equity and efficiency in a labour surplus, balance of payments constrained economy; and because the level and the stability of foodgrain prices is the basic determinant of food security. For this purpose, some trade policy intervention in agriculture is both necessary and desirable.

The nature and the degree of such intervention would, of course, vary across commodities and over time, but there are two propositions worth stating. First, tariffs on imports or taxes on exports may have to be significantly higher than the usual 'optimum' levels warranted by a concern about terms of trade, simply because there are other important reasons for maintaining a larger wedge between domestic and world prices. Second, in some agricultural commodities, especially foodgrains, it may be necessary to use quantitative restrictions on trade in the interest of food security. In particular, some quota restrictions should continue on foodgrains exports and the government should retain its buffer stock policy including the option of importing food in order to sell this in the domestic market at

prices lower than those prevailing internationally. In addition, quotas may also be necessary in cases where the import tariff or export tax equivalent of the quantitative restriction may be too high for the desired wedge between domestic and world prices.[30]

These prescriptions are not meant to detract from the proposition that a considerable simplification of India's foreign trade regime in agriculture is both feasible and desirable. In particular, the uncertainties created by the stop-go use of discretionary controls, or the 'on-now-off-tomorrow' nature of much of the existing system of quantitative restriction on exports can and should be reduced by announcing export quotas in advance and maintaining these unchanged for at least one year, the *ad hoc* nature of the current regime of tariffs should be rectified by basing these on a more rational and transparent foundation, and, above all, consideration of India's comparative advantages should be made an integral part of domestic agricultural policy both while drawing up plans for infrastructure investment and while setting procurement or support prices. It must be recognised however, that all this requires more and not less careful intervention by government, which should treat 'liberalisation' not as an excuse for abandoning its strategic role in agricultural development and ensuring food security but as an opportunity to use markets to better serve these ends.

Statistical Annexure

Price Quotations Used for Graphs in Text

Crop\year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
World prices (US$/tonne)											
Wheat	176.0	177.7	161.5	158.1	153.3	137.8	114.9	114.5	146.4	170.1	136.8
Rice	433.7	482.8	293.6	276.8	252.3	217.3	210.2	229.8	301.6	320.3	286.8
Maize	150.4	151.9	123.5	149.3	152.3	126.6	101.9	91.8	126.2	133.5	126.9
Cotton	2065.3	1853.5	1599.5	1853.8	1783.6	1319.3	1057.0	1647.7	1399.4	1672.5	1821.2
Groundnut oil	858.8	1042.8	585.4	710.9	1016.7	904.9	569.4	499.8	590.3	774.8	963.8
Groundnut kernel	482.9	600.9	402.3	383.0	418.0	363.6	320.0	280.6	331.5	435.4	541.2
Soybean	296.3	288.4	244.5	281.7	282.1	225.3	208.4	215.8	303.5	275.0	246.9
Coconut oil	674.3	570.0	464.4	729.8	1154.6	590.2	296.5	442.3	564.8	516.8	336.0
Copra	453.0	378.9	314.0	495.8	709.3	386.0	197.6	309.2	397.7	347.9	230.7
Sugar	631.8	372.4	185.3	186.6	114.7	89.5	133.4	149.0	224.7	282.0	276.7
Tobacco	3142.8	3538.8	4029.1	4088.8	4091.9	4063.6	3607.9	3466.5	3585.9	3840.5	3931.6
Jute	313.7	304.0	283.3	298.3	558.0	569.3	225.9	296.6	308.9	344.4	408.6
Tea	2227.9	2019.1	1931.7	2324.6	3456.8	1983.6	1930.2	1705.2	1764.4	2010.6	2039.5
Coffee	3354.8	2554.9	2755.6	2821.5	3112.7	2934.2	3768.3	2376.7	2556.5	2021.0	1577.0
Rubber	1422.7	1085.1	844.4	1054.1	936.9	754.9	797.9	993.3	1159.2	949.0	861.7
Bananas	373.8	401.4	374.7	437.1	369.5	380.3	400.7	373.5	449.1	488.5	519.6
Pepper	2073.3	[illegible]731.2	1474.1	1795.5	3010.4	4036.7	5898.5	5776.2	4602.7	2850.8	1793.4
World prices (rupees/quintal)											
Wheat	139.2	159.4	156.2	163.5	182.3	168.7	146.8	148.5	212.0	283.2	245.4
Rice	343.1	433.1	283.9	286.2	300.0	266.0	268.6	298.1	436.7	533.3	514.5
Maize	119.0	136.3	119.4	154.4	181.1	155.0	130.2	119.1	182.7	222.3	227.7
Cotton	1633.7	1662.6	1546.7	1916.8	2120.7	1614.8	1350.8	2137.1	2026.3	2784.7	3267.2
Groundnut oil	679.3	935.4	566.1	735.1	1208.9	1107.6	727.7	648.2	854.8	1290.0	1729.1
Groundnut kernel	382.0	539.0	389.0	396.0	497.0	445.0	409.0	364.0	480.0	725.0	971.0
Soybean	234.4	258.7	236.4	291.3	335.4	275.8	266.3	279.9	439.5	457.9	442.9
Coconut oil	533.4	511.3	449.1	754.6	1372.8	722.4	378.9	573.7	817.8	860.5	602.8
Copra	358.3	339.9	303.6	512.7	843.4	472.5	252.5	401.0	575.9	579.3	413.9
Sugar	499.8	334.0	179.2	192.9	136.4	109.5	170.5	193.3	325.4	469.5	496.4
Tobacco	2486.0	3174.3	3896.1	4227.8	4865.3	4973.9	4610.9	4496.1	5192.4	6394.4	7053.4
Jute	248.1	272.7	274.0	308.4	663.5	696.8	288.7	384.7	447.3	573.4	733.0
Tea	1762.3	1811.1	1868.0	2403.6	4110.1	2427.9	2466.8	2211.6	2554.9	3347.6	3658.9
Coffee	2653.6	2291.7	2664.7	2917.4	3701.0	3591.5	4815.9	3082.6	3701.8	3365.0	2829.1
Rubber	1125.4	973.3	816.5	1089.9	1114.0	924.0	1019.7	1288.3	1678.5	1580.1	1545.9
Bananas	295.7	360.1	362.3	452.0	439.3	465.5	512.1	484.4	650.3	813.4	932.2
Pepper	1640.0	1552.9	1425.5	1856.5	3579.4	4940.9	7538.3	7491.7	6664.7	4746.6	3217.4
Indian domestic prices (rupees/quintal)											
Wheat	149.7	162.7	180.6	185.4	180.6	193.6	206.6	219.6	250.5	240.8	279.[illegible]
Rice	185.5	203.9	234.4	263.0	246.7	258.9	273.2	295.6	328.2	344.5	362.[illegible]
Maize	138.1	157.0	171.1	180.5	149.1	193.1	204.0	216.6	240.1	230.7	241.[illegible]
Cotton	1191.8	1471.4	1280.1	1471.4	1706.8	1397.8	1280.1	1956.9	2074.6	2162.9	2148.[illegible]
Groundnut oil	1054.6	1334.9	1308.2	1481.8	1535.2	1441.7	1895.6	2336.1	2029.1	2202.6	3003.[illegible]
Groundnut kernel	342.1	412.1	399.8	457.5	486.3	461.6	568.7	696.5	638.8	642.9	861.[illegible]
Soybean	238.1	293.9	299.8	320.3	323.3	285.1	399.7	558.4	543.7	555.5	631.[illegible]
Coconut oil	1499.9	1339.2	1553.5	2276.6	3227.4	1781.1	2383.7	3039.9	3039.9	2370.4	2959.[illegible]
Copra	1006.7	883.0	1015.5	1571.8	2154.6	1121.5	1571.8	2022.2	2013.3	1510.0	1951
Sugar	461.7	476.0	442.7	447.4	471.2	547.4	556.9	566.4	604.5	675.9	671
Tobacco	1272.0	1200.0	1404.0	1668.0	1452.0	1512.0	1668.0	1896.0	1944.0	2172.0	3072
Jute	174.8	185.9	223.1	321.6	712.1	366.3	232.4	273.3	368.1	503.8	669
Tea	1254.6	1349.0	1618.8	2401.2	2684.5	2090.9	2279.8	2333.8	2468.7	3817.7	4047
Coffee	1149.0	1235.5	1272.6	1544.4	1939.7	2063.3	2075.6	2186.8	2261.0	2372.2	3805
Rubber	1218.2	1433.1	1418.8	1719.7	1605.1	1676.8	1619.4	1734.1	1734.1	2020.7	2049
Bananas	77.1	95.1	102.7	101.8	112.3	116.1	146.5	148.4	158.9	166.5	175
Pepper	1300.0	1166.7	1096.7	1388.3	2181.7	3488.3	4573.3	4550.0	3360.0	3698.3	2905

Note For details of quotations used, see note 8 in text

Notes

[An earlier version of this paper was presented at the ISID-FAO Workshop on 'Agricultural Policies and the New Economic Environment' held at New Delhi in September 1993. This revised version will appear in G S Bhalla (ed), *Economic Liberalisation and Indian Agriculture*, ISID-FAO, New Delhi, 1994. It is published here with permission from the editor.]

Some major changes in trade policy were announced, following the exchange rate adjustment, on July 4, 1991. However, the broad contours of trade policy reform, in terms of intentions, were first stated by the government in parliament. See *Statement of Trade Policy*, ministry of commerce, government of India, New Delhi, August 13, 1991.

For details, see *Export and Import Policy: April 1992-March 1997*, ministry of commerce, government of India, New Delhi, March 1992. The departures from the past emerge from a comparison with earlier import-export policy documents. See, for example, *Import and Export Policy: April 1990-March 1993*, Volumes I and II, ministry of commerce, government of India, New Delhi, March 1990.

Cf Jagdish Bhagwati and Padma Desai, *India: Planning for Industrialisation*, Oxford University Press, London, 1970; and Jagdish Bhagwati and T N Srinivasan, *Foreign Trade Regimes and Economic Development*, Columbia University Press, New York, 1975. For an elaborate, though somewhat different, discussion of the bias against agriculture, see Michael Lipton, *Why Poor People Stay Poor: A Study of Urban Bias in World Development*, Temple Smith, London, 1977.

The relative neglect of export crops relates to both plantation crops, such as tea, and to non-plantation crops, such as cotton. In the case of the former, rapid growth of domestic consumption ate into exportable surpluses and there was little attempt at evolving a deliberate price policy to restrain consumption or encourage production. In the case of the non-plantation crops, the situation was, if anything, worse, at least till the devaluations of the mid-1980s, because the import substituting crops benefited not only from increasing yields, due to improved technology, but also got price benefits as a result of the government's support measures. The result was that not only did yields increase less for the export crops but also that there was some shift of area from these crops to the import substituting ones. For a discussion of this issue, see Deepak Nayyar, *India's Exports and Export Policies*, Cambridge University Press, Cambridge, 1976.

For evidence that industrial mark-ups increased markedly in the OECD countries during the 1980s, see, for example, Stephen Marglin and Juliet Schor (ed), *The Golden Age of Capitalism: Reinterpreting Postwar Experience*, Clarendon Press, Oxford, 1990. The Indian evidence on relatively stable industrial mark ups is available from both the CSO's *Annual Survey of Industries* and the RBI's *Surveys of Large and Medium Private and Public Limited Companies*.

6 This assertion of course depends on the assumption that foreign firms are able to push up prices when tariffs are reduced, and this, in turn, assumes a particular type of market structure in world trade involving manufactured goods that developing countries buy from the developed countries —cf, A Yeats, 'Monopoly Power, Barriers to Competition, and the Pattern of Price Differentials in International Trade', *Journal of Development Economics*, 1978 (pp 167-80). Empirical evidence adduced by, e g, R Mehta and R G Nambiar, 'Tariffs and Foreign Prices', *Economic and Political Weekly*, Special Number, November 1988 (pp 2385-94) suggests that there is indeed such a negative relationship between tariffs and prices charged by foreign firms exporting to India.

7 In detail, the comparisons involve the following price quotations:
Wheat: World: United States, No 2, Hard red winter (ordinary), fob Gulf. India: Average of Kalyan (Delhi, Ludhiana), Dara (Aligarh), RR21 (Hapur) and FAQ (Patna, Ahmedabad, Bombay, Calcutta and Madras)
Rice: World: Thailand, white, 5 per cent broken, fob Bangkok. India: Average of Parmal (Delhi, Kapurthala), Long Bold (Bombay), Fine (Cuttack), Medium (Madras, Calcutta), IR8 (Bareilly)
Maize: World: United States, No 3 yellow, cif Rotterdam. India: Average of Yellow (Dohad, Chandausi), white local (Mandi, Bahraich), white HYV (Jammu, Bangalore).
Groundnut: World: Kernels of any origin, cif Rotterdam. India: Average of Bold (Hyderabad, Raichur, Rajkot, Bombay), FAQ (Kanpur).
Soyabean: World: US, No 2 yellow, cif Rotterdam. India: Average of Superior (Devas), Local (Indore, Haldwani).
Copra: World: Philippines/Indonesia, bulk, cif European Ports. India: Average of FAQ (Cochin), Dilpas (Kozhikode), Smoked Alleppey, Local (Mangalore)).
Cotton: World: Cotton Outlook Index A, Middling 1-3/32", cif North Europe. India: Average of RGJ-34 (24 mm fine), Y-1/Jyoti (24 mm fine), H-4A (27mm fine, Shankar 6B (30 mm fine) (all at Bombay).
Jute: World: Bangladesh, BWD, fob Chittagong-Chalna. India: W-5 (Calcutta, Hooghly).
Sugar: World: Caribbean Ports, fob, bulk basis (ISA). India: Average of quotes in Delhi, Calcutta, Bombay, Madras.
Tea: World: London Auction Prices (all teas). India: Average of quotes in Calcutta, Guwahati (all teas).
Coffee: World: Average of prices, New York/London (ICCA). India: Average of Plantation and Robchy (Madras, Virudhunagar).
Rubber: World: Singapore, No 1 RSS, fob. India: RMA (Kottayam).
Tobacco: World: Average of world trade unit values. India: Average of FHP in Andhra Pradesh and Virginia (Calcutta).
Pepper: World: Singapore, white, Sarawak 100 per cent. India: Best quality (Cochin).
Banana: World: Central America and Ecuador, fob United States ports. India: Average of quotes in Bombay, Delhi, Calcutta, Kodaikanal

8 An obvious case where import substitution has been pursued by keeping domestic prices well above world prices is that of oilseeds, for which incentive prices have been common in recent years, and in response to which production has expanded significantly

9 The exceptions other than cotton are all crops where India accounts for a large percentage of world export.

10 On relative cropwise incidence of subsidies, see Ashok Gupta, 'Input Subsidies in Indian Agriculture—A Statewise Analysis', *Economic and Political Weekly*, June 24, 1989.

11 Thus, according to World Bank calculations for 1989, the Indian domestic price, the Indian import parity price and the world price for urea (in US $/mt) were 142, 207 and 132 respectively, the corresponding prices for DAP being 218, 301 and 173, showing in both cases that there was an economic subsidy to Indian farmers in comparison to the import parity price but not in comparison with the world price (World Bank, *India 1991—Country Economic Memorandum. Volume II: Agriculture—Challenges and Opportunities*, August 23, 1991, p 147). Direct comparisons of Indian and foreign domestic fertiliser-crop price ratios, showing that Indian ratios are higher than for most countries, are also available in various issues of *Fertiliser Statistics*.

12 According to John Cummings, 'The Supply Responsiveness of Indian Farmers in the Post-Independence Period: Major Cereals and Cash Crops', *Indian Journal of Agricultural Economics*, 1975, the short- and long-run supply elasticities for rice are 0.37 and 0.38 respectively. The price elasticity of demand for rice has been estimated to be 0.56 by R Radhakrishna and K N Murty, *Models of Complete Expenditure Systems for India*, Centre for Economics and Social Studies, Hyderabad.

13 For some estimates of the issues and magnitudes involved, see N S S Narayana, K S Parikh and T N Srinivasan, *Agriculture, Growth and Redistribution of Income: Policy Analysis with a General Equilibrium Model of India*, Allied Publishers, 1991.

14 The state most likely to be affected adversely by this is the desert state of Rajasthan which has had above average agricultural growth during the 1980s, mainly through expansion of oilseeds cultivation which increased as a proportion of area cultivated from less than 20 per cent to more than 40 per cent over the decade.

15 For a detailed statewise and cropwise study of employment in agriculture, see Preet Rustogi, 'Labour Productivity in Indian Ag-

riculture: An Inter-State Analysis', MPhil thesis, Centre for Economic Studies and Planning, JNU, New Delhi, 1991 Preliminary analysis with data from this study suggests that there is unlikely to be any significant positive effect on employment if crop area shifts from those crops where the Indian relative prices are currently higher than world prices to those where it is currently lower Much higher employment differentials exist within crops between irrigated and unirrigated land and between small and large farms

16 See, for example, C H Hanumantha Rao, 'Policy Issues Relating to Irrigation and Rural Credit in India' in G S Bhalla (ed), *Economic Liberalisation and Indian Agriculture* (forthcoming)

17 Shankar Subramanian, *Agricultural Trade Liberalisation and India* OECD Development Centre, Paris, 1991 See also, Narayana, Parikh and Srinivasan, op cit

18 This is borne out by a reading of the text of the General Agreement on Tariffs and Trade, see *Basic Instruments and Selected Documents*, Volume IV, GATT, Geneva, 1969

19 Over the years, industrialised countries have, through distorted interpretation and sometimes through outright waivers and protocols of accessions, departed further from the letter and spirit of GATT rules in the implementation of their agricultural policies

20 In this paper, which was written in January 1993, the 'Dunkel Text' refers to the document circulated by Arthur Dunkel the director general of GATT to the contracting parties in late 1991 see *Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade* Negotiations, MTN TNC/W/FA Geneva, December 15, 1991 The negotiations were concluded subsequently in late 1993, see *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations*, MTN/FA Geneva, December 15, 1993 The final outcome is, in substance, in accordance with Dunkel Text, except for some points of compromise between the US and the European Community Important changes in the "Final Act" which may affect the argument developed here are mentioned in footnotes at appropriate places in this section of the paper

21 The *raison d'etre* for the much wider scope is that some of the broader measures adopted by industrialised countries (e g, variable levies and export restrictions) are inextricably linked to their domestic support programmes Hence the latter are sought to be brought within the purview of international discipline

22 The details of the proposals outlined here, and in the preceding paragraphs, are based on the Dunkel Text cited earlier There is, however, an important change in the Final Act The limit of 5 per cent or 10 per cent on domestic support to agriculture is specified only for support in the aggregate and not for support in each product

23 It should be recognised that the reduction in subsidies would be implemented in stages over a period of six years This phased transition implies that the increase in prices, as also the possible production and consumption response would be less pronounced than would have been the case if the subsidy reduction was once and for all Moreover, the changes made between the Dunkel Text and the Final Act are all such that these would imply a lower price increase than would have occurred had the Dunkel Text not been modified

24 The available simulation results using Computable General Equilibrium models generally bear out these conclusions K Frohberg, G Fisher and K S Parikh, 'Would Developing Countries Benefit from Agricultural Trade Liberalisation in OECD Countries?' in I Goldin and O Knudsen (eds) *Agricultural Trade Liberalisation Implication for Developing Countries* OECD and World Bank 1990 present simulations which suggest that OECD liberalisation of agricultural trade will sharply increase Indian agricultural exports but have negligible effect on Indian agricultural output As a result, domestic agricultural prices will increase and domestic consumption of agricultural products would drop sharply reducing food intakes and increasing the number of hungry people significantly In Shankar Subramanian s (1991, op cit) model, OECD agricultural trade liberalisation without similar liberalisation in India has rather negligible effects However when OECD and India both liberalise this magnifies the effects noted earlier for a unilateral liberalisation by India Although agricultural exports increase sharply and agricultural output moderately, real wages fall in both agriculture and non agriculture, and all household groups other than richer farmers suffer real income losses which are larger than with unilateral liberalisation alone The two models differ substantially in their assumptions and this explains the rather different outcomes in terms of output Both share the weakness of assuming that world agricultural prices will remain unaffected if India liberalises, and this tends to exaggerate the likely export expansion But despite their differences, both models predict significant adverse effects on the poor

25 See Third Report of the Department Related Parliamentary Standing Committee on Commerce, *Draft Dunkel Proposals*, Rajya Sabha Secretariat New Delhi, December 1993

26 The provisions on 'public stockholding for food security purposes' and on 'domestic food aid' in the Dunkel Text, which form the basis of the discussion in the two paragraphs that follow, remain unchanged in the text of the Final Act But there is an important exception for developing countries provided by two footnotes added in the Final Act, which are reproduced below

(i) "Governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stock of foodstuffs for food security purposes are acquired or released at administered prices, provided that the difference between the administered price and the external reference price is accounted for in the AMS"

(ii) 'The provision of foodstuffs at subsidised prices with the objective of meeting food requirements of urban and rural poor in developing countries on a regular basis at reasonable prices shall be considered to be in conformity with the provisions of this paragraph"

It is clear that most of our concerns, arising from the Dunkel Draft, about the constraints placed on the public distribution system in India are met by the exemption implicit in these footnotes However, it seems to us that the restraints imposed by the Dunkel Text on market intervention operations by the government will continue

27 See Article 27 of the Annex on Trade Related Aspects of Intellectual Property Rights It is also stated that "this provision shall be reviewed four years after the entry into force of this Agreement" Thus, it is possible that plant and plant varieties may become patentable thereafter These, and most other, provisions on TRIPS of the Dunkel Draft remain unchanged in the Final Act

28 It would mean too much of a digression to enter into a discussion of the issue here Suffice it is to say that even if UPOV 1978 provides the basis for the *sui generis* system to begin with, which is by no means certain, a more stringent system, such as that in UPOV 1991, is likely to be imposed sooner rather than later, for the entire set of provisions would be the subject of review within four years

29 As a result mainly of the fact that this moves relative prices against industry which pays more taxes than agriculture

30 This may be particularly important for commodities where imports are a very small proportion of domestic consumption or exports are small in relation to domestic production It is for this reason that Japan and the European Community are reluctant to embark on a tariffication of their quantitative restrictions on agricultural imports

Challenges to Public Health Systems

C Gopalan

As we move to the next century we face the cruel paradox that despite growing prosperity and spectacular technological advances, the task of ensuring health and well-being for the citizens of the world is becoming even more difficult and expensive and complicated than ever before. To be sure, we have conquered some old 'enemies' to public health, but new challenges—some even more formidable and imponderable than earlier ones—have cropped up. These will demand even greater national vigilance and increased international co-operation for their solution.

HEALTH systems of most countries of the world, and especially those of developing countries, have come under increasing strain in recent years. In their efforts to achieve betterment of the living standards of their peoples, developing countries have embarked on ambitious developmental programmes invoking modern advances in science and technology. While these have undoubtedly been beneficial in several respects, they have also had their deleterious repercussions (direct and indirect) on public health. Thus, for example, the steep reductions in death rates achieved through the application of modern health technology, have not been matched by equally spectacular gains with respect to reductions in fertility, and mitigation of poverty. As a result most poor countries continue to be bedevilled by the twin factors of escalating population pressure and persisting poverty. While much of their 'old burden' of ill-health resulting from communicable diseases and undernutrition still remains, 'development' has generated new health problems related to increasing environmental degradation, ageing of population and dietary excesses and errors associated with affluence. Thus these poor countries now face the double burden of 'old' problems of ill-health which they have not as yet totally solved and of 'new' problems which they have acquired as the 'price' of development.

Global protectionist economic policies pursued by affluent countries and the harsh structural adjustments imposed on poor countries by international lending agencies (despite 'safety nets') have tended to aggravate prevailing gross inequities between, and within, countries. Vast sections of populations find themselves unable to meet their basic health/nutrition needs.

In industrialised affluent societies, increasing incidence of chronic degenerative diseases and cancer are contributing to a steady escalation of the cost of health care and to generation of new pressures on health systems. Science and technology, and affluence and development, have succeeded more strikingly in changing the profile and nature of diseases afflicting populations rather than reducing the overall burden of ill-health among them.

It is a cruel irony that some of the major challenges that public health systems now face are the by-products of the very technological advances primarily designed to promote human well-being. This is no reflection on technological advances themselves but perhaps on the manner of their use and on the failure of society as a whole to harness these new resources for the common good.

The challenges to public health are considered below under the following heads: (i) Impact of advances in health technology; (ii) The challenge of ageing; (iii) The changing profile of ill-health; and (iv) Environmental degradation.

I
Impact of Advances in Health Technology

Modern advances in medical science and health technology have, undoubtedly, opened up new vistas and have greatly enriched medical science and practice. Sophisticated new diagnostic and therapeutic tools have now become available for the successful management of a whole range of diseases hitherto considered incurable. Future advances in genetic engineering and bio-technology hold out promises of even more spectacular progress within the next two decades. These are achievements to be applauded.

Strange as it may seem, it is these very tools of progress that are now contributing to some of the major challenges that presently confront public health systems and indeed the medical profession itself! We will now briefly consider some of these.

Challenge to Traditional Philosophic Base of Medicine

Medicine has traditionally been looked upon as a noble profession—not just a hi-tech craft. It is as much an art as it is a science. It is certainly no trade, nor is it just a technology. Close physician-patient interaction informed by humanism has always been its hallmark. The traditional image of the physician in the eyes of the society and the family is that of a benefactor, healer, friend, philosopher and guide. Modern advances in health technology, if not wisely handled and harnessed, could threaten this precious philosophic foundation of medicine.

The challenge to the medical profession is to master and harness the emerging high technology in a manner that does not erode its traditional noble moorings. Even the superspecialist should not lose the art of sympathetic interaction with his patient as a 'whole individual'.

Escalating Cost of Health Care

A direct effect of the new sophisticated advances in diagnostic and curative technology has been the remarkable escalation of the overall cost of health care both in the private and the public sectors. The new tools that these advances have now made available are expensive.

Moreover with aggressive 'consumer movements' ever ready to arraign medical personnel for 'negligence', there could be a growing (understandable) trend on the part of the medical profession to 'err on the safe side', and to order a whole battery of diagnostic tests to 'exclude' even the remotest of possibilities. Diagnostic and curative procedures that might otherwise have been considered immediately unnecessary and that would have been reserved for a later stage only if proved necessary, may now be more freely and frequently resorted to. There is a growing feeling that many diagnostic tests and surgical procedures now being undertaken may not be really necessary. Even if this were not the case, the cost of health care in this technological age would have escalated. Even prosperous countries are facing formidable problems in responding to this challenge and in having to make agonising choices in the matter of allocation of national budgetary resources for different sectors of health care.

Inequities in Health Care

There have always been inequities with respect to the outreach and quality of even basic health care, as between, and within, countries. These inequities as between the

rich and the poor, and as between the rural and the urban sectors, could now be further aggravated.

'Rich and poor': In the case of poor countries, in which more than a third of populations are generally below the poverty line and wherein health services currently reach only a part of the rural populations, the arrival of modern expensive diagnostic and curative technologies could further widen the existing inequalities in the quality of health care as between the rich and the poor. Certainly, CAT scans, coronary bypass surgery and organ transplants are well beyond the reach of the poor. Public health administrations of even poor countries are bound to come under increasing pressure for the allocation of significant proportions of their meagre national health budgetary resources for these hi-tech areas, even in situations wherein basic requirements of safe water, immunisation and minimal levels of sanitation have not been ensured for a majority of the poor.

Organ transplants in particular are already generating major ethical issues. On the one hand, the poor cannot afford these expensive technologies; on the other hand, they could become victims of commercial exploitation by unscrupulous agents in search of organ donors. Many countries are still groping to find answers to this problem and to forge legal, institutional, and societal safeguards to ensure that the benefits of modern health technology are equitably shared, and unethical practices are curbed. The answers are not going to be easy.

Rural and urban: Modern advances in health technology could also aggravate differences in the quality of health care as between rural and urban populations. Some decades ago it was possible to practice medicine with nearly as much professional efficiency in a rural setting as in an urban area. With the advent of the new diagnostic and therapeutic techniques, this is no longer the case. Because of the urban migration induced by industrialisation, urban areas are likely to account for a much larger proportion of the total population of developing countries within the next decade. Thus India's urban population is expected to exceed 300 millions (a third of its total population) by the end of this century; and of this 100 million will be living in urban slums. Since the urban sector is more 'visible' and proximate to political power, health problems of the urban sector, and more especially those of the urban slums will demand greater attention and higher budgetary allocations. Considering that the outreach and quality of basic health care to the rural poor are already inadequate in most developing countries, this could mean a further widening of current disparities.

II
Challenge of Ageing

Practically all Asian countries struggling to achieve socio-economic development have, during the last few decades, adopted policies for the containment of the growth of their populations. These policies have resulted in varying orders of decline in birth rates. With improved health care and better access to modern health technology, these countries have also achieved varying orders of decline in mortality rates and increase in life expectancy. These declines in fertility and mortality are bringing about a demographic transition, the dominant feature of which has been the progressive ageing of populations. Thus, in the countries of south-east Asia (including SEAR), there will be varying orders of increase in the proportion of the elderly in the next few decades (see the table).

A population age structure characterised by an increasing proportion of 'old' dependents (>60 years or >65 years) will inevitably make increasing demands on national health and welfare systems and services. Young children and old people are the two population segments subject to the highest incidence of morbidity. Of the two, it is the latter (old dependents) that suffer higher levels of sickness, for, as is well known, with ageing there is significant decline in immunocompetence. Young dependents make far less expensive demands on health care than old dependents.

Moreover, diseases afflicting the old are more chronic and long-drawn. The cost of management per medical case for the age-group >70 years has been estimated to be four to five times higher than that for a case in the <5 years age-group.[1]

Thus, with increasing life expectancy, health problems of the aged will need increasing attention and higher budgetary allocations. While expenditure on children can be defended on sound economic grounds, expenditure on the aged can only be justified on humanitarian grounds. In the case of poor developing countries burdened with sizeable proportions of dependents at both ends of the age-scale, the task of resource allocation for health care will involve some agonising choices.

III
Changing Profile of Ill-Health

As was pointed out earlier, modern health technology and socio-economic development have brought about striking changes in the profile of diseases among populations. This process will gain further momentum in the coming decades. With better immunisation coverage, and improved environmental sanitation, acute infectious diseases will further decline. Because of this, and because of increased longevity and ageing, chronic degenerative diseases which are generally more expensive to treat, and which require a longer duration of treatment and yield far less rewarding results as compared to acute communicable diseases, will gain progressive ascendancy in the morbidity profile. Dietary excesses and errors associated with unbridled affluence could speed up this change. These changes in the profile of morbidity could contribute to the escalation of the overall cost of health care and compel diminished resource allocation for programmes that seek to address basic minimal health needs.

Two major problems which have burst into the health scene in recent years are likely to demand increasing attention and resources for their containment—AIDS and drug addiction. The future course of these new problems is as yet imponderable. AIDS, apart from being a major problem by itself, could also contribute to aggravation of the problem of tuberculosis.

IV
Environmental Degradation

The serious threat that global environmental degradation poses, not just to public health, but to the very survival of 'our earthship' has now become a matter of common concern for all mankind. Progressive environmental degradation is contributing to depletion of natural resources and aggravation of ill-health and undernutrition, and is emerging as a major threat to public health.[2]

The major concerns which are generally emphasised and articulated at world forums by the developed countries are those related to global warming, depletion of ozone layer, and loss of bio-diversity. Major environmental hazards which are the major concerns of developing countries are: (1) degradation of land productivity and soil erosion, which threaten future food supplies; (2) deforestation an

TABLE: POPULATION >64 YEARS IN SELECTED COUNTRIES

(Per cent)

Country	1989	2025
United States of America	18.6	34.2
Germany	22.1	45.7
Japan	16.8	43.4
India	7.3	11.0
China	8 8	19.4
Sweden	27.7	34.4
France	20.6	36.5

Source: World Development Report 1991, 'The Challenge of Development', World Ba

poor management of watersheds leading to frequent floods and large-scale devastation; droughts and desertification; (3) scarcity of safe drinking water; (4) pollution of the immediate environment through inadequate facilities for sewage disposal and discharge of industrial effluents; (5) pollution of rivers and coasts that threaten the fisheries; and (6) air-pollution of towns and cities through toxic fumes (such as methyl iso-cyanate in the Bhopal disaster) churned out by industrial establishments using borrowed, often outdated, technologies, without adequate safeguards and controls.

Environmental degradation is not only aggravating diseases attributable to insanitation and undernutrition among the poor but also to increased incidence of cancers and degenerative diseases among the affluent.

The challenges to public health discussed above would call for imaginative initiatives both at the national and global levels. It may be useful for our purpose, at this conference to consider these initiatives needed for this purpose under two broad heads: (1) initiative needed for ensuring minimal levels of primary health care to the poor and the underprivileged and (2) initiatives needed to counter the new challenges to public health posed by recent global policies and developmental transition.

Initiative for Ensuring Basic Health Care for All

The principles and policies enunciated at Alma Ata are as valid today as ever before. The minimal basic objective of public health policy must be to ensure access to basic primary health care to all—including the poorest sections of the world community. The essential components of primary health care as defined in the Alma Ata declaration constitute the basic minimal health care package. National and global policies must ensure that adequate budgetary allocations and other conditions needed for meting out these modest goals to even the poorest sections of populations become available. However, the achievement of these goals will not depend on financial allocations alone. What is even more important is the mobilisation and efficient management of material and manpower resources. This will need not only political will at the highest levels but the awakening of the people themselves. In the ultimate analysis it is people and people's power alone that can ensure public health and that can correct present aberrations and inequities in health care. 'New directions' must be mainly concerned with the identification of strategies needed for bringing about this awakening. We will briefly consider some of the strategies needed to correct these shortenings.

Ensuring public health is not to be treated as the sole responsibility of the health sector in the administrative set up of a country. Policies and programmes in other sectors such as, environment, education, welfare, industry, labour, information, etc, must also be informed and influenced by public health considerations. The objective of health for all has been eluding us because public health has not as yet become the joint concern of the people on the one hand and all sections of the government on the other.

The major initiatives needed for the attainment of the goal of health for all are briefly considered below:

(1) Community organisation, (2) Better management of available material and manpower resources, (3) Ensuring basic essential facilities, and (4) Reform of medical education.

Community organisation and involvement: In all discussions on health care, lip-service to 'community participation' notwithstanding, the real focus has always been on the 'provider', not the consumer. The assumption appears to be that the pattern of consumer-demand can be moulded and made to conform to the pattern of 'supply' which is largely decided from the armchair. The highly centralised vertical programmes launched and pushed without prior consultations and dialogues with the community are based on this lopsided approach and are, for that very reason, floundering.

There is no built-in mechanism within our health systems for ensuring accountability and achievement-audit. As a result, in the health field today, there is a yawning gap between promise and performance between inflated official claims on the one hand, and actual accomplishments as assessed by independent evaluations, on the other.

Accountability can only be ensured when a vigilant community becomes an active and informed participant in the system instead of remaining, as at present, an apathetic onlooker. Where the communities served are largely illiterate, poor and powerless, and are not actively involved in the formulation or implementation of programmes and services, they meekly accept (or reject) without complaint whatever is offered. They have no means of articulating and enforcing their demands and of thus contributing to the evolution and development of a meaningful health system which will answer their real needs.

There is at present a psychological divide between the provider and the consumer. The health service is largely perceived by the rural poor as a governmental bureaucratic operation to be availed of grudgingly and guardedly only in times of dire distress. It is not surprising, under the circumstances, that our health services are generally functioning well below their installed capacities. We need to initiate imaginative steps to bridge this gulf between the 'providers' and the 'consumers' of our health services. We may now briefly set out some concrete steps in this regard.

(a) Setting up of empowered village level community organisations. The implementation of health and welfare programmes will need creation of officially recognised (and technically and financially supported) network of village level women's organisations extending from the village to the district.[3] These village-level community organisations should act as the nodal points for interactions between the official (government) services and the community. All official functionaries at the village even if they are salaried government servants, must be considered as employees of the community organisation and answerable to it.

(b) Non-formal education of rural adolescent girls. While we should strive for the achievement of the goal of universal primary school education, we must also take notice of the reality that for at least the next two decades, millions of girls in the countryside in many poor countries will not be captured by the school system. An imaginative national programme of non-formal education outside the schools coupled with a programme of vocational training with a view to impart income-generating skills beamed to adolescent girls will be necessary in order that the very large number of young women who are going to shape the generation of the immediate future and who have dropped out of schools are properly equipped for the challenging tasks of motherhood and citizenship that await them.

This would call for an imaginative broad based programme for education for better living outside the school system.[4] Such a programme has to be suitably aligned with and mutually reinforced by an appropriate programme of vocational training. The organisation of such a programme would call for co-operation between non-governmental voluntary agencies on the one hand, and different sectors of the government on the other.

(c) Creation of a national health scout movement. The time has now come to initiate some imaginative actions which will help to convert such slogans as—'Health for all by 2000 AD', 'Achievement of health of the people by the people, for the people', etc—from rhetoric to reality. The interface between the provider and the consumer has to be bridged and this is the essential role of the voluntary agencies.

In order to bring this about it is important for voluntary agencies to mobilise the youth of the country, boys and girls, young men and women both in villages and urban areas into a massive national health scout movement (community health volunteer movement).

Recruits for such a national health scout movement could be given a short period of orientation and training. They could be assigned specific tasks for specified durations according to a set time table. In the performance of their tasks they could be helped, supported and encouraged by their trainers. Such motivated trainers could come from home science colleges and from departments of preventive medicine of local medical colleges. These between themselves could adopt specified sets of villages for promoting this movement.

The national health scout movement to be successful, must enjoy the official blessings and support of the departments of health and welfare of the government so that the scouts (volunteers) may command credibility among the community on the one hand and perform their tasks with self esteem and self confidence. This will also be a valuable learning experience for the volunteers who will be our future citizens. The movement could provide an opportunity for the youth to render dignified service to the community. It may help to turn the youth away from delinquency, drugs and violence—which in the modern age threaten to engulf them.

(d) ... of rural schools. An imagi-
... for the use of the rural
... is a major instrument of
... Health and Nutrition educa-
... tribute significantly to the
... the objectives of Alma
... School Health Service will
... improving the outreach of
... but also in promoting
... and reducing drop-outs
... self reliance and self-
... of the village community
... and well to do must be
... contribute their mite to
... nisation. Health and wel-
... should not be allowed to
... charity operations which
... and loss of self-respect
... community contributions
... matching grant by the
... ld be considered.
... *ment of material and man-*
... Even with the existing
... manpower resources poor
... achieve far better results
... now getting, through
... nagement. The follow-
... cific suggestions in this

... ment and establishment
... information system at the
... This will help the health
... to identify the "house-
... each village. This will
... ful programme of peri-
... its by the health work-
... of two-way communi-
... 'provider' and the 're-
... nity) can be established
... ensure feedback so that
... are no longer blind
... course corrections and
... will then become pos-
... ensured and false

... ity of professional staff
... subcentres to villages
... This will overcome
... of PHC and subcentre
... villages when neces-
... ute to better outreach

... for prompt replenish-
... other expendable facil-
... of village level health
... improve if this is
... there is considerable
... provement of logistics of
... ution of drugs and other
... of health care
... facilities within the health
... village centres and
... to the PHCs communi-
... and district hospitals must
... strengthened
... medical force must be
... current distortions in health

manpower and the highly abnormal physician-para-medical personnel ratio must be corrected More attractive opportunities for career promotion and for continuing education within the system could be offered to paramedics The upgrading of the post of some categories of health workers to that of health scientists with better salaries and introduction of training programmes for such upgradation could be considered This aspect is being discussed further later

Other basic facilities There are some basic facilities without which even the most intensive operations cannot achieve minimal levels of public health Two of these deserve special mention

(a) Safe drinking water Easy access to safe drinking water will save much time and energy of the poor women and contribute to better personal hygiene Far greater attention needs to be given to this item and to the promotion of personal hygiene if we are not to depend forever on 'oral rehydration' as the answer to the problem of diarrhoea in children

(b) The extension and enforcement of an efficient public distribution system (PDS) to the villages This will ensure that basic food commodities needed for adequate nutrition are available at reasonable prices to the village communities At present the public distribution system seems to exist only on paper in many rural areas of India PDS can also be involved in ensuring the availability of essential drugs to the needy poor

Reform of medical education Prevailing patterns of medical education in most countries (including developing countries) favour the growth of specialities and super-specialities and the emphasis is on curative rather than preventive approach This is perhaps understandable to some extent since every country would like to ensure that its professionals in any field are right in the frontiers of advancing knowledge and technology On the other hand especially in poor countries, much of the benefit of the sophisticated, expensive, modern technologies in the field of health care is beyond the reach of the poor What the poor need is better outreach and better quality of basic health care Devising a system of medical education which will meet the twin goals of mastery of the most modern health technology on the one hand, and the capacity to deliver primary health care to the majority on the other is indeed a formidable challenge Many doctors trained in the best medical colleges of developing countries find that conditions in the villages of their countries do not permit them to practice the profession with the required competence and satisfaction in this modern technological age The task of providing basic health care in

a rural setting does not apparently hold out the same glamour and intellectual challenge that the practice of a super-speciality in an urban setting does to the modern doctor.

Under the circumstances I have been pleading for quite some time for the creation of a category of health scientists (BSc Health Science) who will be trained in a manner that will help them to do adequate justice to the implementation of a basic primary health care programme, especially in rural areas with the utmost scientific competence.[6] They should be equipped with essential knowledge and skills needed for basic health care. Such a system must be supported by efficient arrangements for referrals. There has been considerable resistance to this suggestion on the part of the organised medical profession as being an attempt to introduce a substandard category of doctors (or 'semi-doctors') and of thus diluting the stature of the medical profession in the eyes of the public and in the hierarchy of professions. What I am pleading for is not the downgradation of the doctor but the upgradation of some categories of paramedics to a level where they can efficiently implement a programme of basic health care with highest level of competence. I am pleading for the improvement of the outreach and quality of basic health care; I am certainly not pleading for discouraging the growth of specialities and super-specialities. The challenge is to evolve a system of medical education and health care which will meet the needs of both ends of the health spectrum.

Initiatives to Meet New Challenges

Apart from problems related to achievement of basic primary health care, there are other emerging challenges to public health considered earlier. Some of these which need special emphasis are mentioned below:

Prevention of degenerative diseases: The increasing incidence of degenerative diseases such as coronary heart disease, and diabetes and of cancer is to be viewed as among the major hazards to public health, induced by recent developmental policies.

The logical answer to this problem lies in prevention rather than in therapeutic management. Developing countries in particular can just not afford the massive cost of therapeutic care of these diseases on a large scale. The preventive approach would largely consist in the identification and promotion of appropriate diets and life-styles which would help to curb the escalation of the incidence of these diseases. A massive programme of health/nutrition education designed to correct errors and excesses in life-styles and diets will be necessary and this indeed will be among the emerging challenges in the field of public health. The mass media and the electronic media could be used in imaginative ways for this purpose. Gratifying results have been obtained with respect to reduction in mortality from coronory heart disease in some countries through the preventive approach.

Control of ongoing environmental degradation: Rigorous control measures for checking depletion and pollution of land, water and other natural resources need to be intensified. Developing countries do not have the required infrastructure for this purpose. Even with respect to food-quality control, available facilities are woefully inadequate and need to be greatly improved, especially since street foods, ready-to-eat foods and fast foods are increasingly coming into vogue even in poor countries. Without such controls, these developments could seriously endanger public health.

Response to Ageing: Another major challenge that poor developing countries will increasingly face in the next few decades will be with respect to health care of the aged. The strategy here must be to ensure that at least the 'young old'—i e, people in the age-group <70 years remain active, healthy and productive so that they do not add to the dependency burden. This will again call for education and propagation of healthy habits of life-style and diet among the aged. Developing countries, which cannot afford adequate old age pensions or heavy investments for the care of the elderly, must devise arrangements for providing support and incentives to joint families which support aged parents and relatives.

Checking commercial exploitation of third world malnutrition: A disturbing trend in recent years has been the attempt on the part of the commercial circles to exploit third world malnutrition by promoting unsustainable solutions and remedies for their major public health nutrition problems. The attempt to push iodised oil injections (which is expensive and beyond the technological capabilities of poor countries) as an answer to the problem of iodine-deficiency disorders in preference to salt iodation (which is well within their reach); and the attempt to push massive dose of synthetic vitamin A even in infants as an answer to the problem of vitamin A deficiency in countries wherein there is an abundance of inexpensive carotene-rich foods available are examples of such inappropriate technology. This unethical trend must be discouraged.

Privatisation of research in genetic engineering: Yet another disturbing trend that may have far-reaching public health repercussions is the growing trend towards privatisation and secrecy in the area of research in bio-technology and genetic engineering. Much of the essential raw material for such research is collected from poor countries through expeditions to developing countries: but the products of research are not being equitably shared. Since genetic engineering is likely to play an important role in public health and nutrition in future, this trend needs to be combated by the enlightened international community.

There are other major issues related to public health and medical profession such as: the sharing of costs of health care as between the private and public sectors; questions of medical ethics; the need to evolve a fair system for consumer protection that will not lend itself to misuse and harassment of doctors; gender bias in health care (in some countries); policy on essential drugs, policies for discouraging unnecessary diagnostic tests and therapeutic intervention. All these are important, but because of time constraint have not been touched upon in this presentation.

As we move to the next century we face the cruel paradox that despite growing prosperity and spectacular technological advances, the task of ensuring health and well-being for the citizens of the world is becoming even more difficult and expensive and complicated than ever before. To be sure we have conquered some old 'enemies' to public health; but new challeges—some even more formidable and imponderable than earlier ones—have cropped up. These will demand even greater national vigilance and increased international co-operation for their solution.

Notes

[Paper presented at the International Conference of Medical Parliamentarians, Bangkok, on February 8, 1994.]

1 Naohiro Ogawa, et al, *Jinko Keizai Iryo Moderu ni Motozuku Choki Tenbo: Feisu I* (Long-Term Prospects Based upon the Population Economic Medical Model. Phase II), Nihon University, Tokyo, Population Research Institute, 1986.

2 Gopalan C, 'Nutrition and Environmental Degradation', *Bulletin of NFI*, 13(1): 1-, 1992.

3 Gopalan, C, 'Community Organisation for Health Care: The Need for an Innovative Approach', *Bulletin of NFI*, 9(1): 3-5, 198

4 Gopalan, C, 'Home Science and Vocational Training for Rural Girls: A Proposal' *Bulletin of NFI*, 5(1): 5-7, 1984.

5 *Nutrition and Health Education through Rural Health System*, Scientific Report, Nutrition Foundation of India, 1987.

6 Gopalan, C, 'The Role of Women in a New Health Order', J P Naik Memorial Lecture, New Delhi, December 19, 1988.

Social Cost-Benefit Analysis of Investment in Irrigation

Rajender Singh

As commercial profitability cannot be a guide to the economic and social choice of an infrastructural public investment irrigation project like the Main Western Gandak Canal Project in Uttar Pradesh, economic and social profitability of the project has been calculated using UNIDO method of project evaluation. It is not until income distributional considerations are brought into the picture that social profitability of the project reaches a level at which the project's selection becomes justifiable from a social angle.

THE importance of irrigation for increasing agricultural output and employment was realised from the very inception of planning in India. Massive efforts have been made, therefore, to develop irrigation potential through construction of various type of irrigation projects. Alongside followed studies in the economics of irrigation projects. In particular mention may be made of those by Gadgil (1948), Savani and Rath (1960), Sonachalam (1963), Singh and Mishra (1965), Raj (1960), REO (1965), Chopra (1972), Sinha and Bhatia (1982) and Murty (1978). The studies conducted prior to 70s used the traditional revenue-cost or market type cost benefit approach and suffered from one or the other limitation. During the 70s and after, modern social-cost benefit approach to evaluation of public irrigation projects came to be increasingly adopted. However, none of the studies carried out in the recent past, except by Murty (1979), have made any attempt to incorporate the contribution of an irrigation project to the national objectives of income distribution. Moreover, the shadow prices of inputs like unskilled labour, fertiliser, etc, in these studies have been estimated either by using the partial equilibrium approach [UNIDO (1972) and OECD (1974)] or the values have been assumed on grounds or reasonableness.

In the present paper an attempt has been made to investigate the economic and social profitability of public investment in the Main Western Gandak Canal Irrigation system which lies in the high rainfall area and traditionally poor region of eastern Uttar Pradesh. It aims at overcoming the above limitations by taking into account almost all the relevant aspects of the project, including the projects' income distributional effects and estimation of shadow prices of inputs using the general equilibrium approach of linear programming. The need for such a comprehensive study arose from the fact that the results of a preliminary study [Sharma 1979] in the command area of this project had made it clear that expansion of irrigation facilities during the 1960s had limited impact on the cropping pattern, crop yield and irrigated area. These being the basic variables for determining the economic, social as well as private profitability of an irrigation project, one can hardly overemphasise the need for conducting a detailed ex-post evaluation of the Main Western Gandak Canal Project.

Project and Sources of Data

The Gandak Canal Project is a major inter-state project designed to exploit the water resources available in the eastern part of India along the Himalayan foothill plains covering parts of Uttar Pradesh, Bihar and Nepal. The project was designed and approved by the Planning Commission in 1961, its main objective being to provide assured and controlled supply of irrigation water to the command area of the project. Initially the total cost of the project for Uttar Pradesh was estimated at Rs 15.15 crore. Since then cost has been revised in 1966 in 1978 and in 1983. The respective cost estimates were placed at Rs 50.38 crore, Rs 85.55 crore and Rs 103.45 crore (Draft Annual Plan, 1984-85, 1986-87).[1]

The project consists of a barrage constructed across the river Gandak at Valmikinagar on the Indo-Nepal border at about 1,500 feet below the existing Tribeni Canal Head Regulator located in the territory of Nepal. Water from this barrage is diverted into three main canals, viz, the Western, Eastern and Nepal Western Gandak canal flowing in the states of Uttar Pradesh and Bihar and in Nepal respectively. The scope of the present paper is limited to the Main Western Gandak Canal (with a capacity of 15,800 cusecs) including the Command Area Development Project which started in the command area in the year 1972-73 when the Main Western Gandak Canal started providing water to Gorakhpur and Deoria districts of Uttar Pradesh. The gross area of the command is estimated to be 5.39 lakh hectares with a cultivable area of 4.43 lakh hectares. The command area development project was introduced for speedy and optimum utilisation of irrigation potential created which consisted of construction of on-farm development works as also provision of infrastructure facilities like construction of link roads, supply of basic inputs like HYV seeds, fertilisers, etc.

The data on public investment and operational cost of the project were collected from project reports made available by the Gandak Project office and the Gandak Command Area Development Authority located at Gorakhpur. The data for the estimation of income benefits were collected by the author through a sample survey of four villages in the command area of the project covering 450 households.

Out of the two approaches generally used for project evaluation, viz, 'before and after the project' and 'with and without the project', the latter approach has been used for estimating the income benefits due to the project. The life of the project has been assumed to be 30 years from 1972-73 onwards.

The project region has been classified into four major soil groups. Expectedly, the yield of crops and cropping pattern in each soil complex would be different . Keeping this in view, purposively four villages were selected, one typical village of average size from each soil group. Initially, a pilot survey was conducted to test the questionnaire. After this the questionnaire was revised and a comprehensive census of four selected villages, covering all the households was taken. The selected villages are: Parsa Buzurg, Gopalpur, Chakhanipuram Chachapara and Purnaha Mishir. The first two villages fall in Gorakhpur district and the latter two under the jurisdiction of Deoria district. The survey of the selected villages was completed during January-March 1980 while the data collected relate to the agricultural year 1978-79.

In selecting typical villages and taking a sample of all the households, it is apparently assumed that information collected this way is as representative of the region as would be the case if it was a stratified sample of farmers randomly selected and scattered over the whole command area. In the Gangetic Plains the structure of the economy of an average village is generally found to repeat itself in other villages of the re-

gion. Secondly, in a Robinson Crusoe type of enterprise like ours covering even 450 households scattered over the whole command area would have been simply impossible given the time and resources available. It is for these reasons that we preferred to adopt the above approach. In all 450 households were covered and the survey conducted by personal interviews of respondents focused on eliciting information on *inter alia* the following major items: land utilisation pattern, details of family workers, their education and occupation, cropping pattern, input-output data for each crop grown in different seasons, inventories of farm assets including livestock, investment and operating cost data on private tubewells and traditional methods of irrigation, prices of farm level inputs and outputs, etc.

Approach

Out of the two established methodologies of project evaluation, namely, the UNIDO (1972) and the OECD (1974), we have used the former as in a developing country like India, this methodology appears to be more in confirmity with the economic environment and the planning framework. Owing to the existence of market imperfections and government intervention market prices do not always indicate the true economic social value of inputs and outputs. Therefore, commercial profitability cannot always guide economic and social choice correctly and one needs to work out the economic and social profitability indices of the project choice from the national economy and society's angle.

The economic and social evaluation of the project requires an explicit statement of relevant objectives of the national economy and society, so that benefits and costs of the project may be measured in terms of those objectives. The main objectives of economic development planning in India have been (1) increase in national income; (2) generation of additional employment; (3) reduction in income disparities between regions and income classes; and (4) attainment of self-reliance. Although, not explicitly stated in the plan documents, increase in the level of savings and investment implicitly lies behind all these objectives. In the evaluation exercises of the project we have attempted to incorporate the contribution of the project to all these objectives except the fourth. This is because the project does not directly involve foreign exchange cost or earning.

The evaluation procedure followed is that of successive complication, introducing adjustment for one factor after another, and computing at each stage the values of the decision criteria, the NPV, the B/C ratio and the IRR. Beginning with commercial evaluation at market prices, adjustments have been successively made for accounting wage rate of unskilled labour employed in the project as well as in agricultural operations, for accounting price of fertilisers and finally for the accounting price of investment in the project. At the end we get the combined effects of these adjustments on the values of the decision criteria. The problem of incorporating income distributional effects has been relegated to the last section. Before presenting the results of the successive adjustment exercises we present below a brief discussion on various accounting prices and their estimation.

Since the costs and benefits occur at different points of time over the life of the project, these are as such not commensurate with each other. The social rate of discount (SRD) is used to make them commensurate which in turn enables us to compute project's worthiness from the present value of costs and benefits. From the theoretical point of view, the SRD reflects the society's impatience for present over future consumption. It is defined as the rate at which the weights attached by the society to units of consumption measured in terms of present consumption fall over time. As discussed in the literature on cost-benefit analysis, average market rate of interest and marginal productivity of capital cannot be taken as proxy for the social rate of discount owing to noncompetitiveness of the capital market, saving-investment inoptimality, non-shiftability of capital, etc.

Following the UNIDO guidelines, we know that the social rate of discount is a national parameter. But in India no particular estimate of this parameter is provided by the policy-makers. In the absence of any such estimate, keeping in view the results of some studies [Mishra and Beyer 1976, Murty 1978, etc] and assuming that SRD has an element of value judgment, we have accepted and used 10 per cent as its value for our purposes.

In an economy with sub-optimal level of saving and investment patterns, capital investment made in any particular project should be assigned some premium. It is this premium which indeed reflects the shadow price of investment. In other words, the shadow price of investment is defined as present value of consumption which an additional unit of investment fetches to the economy. According to the UNIDO Guidelines, the shadow price of investment is determined by the social rate of discount (i) the opportunity cost of capital (q) and the rate of reinvestment (a) or share of savings in the incremental income. The formula of the Guidelines is expressed as

$$P^{inv} = \frac{(1-a)q}{i-aq}$$

In order to estimate the shadow price of investment, most plausible values of a, q and i for the Indian economy have been taken [Mishra and Beyer 1976; Choudhury and Sen 1970; Sinha and Bhatia 1982]. These are a = 0.25, q = 0.15, i = 0.10. The value of shadow price of investment for these values works out to 1.82. Admittedly, like in the case of SRD, there is no certainty attached to this value. Indeed, it is on the higher side than the values used by most research workers in India, which is 1.5. For this reason we have assumed that the shadow price of investment lies in the range of 1.5 to 2.0. And the effect of this variation has been handled by a sensitivity analysis. Both costs and benefits of the project have been accordingly adjusted. On the cost side, we have calculated the economic cost of investment by multiplying the nominal investment cost by the shadow price of investment. On the benefit side, reinvestment benefits have been calculated by multiplying the proportion of additional income saved by the shadow price of investment.

Incorporation of employment objective in the project evaluation necessitates the use of accounting wage rate in the evaluation of public investment projects. Under the conditions of competitive labour market, market wage rate would reflect the economic cost of labour. In its absence there would arise divergence between the market wage rate and the shadow wage rate, or the real economic scarcity value of labour.

The UNIDO formula for accounting wage rate (AWR), including both direct and indirect cost of labour is given as follows:

$$AWR = MVP + S(P^{inv} - 1)W \qquad ...(1)$$

where AWR is the accounting wage rate

Table 1: Production Function Approach—Estimates of Marginal Value Product of Labour Per Day of Work

(in Rs)

Farm Size-Group (in acres)	Early Paddy	Wheat
0.00 - 2.50	7.28	9.75
2.51 - 5.00	9.04	15.75
5.01 - 10.00	2.48	8.29
10.01 and above	14.00	5.10
For all farms	8.49	9.61

Table 2: Linear Programming Approach - Estimates of Marginal Value Product of Labour

Type of Labour	Group Season	MVP or Shadow Price (Rs)	MVP/MW
Family	Kharif	0.17	0.07
Family	Rabi	0.00	0.00
Hired	Kharif	5.33	1.33
Hired	Rabi	6.03	1.51

MWR = Market Wage Rate, MVP Marginal Value Product

MVP is the marginal value product, 'S' is the rate of savings from profits W is the project wage rate and P^{inv} stands for the shadow price of investment

Assuming SW to be the proportion of additional income saved by workers the above formula will get modified to

$$\overline{AWR} = MVP + (S - Sw)(P - 1)W \quad (2)$$

It is clear from equation (2) that if marginal saving rate of the labourers and capitalists are the same then the effect of shadow price of investment will be zero and the AWR will be equal to MVP

We have estimated the accounting wage rate (AWR) for the Gandak project using the formula (2), given above From our survey data the marginal propensity to save of unskilled labourers in the project area works out to be 29 per cent If we take 29 per cent to be the reasonable rate of savings out of profits in India it means that the values of the parameters S and Sw' in the above formula are the same and equal reducing the indirect social cost of unskilled labour for the project to be zero Thus, the AWR for our project is reduced to the direct cost of labour only, which of course is equal to the marginal value product of labour

Several methods have been used for estimating marginal value product of labour Little and Mirrlees (1974) have suggested half of the average product as a reasonable approximation to marginal value product of labour The marginal value product of labour has frequently been estimated using the production function approach This approach, however, has been found to invariably yield a value of MPV>0 even when there is surplus labour in the economy This is because production function fails to take care of total supply of labour It takes care only of ex-post demand for labour used in the production process It is not therefore surprising that MVP thus estimated turns to be greater than zero in the presence of surplus labour in the economy An alternative to this is to use a general equilibrium approach, like that of linear programming for its estimation or for that matter for estimating the shadow price of other inputs as well In order to estimate the marginal value product of unskilled labour for the Gandak project region, we tried both these approaches in order to see difference the two approaches make We fitted a Cobb Douglas production function in respect of two predominant crops early kharif paddy and rabi wheat The holdingwise input output data to which the function was fitted are from our survey in the project area referred earlier The estimated values of the MVP for different size classes of formers are presented in Table 1

It is clear from Table 1 that for all size classes the estimates of MVP far exceed the ruling market wage of Rs 4 00 per day, except in the case of early paddy for size class 5 01 10 00 acres The fact that the estimates are higher than the ruling market wage rate itself however point towards existence of surplus labour The supply conditions are such that the market wage rate is far below the marginal value product of labour But as the production function approach ignores the unused supply of labour, it fails to show up its existence through the value of the marginal product For this reason we have estimated and used the shadow wage rate of labour as obtained from the linear programming approach which takes care of the total demand and total supply of labour in the region A linear programming model was formulated and used for this purpose [3] The social objective function of this model is to maximise gross value of agricultural output subject to resource constraints one of which is labour The dual or the shadow prices of labour as obtained from this model are given in Table 2

It is clear from Table 2 that family labour has a zero marginal value product and is therefore surplus in the rabi season In the kharif season family labour is just as much is required since its marginal value product is close to being zero but settling just above it at Rs 0 17 However, for hired labour the marginal value product is positive and higher than the market wage rate in both the crops seasons Incidentally, for actual payment the market wage rate is relevant for the hired labour only Family labour indicates self employment involving no wage payment For our evaluation exercises it is these prices or their ratio to market wage rate which have been used

It should be noted that for our project, corrections for market wage rate are required at two levels the project as such and the farm level Whereas for the farm level cost estimation we have used the accounting wage rate given in Table 2, for the project level the AWR of unskilled workers has been assumed to be zero on account of the following reasons We know that most of the project construction work is carried out during the rabi season and before the start of the kharif season with almost no project work done during the rainy season with which kharif season synchronises And it is during this period that family labour-time component that is drawn to project site work It is therefore, valid to attach zero economic value to family labour that goes to work on the project Society does not lose anything in the form of forgone value of crop output when the surplus family labour is employed on the project

The shadow prices of fertilisers as turned out by the same linear programming model along with their market prices are given in Table 3 It is to be noted that Urea and NPK fertilisers as the resource constraints, have been introduced in the model on an annual basis The accounting price of fertilisers[4] reflect the use value of fertilisers from the society s angle, indicating their contribution to social welfare, in this case the maximisation of the gross value of agricultural output from the project area The accounting price of fertilisers in the case of urea is higher than its market price It implies that use of accounting price of urea will have adverse effect on the decision criteria, as it will increase the social cost at the farm level On the other hand dual price of NPK will have favourable impact on the social profitability of the project because the entire cost of NPK from the society angle is reduced to zero

It should be noted that like the accounting prices of unskilled labour and fertilisers as obtained from the linear programming Model-II, we have not used the dual prices (accounting prices) of land and water given by the model in the evaluation of the project The accounting price of land indicates the rental value of land and we know that the rental value of land does not reflect the cost of land from the economy/society angle In fact the rental value of land is nothing but the private use value or the price of using the land However, in the evaluation of the project, we are concerned with the economic/social cost or value of land which is defined as the net present value of output forgone In our case the net present value of output forgone is given by the net present value of output on unirrigated area or control area In other words, it is the net present value of output under 'without the project' situation which is deducted from the net present value of output under 'with the project' situation in order to obtain the net present value of output due to the project Similarly, the dual price of water does not indicate the cost of water from the economy/

TABLE 3 ESTIMATES OF ACCOUNTING PRICE OF FERTILISERS

Type of Fertilisers	AP Rs/Quintal	AP/MP
Urea	352 23	2 17
NPK	0 00	0 00

AP = Accounting Price MP = Market Price

TABLE 4 REGIONAL INCOME DISTRIBUTION WEIGHTS (Ycr = Rs 82 00 and Yr = 47 10)

e	Income Distribution Weights
1 50	2 297
–1 65	2 496
–1 81	2 728
–1 91	3 014
2 19	3 368
–2 41	3 805
–2 65	4 346
–2 92	5 048

society angle. It reflects the use value of water which may be compared wth the actual water charges fixed by the irrigation authorities, working as a monopolist. The relevant cost of water is the investment cost of the project evaluated at shadow price and in the economic and social evaluation of the project we have taken the investment cost as the cost of water.[5]

For the purpose of determining distributional weights we follow here the method developed by Scott and others (1976). As per this method, we require the value of per capita income of the project region (Yr), critical minimum income level (Ycr) and the elasticity of marginal utility of income (e). The per capita monthly income of the region has been estimated from the survey data on the supposition that per capita monthly income of the sample households is representative of the per capita income of the project region. The critical minimum income is the per capita monthly income of India which is estimated to be Rs 82.00 at 1975-76 prices. Following the review of literature, we have adopted a range of value for 'e' from –1.5 to –3.00 and calculated distributional weights. For different values of 'e' starting from (–)1.5 and increasing it everytime by 10 per cent until we approach the upper limit of (–3), we have computed the distributional weights using the formula due to Scott and others where the weight $Wr = \frac{(Ycr)^e}{Yr}$ The results are presented in Table 4.

It is clear from Table 4 that even at the smallest value of 'e' the social value of a unit of regional income is more than twice its nominal value. Since the value of 'e' is uncertain, one may legitimately ask whether the weight Wr could not be computed without bringing in 'e' in the picture, i e, removing the exponent 'e' from the right hand side of the equation. Besides its value being uncertain, there is another argument in favour of dropping 'e'. Starting from any level of income, if income increases, consumption also increases and the elasticity of marginal utility of income, 'e' falls *ceteris paribus*. Further, it may be mentioned that the value of 'e' would change over time following the economic development of the country and growth in income. The value of 'e' is thus not independent of Ycr and Yr. From the formula of determining weights $\frac{(Ycr)^e}{Yr}$ it is clear that when there is a large difference between the regional and social per capita critical income, the ratio (Ycr/Yr) would be larger and 'e' would also be larger, for the higher value of 'e' reflects the greater concern for income distribution. As this difference declines which is likely to happen due to the project,[6] the ratio (Ycr/Yr) would fall, until it reaches the value of one at which the regional per capita income comes at par with the national per capita critical income. At this 'e' will make no difference to the weight but then the problem of weighting regional benefits itself disappears at this value of the ratio.

One may, therefore, prefer the simple ratio of Ycr and Yr as giving the regional income weight without having to be involved with 'e'. In fact, this has also been suggested by Foster (1966). For analytical interest it may be desirable to work with both sets of weights, with and without 'e' to see whether any difference is made as to the judgment about the project. Similar to the weights due to increasing value of 'e' (Table 4), we have taken a range of simple weights (Ycr/Yr) starting from its actual value of 1.74 going down to 1.10 and the results of these variational exercises are presented in Table 8

Results

The commercial benefits and costs over the expected economic life (42 years) of the project have been assessed at the market prices of relevant inputs and outputs. The results of the commercial evaluation indicate that at 10 per cent rate of interest, which is the minimum interest rate currently charged by the financial institution in India in term loans, the commercial profitability of the Western Gandak Canal Project turns out to be negative, with a net present value (NPV) of the Rs (-)452.10 lakh. Expectedly the B/C ratio in less than unity and the value of IRR worked out to 8.39 per cent. Certainly commercial profitability cannot always be a guide to social choice more so of an infrastructural project like the Main Western Gandak Project. Accordingly, we have proceeded to assess profitability of the project based upon the accounting prices. The results of the evaluation are given in the ensuing paragraphs.

We may begin by noting that by using the above accounting prices for calculating the values of the decision criteria we are at the same time incorporating the contribution made by the project to employment objective. The ratios of the accounting to market prices which may be called the correction factors have been used to work out the economic cost of labour. When the cost at market price is multiplied by these factors we get the corresponding social costs of labour. At the project level, since this factor is zero the effect is that compared to the market cost, the total cost of the project is reduced by the amount equivalent to the wage bill of the unskilled labour. At the farm level, cost of family labour in the kharif season is reduced by 93 per cent, while in the rabi season entire cost of family labour is reduced, to zero.

On the other hand the correction factors for hired labour at the farm level are 1.33 and 1.51 respectively in the kharif and rabi seasons. Their effect, therefore, is in the direction of pushing up the economic cost in comparison to market cost. These corrections have been introduced for unskilled labour. As a result of the corrections both the costs and benefits streams get affected. On the cost side, the social cost of the project is comparatively reduced by the order of total wage bill of unskilled labour employed on the project each year. On the benefit side, since farm cost of unskilled labour is reduced from Rs 4.97 per acre to Rs 4.22 per acre, as a result of this correction the additional value of crop output is enhanced by Rs 0.75 per acre. Consequently, the additional value of crop output due to irrigation increases from Rs 167.35 per acre as in the commercial evaluation to Rs 168.11 per acre on economic basis. We have assumed in these calculations that the cost of other categories of labour like the semiskilled, skilled, etc, at market wage rate reflects the corresponding economic cost as well.

The estimates of the NPV, B/C Ratio and IRR with adjustment for accounting wage rates are presented in Table 5. The NPV of the project with accounting wage rate is still negative at 10 per cent rate of discount, although it is far more higher than the same amount obtained in the commercial evaluation, i e, Rs (-)452.10 lakh. The internal rate of return (IRR) of the project is now very

Table 5. Summary of Evaluation Results

Alternatives	NPV at 10 Per Cent Social Rate of Discount (in Rs Lakh)	IRR (Per Cent)
With market prices (Commercial evaluation)	–452.10	8 39
With accounting wage rate of unskilled labour	–7 88	9 97
With accounting price of fertilisers	–526 10	8 07
With accounting wage rate of unskilled labour and accounting price of fertilisers	–71 86	9 74

Table 6 Sensitivity of NPV and IRR of the Project with Respect to Accounting Price of Investment at 10 Per Cent Social Rate of Discount

Accounting Price of Investment	Using Accounting Prices of Labour and Fertilisers: NPV (in Rs lakh)	IRR (Per Cent)
1 00	–085 55	8 54
1.50	–1,055.31	6.29
1 65	–1,285 32	5.86
1 81	–1,547 91	5 50
2.00	–1,821.92	5 13

close to the social rate of di ratio of the project at 10 p of discount is 0 99 in th close to being a margin values of NPV B/C r accounting wage rates commercial evaluation from increases in ben fi costs in each year th project

In case of fertilise corrections have been accounting prices of two urea and NPK It shoul have not made any tion between these tw Although, there are so trogen in both types of put their quantities as constraints in the linear p cise and obtained then As in the case of accou unskilled labour the c urea and NPK are the r to respective market p economic cost of a u correction factors, is gi Table 3 for Urea works NPK it turns out to be corrections for the fertilisers the stream same as in the comme the additional benefit s tion made available by paratively reduced Th counting price of Ure is market price And it is the farmers compar NPK The additional acre in this case wor whereas in the comme Rs 167 35 per acre Th ing the same and the duced, the values of th reduced in comparis tained in commerci

After examining the prices of unskilled l separately on the proj values we now work o of these prices It is n accounting wage rate increases the benefits accounting price of fer the cost stream uncha efit stream adversely combined effects of th tional value of benefi works out to Rs 161 5 which lies between th benefits using acc (Rs 168 1 l per acre) an ing price of fertilisers The resultant value of IRR are given in Table

The NPV of the pro social rate of discount

Rs 71 86 lakh The IRR of the project works out to 9 74 per cent which lies between the IRR s calculated while using accounting wage rate and fertilisers separately However, it is greater than the commercial evaluation case where it was 8 39 per cent

A comparison would show that compared to the position at market prices, the accounting prices of unskilled labour make a tremendous improvement in the position but there is again a pullback due to accounting prices of fertilisers

Investment is valued for improvement it makes in future social consumption Additional income benefits are, therefore required to be broken into immediate consumption and investment (savings) and the latter has to be valued in terms of the present value of future consumption it makes possible It is widely held that saving-investment pattern in a developing country like India is inoptimal in the sense that one unit of immediate consumption has less value than a unit of investment as the present value of future consumption due to it is higher than the former indicating that accounting price of savings or investment in terms of consumption exceeds unity For the purpose of evaluating the impact of savings we have used an accounting price of investment equal to 1 50 In other words we are giving 50 per cent premium to a unit of investment made in the project or a unit of saving generated out of the additional income earned due to the project Since it has been suggested that accounting price of investment may be even higher or lower than 1 50, a sensitivity exercise in the range of 1 00 to 2 00 carried out later shows the effect of such variation

While nominal value of investment made in the project is available from the project report for savings out of additional income, we need to identify different groups and their shares in the additional income due to the project These we have identified as the farmers unskilled labourers and the government Farmers get additional income due to the project in the form of additional value of crop output In turn they pay irrigation charges to the government Thus, a part of the farmer's cost become government's income Unskilled labourers obtain additional wage income at the farm and the project level The wage income of unskilled labourers at farm level becomes farmer's cost while wage income received by them at the project level becomes government's cost The government incurs the entire capital and operational cost of the project As a benefit it gets the irrigation charges from the farmers in the project region Thus one group of project beneficiaries cost (loss) becomes another beneficiary's benefit (gain) This is how redistribution of income takes place due to the project in the region Since these beneficiaries do not consume whole of their additional income, the proportion of additional income saved results into reinvestment benefits due to the project In order to calculate the savings impact of the project on the net aggregate consumption benefit due to the project, we need information on the marginal propensities of the beneficiaries to save, so that we can calculate the total savings made by different groups Since the accounting price of investment is the present value of future consumption benefits made possible by one unit of investment, the total consumption benefits due to savings is obtained, by, multiplying the additional income saved by each beneficiary group with the accounting price of investment The net aggregate consumption benefits will then be equal to the sum of immediate consumption benefits and present value of benefits due to reinvestment of savings

We have estimated marginal propensity to save of the farmers using our own survey data The marginal propensity to save of the sample farmers as a whole works out to 29 per cent [Singh 1983] In the case of unskilled labourers we have assumed that marginal propensity to save of these labourers is the same as that of marginal farmers belonging to holding size group 0-2 50 acres The validity of this assumption rests on the fact that most of the unskilled labour come from this category of farmers The marginal propensity to save of unskilled labourers this way works out to 29 per cent [7] In the case of government we have assumed that the entire additional income received is saved It should be noted that the accounting price of investment on the cost side is applied to the capital cost alone excluding the operational cost simply because it represents the annual working expenses

With the accounting price of investment assumed for India in the range of 1 00 to 2 00 and the marginal propensity to save of the farmers, unskilled labourer and government being 0 29, 0 29 and 1 respectively we have estimated the values of the NPV, and the IRR which are presented in Table 6

TABLE 7 SENSITIVITY OF NPV AND IRR OF THE PROJECT WITH RESPECT TO MARGINAL PROPENSITY TO SAVE OF THE BENEFICIARIES AT 10 PER CENT SOCIAL RATE OF DISCOUNT

Marginal Propensity to Save of Beneficiaries	Accounting Prices of Unskilled Labour and Fertilisers	
	NPV (in Rs lakh)	IRR (Per Cent)
0 29*	285 55*	8 54*
0 29	-1055 31	6 29
0 32	-1013 41	6 46
0 35	-971 73	6 61
0 38	-929 96	6 76

Estimated at accounting price of investment equal to unity and marginal propensity to save of the beneficiaries to 0 29

We see from Table 6 that the accounting price of investment has quite a significant effect on the NPV and IRR of the project, compared to the preceding position when only the combined effect of the accounting prices of unskilled labour and fertilisers were in the picture.[8] The NPV and IRR are reduced significantly. Both the benefits and costs in each year get pushed up with the use of accounting price of investment but the magnitude of increase in benefits is lower than in the costs. It may be postulated that the government might use or ought to have used some policy measures resulting into higher value of marginal propensity to save in the project region, so that the investment in the project could turn out to be socially profitable. In the light of this, we have examined what happens when shadow price of investment remaining the same, the marginal propensity to save is increased. Expectedly such step will increase potential consumption benefits stemming from increased reinvestment. The effect of increasing values of marginal propensity to save of the farmers and labourers, keeping the accounting price of investment constant at 1.50, on the NPV, B/C ratio and IRR of the project is presented in Table 7.

It is clear that the increase in marginal propensity to save of the farmers and labourers does not have significant effect on the profitability of the project. Though the value of NPV and IRR increases with the increase in the saving propensity of beneficiaries, at 10 per cent social rate of discount the NPV remains negative nevertheless even at such high propensity rate as 38 per cent. Clearly the very large magnitude of project's nominal capital cost when converted into its accounting value far outweighs the additional consumption benefits due to high rate of saving. At 38 per cent saving propensity while the costs increase by 50 per cent benefits increase only by 38 per cent.

To conclude, the economic profitability of the Western Gandak project at 10 per cent social rate of discount turns out to be negative. The IRR of the project in all the alternative situations remain below 10 per cent. The evaluation of the project, however, is not yet complete as the income redistributional effects of the project have still to be incorporated.

For the purpose of the present exercises the aggregate social consumption benefits is now comprised of two components: (1) the aggregate consumption benefits using accounting price of unskilled labour, fertilisers and investment, and (2) the aggregate consumption benefits resulting from applying the regional income distribution weighs to the total regional benefits. The results of the exercises with the two sets of distributional weights can be seen from Table 8. Irrespective of the choice between the two sets of weights the conclusion is that the project evaluated from the society viewpoint after giving higher weightage to the benefits accrued to the project region gives a fairly high social profitability. Assuming the value of 'e' to be (-1.50) the regional income distribution weight works out to 2.297. This means that a rupee worth of regional benefit has a social value of Rs 2.297. With this weight the NPV of social benefits at 10 per cent social rate of discount works out to Rs 11311.09 lakhs and the B/C ratio to 3.68. The IRR corresponding to this weight was 40.17 per cent. Using the simpler methods and taking the weight equal to ratio, (Ycr/Yr), the NPV of the project works out to Rs 4,708.52 lakh at 10 per cent rate of discount and the B/C ratio works out to 2.11. The IRR at this weight turns out to 23.36 per cent. Thus both the alternative ways of weighting regional benefits the investment in the project turns out to be socially worthy proposition.[9]

It is also clear from Table 8 that the ordering of the project's social profitability remains unchanged as one moves from one set of weights to the other. However, the value of NPV, B/C ratio and IRR appear to be unduly high with the weights obtained using 'e' in their estimation. In contrast their values appear to be quite reasonable when we use the simple ratio of the critical minimum social income to the regional income as the weight to be attached to regional benefits. From the methodology angle, therefore, the latter method seems preferable. Besides, it does not require the estimation of the parameter 'e' which is beset with theoretical and practical difficulties.

Summary and Conclusions

The present study is an attempt to make a comprehensive in-depth, ex-post evaluation of a canal irrigation system in a high rainfall and traditionally poor region like that of eastern Uttar Pradesh.

The commercial benefits and costs over the expected economic life (42 years) of the project are assessed at the market prices of relevant inputs and outputs. The results of the commercial evaluation shows that at 10 per cent rate of interest, which is the minimum interest rate currently charged by the financial institutions in India on term loans, the commercial profitability of the Western Gandak Canal Project turns out to be negative, with a net present value (NPV) of Rs (-)452.10 lakh. Expectedly, the B/C ratio is less than unity and the IRR 8.39 per cent which is less than the stipulated rate of interest.

Certainly, commercial profitability cannot always be a guide to social choice more so of an infrastructural project like the Main Western Gandak Canal Project. Accordingly, we have proceeded to assess economic profitability of the project based upon accounting prices of unskilled labour and fertilisers have been estimated using the linear programming Model II, which looks at the problem from the economy/society angle. These prices indicate the use value of the resource inputs from the society angle. With regard to accounting price of investment we have adopted the most reasonable estimates obtained by other studies. Taking the commercial profitability as the base, adjustments for the accounting prices have been made step by step.

At first, the correction for accounting price of labour makes the economic profitability for the project higher than its commercial profitability, though it remains negative at 10 per cent social rate of discount. On the other hand the correction for the accounting prices of fertilisers reduced the values of the decision criteria in comparison to their respective values in the commercial evaluation case.

The combined effect of the accounting prices of unskilled labour and fertilisers naturally settle the criteria values in the intermediate position. The NPV of social benefits of the project at 10 per cent social rate of discount remains negative at Rs 71.81 lakh. A comparison with commercial eval-

Table 8: Estimates of NPV, B/C Ratio and IRR of the Main Western Gandak Project, Using Shadow Price of Labour, Fertilisers, Investment and Regional Income Distributional Weights with $(Ycr/Yr)^e$ and (Ycr/Yr)

Regional Distributional Weights with $(Ycr/Yr)^e$				Regional Distributional Weights with (Ycr/Yr)			
Weights	NPV (in Rs lakh)	B/C Ratio	IRR (Per cent)	Weights	NPV (in Rs lakh)	B/C Ratio	IRR (Per Cent)
2.297	11311.09	3.68	40.17	1.61	4708.52	8.11	23.36
2.496	13219.60	4.13	46.39	1.46	3372.19	1.80	19.82
2.728	15500.92	4.67	56.54	1.33	2102.31	1.50	16.41
3.014	18263.74	5.33	82.62	1.21	948.00	1.22	13.02
3.368	21641.73	6.13	Exceeds 300 per cent	1.10	-101.32	0.98	9.70
3.805	25815.96	7.12	"				
4.346	31037.53	8.35	"				
5.048	37642.78	9.92	"				

* These weights are calculated using the following values of 'e' 1.50, 1.65, 1.81, 1.99, 2.19, 2.41, 2.65 and 2.92. Ycr is the per capita critical minimum social income (Rs 82.00) and Yr is the regional per capita income (Rs 47.10)

uation case shows that the adjustment for the accounting prices of unskilled labour makes a tremendqus improvement in the social profitability of the project but there is again a pull-back due to the accounting prices of fertilisers.

At the fourth stage we have made adjustment for the accounting price of investment both on the cost and benefit side of the project. In order to find out the reinvestment benefits, marginal propensities to save (MPS) of the farmers and unskilled labourers have been estimated by fitting consumption functions to consumption expenditure and income data obtained from our survey in the project region. The results of this exercise show that marginal propensity to consume (MPC) of all farmers and unskilled labour works out to be the same, i e, 71 per cent, which means marginal propensity to save (MPS) is 29 per cent. In the case of government the value of MPS has been assumed to be unity. The results of these adjustments, with accounting price of investment equal to 1.50 and the values of the saving propensities of the farmers, labourers and the government as just given, indicate that accounting price of investment has quite a significant effect on the NPV and IRR of the project compared to the third stage when only the combined effect of the accounting prices of unskilled labour and fertilisers were in picture. The NPV and IRR are reduced significantly. The benefits and cost both get pushed up with the use of accounting price of investment but the increase in benefits is lower than in the costs.

It may be postulated that the government might use or ought to have used some policy measures conducive to higher value of MPS in the project region. In the light of this, we have examined what happens when shadow price of investment remains the same while the MPS of farmers and unskilled labourers is increased. Expectedly, such a step will increase potential consumption benefits stemming from increased reinvestment. The values of decision criteria corresponding to these adjustments show that increase in ... does not have significant effect on the social profitability of the project. Though the values of NPV and IRR increase with the increase in the MPS of beneficiaries, at 10 per cent social rate of discount, the NPV remains negative even at such propensity rate as 38 per cent. Obviously, the very large magnitude of project's nominal capital cost when converted into its accounting value far outweighs the additional consumption benefits due to high rate of savings.

Besides doing the social evaluation from the regional economy viewpoint, social profitability with relevant distributional weights attached to regional income has been examined. The estimated income distribution weights show that at the smallest value of the weight, the social value of a unit of regional income is more than twice its nominal value. Since the value of elasticity of marginal utility of consumption is uncertain, for analytical interest, we have used both sets of weights, that is, weights involving and not involving elasticity of marginal utility of consumption, in order to see whether any difference is made as to the judgment about the worthiness of the project.

The incorporation of distributional effects in the social profitability pushes the decision criteria value in the positive and higher range of acceptability. At the lowest value of regional income distribution weight of 2.297, which is based on the method involving elasticity of marginal utility of consumption of -1.50 the NPV of benefits works out to Rs 11,311.09 lakh. The B/C ratio at 10 per cent social rate of discount works out to 8.68 and the IRR turns out to 40.17 per cent.

On the other hand using income distribution weight of 1.61 without involving elasticity of marginal utility of consumption in its estimates, the NPV and B/C ratio at 10 per cent social rate of discount work out to be Rs 4,708.52 lakh and 2.11 respectively. The IRR of the project corresponding to the above weight is 23.36 per cent.

In brief, the distributional objective rather than the accounting prices are critical for social worthiness of the project. And in the light of high social profitability including distributional effects the choice of the project, we may say in conclusion, has been well made.

Notes

[The author is grateful to S N Mishra for his valuable guidance and critical comments during the course of the study. The views expressed here are the author's.]

1 According to the Draft Annual Plan 1984-85, Uttar Pradesh, the re-revised project is under finalisation and the final cost of the project is estimated to be Rs 103 45 crore. The project was expected to be completed by the end of the Seventh Five-Year Plan. Due to non-availability of detailed data on yearwise actual cost incurred under the project during the recent years, it has not been possible to recast the estimates of IRR of the project. However, the fact that the final cost is higher than the cost estimates used by us and that actual utilisation of irrigation potential was lower than the irrigation potential utilisation figures used will have adverse effect on the values of decision criteria as worked out in the present paper and establish the veracity of our estimates. That is, the value of IRR will remain below 10 per cent under all types of situations and the project will remain profitable only on the income distributional grounds.

2 Marginal propensity to save (MPS) of the farmers and unskilled labourers have been estimated by fitting consumption functions to consumption expenditure and income data of the farmers obtained from our survey in the project region. For details, see, Singh R 1983, Chapter VI.

3 For details, see, Singh (1983: Appendix B).

4 Shadow price of fertilisers should really be the social cost of supplying fertiliser in the area. In the absence of any such estimate available for the area we have used the 'Use Value' approach for the purpose. In any case, shadow price of fertilisers (NPK) using the social cost of supplying NPK in the area would be positive and any price more than zero would further reduce the profitability from the economic and social point of view. This would further reinforce our estimates of decision criteria. Keeping the above in view, the exercise by ineluding social cost of supplying fertiliser has not been attempted.

5 While computing the economic costs and benefits, we have not estimated the contribution of the project to the self-sufficiency objective. This was done because the project did not directly involve the foreign exchange component of the cost. Though, there are certain inputs like cement, steel, etc, which had been used for the construction of various components of the project, the detailed yearwise data on quantity of such inputs used were not readily available even with the project authorities. Thus, on the cost side, shadow price of foreign exchange could have been used to estimate the economic costs of these inputs and the ultimate impact could be towards increasing the investment cost of the project. However, in view of the non-availability of requisite data, it has been implicitly assumed that the market prices of the above inputs reflect the scarcity values.

On the benefit side, it could be argued that the project results into additional production of crops like paddy (rice), wheat, sugarcane (sugar), etc. These could be treated as minor traded goods. Again for these goods, market price was assumed to reflect the true value from the economy viewpoint. Adjustment for the foreign exchange premium using shadow price of foreign exchange would have enhanced the economic benefits. However, this type of adjustment would be necessary at the farm level input cost also such as fertilisers, insecticides and pesticides, etc.

Thus, adjustment for foreign exchange premium at the project-level costs (cement, steel, etc) and farm-level costs (fertilisers, insecticides and pesticides, etc) would have pushed up the cost, while adjustment at the benefits-level would have increased the value of benefits. The author is of the view that under such a situation values of decision criteria would have remained at the level when no adjustment was made for foreign exchange benefits and costs.

6 Though, the project contributes to the social as well as regional per capita incomes, the latter contribution would be relatively larger. This is because the regional population compared to the national population is very small.

7 This happens because the marginal farmers including the landless households in the size group 0-2.50 acres account for 72 per cent of the total sample households and have about 28 per cent of the total land in the sample villages.

8 Mrinal Datta-Chaudhari and Amartya Sen (1967) have applied the shadow price of investment to capital costs and reinvestment benefits simultaneously and found that shadow price of investment does not have any significant effect on the NPV of the project in their case.

9 One may argue that for the purpose of etimating income distribution weights, instead of taking national per capita income as the critical minimum income, it would be more appropriate if we take per capita of the poorest region in the state of Uttar Pradesh or the per capita income of the state which has got the lowest per capita income In the latter case per capita income of Bihar state was lowest at Rs 773 (current price), which was still higher than the per capita income of Rs 565 worked out for the project region. This implies that value of income distribution weight would be higher than unity (1.37 without taking into account 'e') and the corresponding value of IRR would be much higher than 10 per cent which would indicate that investment in the project was socially profitable (the conclusion drawn when national per capita income was taken as the critical minimum). In the former case, it may be mentioned that net domestic output per capita at current prices (1976-77) was estimated to be Rs 606.14, Rs 524 60, Rs 408.20, Rs 555.10 and Rs 708.28 for western region, central region, eastern region (project lies in this region), Bundelkhand region and Hill region respectively. Expectedly, the per capita income/net domestic output at 1978-79 prices (our estimate of per capita income relates to this year) would be higher than the per capita income of the project region in respect of all the other regions in the state. This would mean that value of income distribution weight would be more than unity, which in turn, implies that the ranking of the project or the project choice as obtained from our existing income distribution weights would remain unchanged.

References

Chopra, K R (1972): *Dualism and Investment Patterns: An Analysis of Regional Contracts*, Tata-McGraw Hill Publications.

Dasgupta, P, S A Marglin, and A K Sen (1972): *Guidelines for Project Evaluation*, UNIDO, New York.

Foster, C D (1966): 'Social Welfare Functions in Cost-Benefit Analysis' in J Lawrence (ed), *Operational Research in the Social Sciences*, Tavistock Publications, London.

Gadgil, D R (1948): *Economic Effects of Irrigation*, Gokhale Institute of Politics and Economics, Poona.

India, Planning Commission (1965): *Evaluation of Major Irrigation Projects—Some Case Studies*, Programme Evaluation Organisation (PEO).

—, Ministry of Agriculture and Irrigation (1978): *Report of the Committee to Examine the Various Aspects of Labour Employment in Major/Medium Irrigation Sector*, Government of India, New Delhi, October.

—, Finance Commission (1978): *Report*, Government of India

—, Government of Uttar Pradesh (1978): *Revised Western Gandak Canal Project, UP Portion*

—, *Draft Sixth Five-Year Plan, 1980-85*.

—, *Draft Annual Plans, 1983-84 to 1987-88*.

Lal, Deepak (1972): 'On Estimating Income Distribution Weights for Project Analysis', IBRD, Economic Staff Working Paper No 130

Little, I M D and J A Mirrless (1969): *Manual of Industrial Project Analysis in Developing Countries*, Vol II, Development Centre of the OECD, Paris.

—,(1974). *Project Appraisal and Planning in Developing Countries*, Hememann, London

Marglin, J A (1967): *Public Investment Criteria*, George Allen and Unwin, London.

Mera, Koichi (1968): 'An Expirical Determination of Dynamic Utility Function', *The Review of Economics and Statistics*, 50 (1), pp 117-22.

—(1969): 'Experimental Determination of Relative Marginal Utilities', *Quarterly Journal of Economics*, 83, August.

Mishra, S N and John Beyer (1976): *Cost Benefit Analysis—A Case Study of the Ratnagiri Fisheries Project*, Hindustan Publishing Corporation (India), Delhi.

Murty, M N (1980): 'On the Estimation of Income Distribution Effects of Investment in Less Developed Regions of India', *Indian Economic Review*, 15 (2), April-June, pp 139-54.

—,(1978). 'Investment Criteria and Economic Development—A Case Study of Nagarjuna Sagar Project', PhD thesis (unpublished), University of Delhi.

Pearce, D W and C A Nash (1981): *The Social Appraisal of Projects: A Text in Cost Benefit Analysis*, the Macmillan Press.

Raj, K N (1960): *Economic Aspects of the Bhakhra Nangal Project*, Asia Publishing House, Delhi.

Repetto, Robert (1971): *Time in India's Development Programmes*, Harvard University Press.

Sen, A K and M D Chaudhury (1970): 'Durgapur Fertiliser Project: An Exercise in Economic Evaluation'; *Indian Economic Review*, 5 (1).

Sharma, R K (1978): 'The Economic Impact of Irrigation Projects (A Preliminary Study of Gandak Canal in East Uttar Pradesh, India)', Harvard University, Centre for Population Studies, Cambridge (mimeo).

Singh, B and S Mishra (1965): *Benefit-Cost Analysis of the Sarda Canal System*, Asia Publishing House.

Singh, R (1983): 'Cost Benefit Analysis of Investment in Irrigation', PhD thesis (unpublished), University of Delhi, Delhi.

Sinha, Baswan and Ramesh Bhatia (1982): *Economic Appraisal of Irrigation Projects in India*, Agricole Publishing Academy.

Sonachalam, K S (1963): *Benefit Cost Evaluation of Cauvery Mettur Project*, Research Programme Committee, Planning Commission

Sovani, N V and Nilkantha Rath (1960): *Economics of a Multipurpose River Dam*, Gokhale Institute of Politics and Economics, Poona.

Weisbrod, N A (1968): 'Income Redistributional Effects and Benefit-Cost Analysis' in S B Chase, Jr (ed), *Problems in Public Expenditure Analysis*, The Brooking Institution.

بنك عُمان الدولي ش.م.ع.ع

Oman International Bank S A O G

BALANCE SHEET OF THE INDIAN BRANCH OF OMAN INTERNATIONAL BANK S.A.O.G. AS ON 31 MARCH, 1994

	Schedule No	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
CAPITAL AND LIABILITIES			
Capital	1	50,362	50,362
Reserves and Surplus	2	92,157	73,731
Deposits	3	1,679 790	1,944,088
Borrowings	4	195 253	245,459
Other Liabilities and Provisions	5	175,938	237 980
TOTAL		2,193,500	2,551,620
ASSETS			
Cash and balances with Reserve Bank of India	6	148,850	64,966
Balances with Banks and money at call and short notice	7	67,750	431,114
Investments	8	515,217	357,671
Advances	9	1 318,364	1,345,041
Fixed Assets	10	38,325	29,623
Other Assets	11	104,993	123,205
TOTAL		2,193,500	2,551 620
Contingent Liabilities	12	1,683,098	1,293 799
Bills for collection		381,610	391,601
Principal Accounting Policies	17		
Notes to Accounts	18		

Notes and schedules to the accounts form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCH OF OMAN INTERNATIONAL BANK S.A.O.G. FOR THE YEAR ENDED 31 MARCH, 1994

	Schedule No	Year Ended 31 03 94 Rs in 000's	Year Ended 31.03.93 Rs in 000's
I. INCOME			
Interest earned	13	260,004	339,494
Other Income	14	41,025	30,601
TOTAL		301,029	370,095
II. EXPENDITURE			
Interest expended	15	124,030	213,325
Operating Expenses	16	50,492	50,315
Provisions and contingencies		108,273	88,201
TOTAL		282,795	351,841
III PROFIT/(LOSS)			
Net Profit for the year		18,234	18,254
Profit brought forward		28,434	38,699
TOTAL		46,668	56,953
IV. APPROPRIATIONS			
Transfer to statutory reserves		3,647	3,651
Transfer to Provision for taxation prior years		Nil	Nil
Transfer to Government/ proposed dividend		Nil	Nil
Remitted to Head Office		Nil	24,868
Balance carried over to Balance Sheet		43,021	28,434
TOTAL		46,668	56,953
Principal Accounting Policies	17		
Notes to Accounts	18		

Notes and schedules to the accounts form an integral part of the Profit and Loss account
This is the Profit and Loss account referred to in our report of even date

SHARP & TANNAN
Chartered Accountants
By the hand of

Sd/-
M P NARSANG
Partner

Bombay
Dated May 09, 1994

For Oman International Bank S A O G

Sd/-
R KRISHNAN
Chief Manager — India

بنك عُمان الدولي ش.م.ع.ع

Oman International Bank S A O G

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
Schedule 1—Capital		
CAPITAL	50,362	50 362
Includes an amount of Rs 2,000,000/- (P Y ended 31-03-93—Rs 2,000,000/-) brought in by way of start up capital		
(Refer note below)		
TOTAL	50,362	50,362

Note Amount of deposit kept with the Reserve Bank of India under section 11(2) Banking Regulation Act, 1949 is Rs 33 000,000 (P Y Rs.32,000,000)

	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
Schedule 2—Reserves and Surplus		
I Statutory Reserves		
Opening Balance	26 340	22 689
Additions during the year	3 647	3 651
	29,987	26 340
Deductions during the year	Nil	Nil
	29,987	26 340
II Capital Reserves		
Revaluation Reserve		
Opening Balance	18,957	Nil
Added back during the year	191	19,148
	19,148	19,148
Deductions during the year	Nil	(191)
	19,148	18 957
III Share Premium	Nil	Nil
IV Revenue and other reserves	Nil	Nil
V Balance in Profit and Loss Account	43,022	28,434
TOTAL	92,157	73,731
Schedule 3—Deposits		
A I. Demand Deposits		
i) From Banks	Nil	Nil
ii) From Others	261,448	582,624
II. Savings Bank Deposits	104,599	28,449
III. Term Deposits		
i) From Banks	442,744	197,924
ii) From Others	870,999	1,135,091
TOTAL	1,679,790	1 944 088
B i) Deposits of branches in India	1,679,790	1,944,088
ii) Deposits of branches outside India	Nil	Nil
TOTAL	1,679,790	1,944,088

	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	133 600	203,760
ii) Other Banks	61 653	41,699
iii) Other Institutions and Agencies	Nil	Nil
II Borrowings outside India	Nil	Nil
TOTAL	195 253	245,459
Secured borrowings included in I and II above— Rs Nil		
Schedule 5—Other Liabilities and Provisions		
I Bills Payable	9 276	51,542
II Inter Office Adjustments (net)	54 981	41,676
III Interest accrued	47 096	54,481
IV Others (including Provisions)	64,585	90,281
TOTAL	175 938	237,980
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	3 108	2,954
II Balances with Reserve Bank of India		
i) In Current Accounts	145 742	62,012
ii) In other accounts	Nil	Nil
TOTAL	148 850	64,966
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balances with banks		
a) In current accounts	15 740	409,542
b) In other deposit accounts	Nil	Nil
ii) Money at call and short notice		
a) With banks	Nil	Nil
b) With other institutions	Nil	Nil
TOTAL	15,740	409,542
II Outside India		
i) In Current Accounts	52,010	21,572
ii) In other deposit accounts	Nil	Nil
iii) Money at call and short notice	Nil	Nil
TOTAL	52,010	21,572
GRAND TOTAL	67 750	431,114

بنك عمان الدولي ش.م.ع.ع

Oman International Bank S A O G

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
Schedule 8—Investments		
I Investments in India		
i) Government Securities	313,445	65,699
ii) Other approved securities	20,000	20 000
iii) Shares	472	472
Less Provision for diminution in investments	(472)	(472)
iv) Debentures and Bonds	1,972	1 972
v) Subsidiaries and/or joint ventures	Nil	Nil
vi) Treasury Bills	179,800	270 000
TOTAL	515,217	357 671
II Investments outside India in		
i) Government Securities (including local authorities)	Nil	Nil
ii) Subsidiaries and/or joint ventures abroad	Nil	Nil
iii) Other investments (to be specified)	Nil	Nil
TOTAL	Nil	Nil
GRAND TOTAL	515 217	357 671
Schedule 9—Advances		
A i) Bills purchased and discounted	491 251	751 056
ii) Cash credits, overdrafts and loans repayable on demand	358 455	362 817
iii) Term loans	468,658	431 168
TOTAL	1,318,364	1,545 041
B i) Secured by tangible assets	1 118,509	1 274 653
ii) Covered by Bank/Government Guarantees	59,213	113 046
iii) Unsecured	140,642	157 342
TOTAL	1,318,364	1,545,041
C I Advances in India		
i) Priority Sectors	458,900	116,911
ii) Public Sectors	Nil	Nil
iii) Banks	Nil	Nil
iv) Others	608,886	1,209,359
TOTAL (A)	1,067,786	1,326,270
II Advances outside India		
i) Due from banks	Nil	Nil
ii) Due from others		
a) Bills purchased and discounted	250,578	218,771
b) Syndicated loans	Nil	Nil
c) Others	Nil	Nil
TOTAL (B)	250,578	218,771
GRAND TOTAL (A) + (B) = (C)	1,318,364	1,545,041

	As on 31 03 94 Rs in 000's	As on 31 03 93 Rs in 000's
Schedule 10—Fixed Assets		
I Premises		
At cost/revaluation	24,348	6,472
Additions on revaluation	Nil	19,149
Deductions/adjustments	Nil	(1,273)
Depreciation to date	(1,516)	(256)
I	22,832	24,092
II Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March 1993	15,802	14,473
Additions during the year	12,395	1,513
Deductions during the year	(2,255)	(184)
Depreciation to date	(10,449)	(10,271)
II	15,493	5,531
NET BLOCK (I) + (II)	38,325	29,623
Schedule 11 —Other Assets		
I Inter office adjustments (net)	Nil	Nil
II Interest accrued	38,465	38,689
III Tax paid in advance/tax deducted at source	Nil	Nil
IV Stationery and stamps	Nil	Nil
V Non banking assets acquired in satisfaction of claims	Nil	Nil
VI Others	66,528	84,516
TOTAL	104,993	123,205
Schedule 12—Contingent Liabilities		
I Claims against the bank not acknowledged as debts	Nil	Nil
II Liability for partly paid investments	Nil	Nil
III Liability on account of outstanding forward exchange contracts	912,165	656,214
IV Guarantees given on behalf of constituents		
a) In India	384,177	280,034
b) Outside India	Nil	Nil
V Acceptances, endorsements and other obligations	386,756	350,466
VI Other items for which the bank is contingently liable		
a) Liabilities on bills of exchange rediscounted	Nil	Nil
b) Disputed Income tax liabilities pending in appeal	Nil	7,084
TOTAL	1,683,098	1,293,799

بنك عُمان الدولي ش.م.ع.ع

Oman International Bank S.A.O.G.

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Schedule 13—Interest Earned

	Year Ended 31 03 94 Rs in 000's	Year Ended 31 03 93 Rs in 000's
I Interest/discount on advances/ bills	198,983	275,152
II Income on investments	43,248	44,908
III Interest on balances with Reserve Bank of India and other inter-bank funds	13,859	17,340
IV Others	3,914	2,094
TOTAL	260,004	339,494

Schedule 14—Other Income

	Year Ended 31 03 94 Rs in 000's	Year Ended 31 03 93 Rs in 000's
I Commission, exchange and brokerage	17,327	27,392
II Profit on sale of investments	12,453	6,435
Less Loss on sale of investments	5,472	6,604
	6,981	(169)
III Profit on revaluation of investments	Nil	Nil
Less Loss on revaluation of investments	Nil	Nil
	Nil	Nil
IV Profit on sale of land, buildings and other assets	25	15
Less Loss on sale of land, buildings and other assets	Nil	Nil
	25	15
V Net Profit on exchange transactions	16,407	3,165
VI Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/ in India	Nil	Nil
VII Net Loss accrued on investment (classified as permanent)	Nil	(22)
VIII Miscellaneous Income	285	220
TOTAL	41,025	30,601

Schedule 15—Interest Expended

	Year Ended 31 03 94 Rs in 000's	Year Ended 31 03 93 Rs in 000's
I Interest on deposits	99,465	147,030
II Interest on Reserve Bank of India/inter-bank borrowings	22,642	59,911
III Others	1,923	6,384
TOTAL	124,030	213,325

Schedule 16—Operating Expenses

	Year Ended 31 03 94 Rs in 000's	Year Ended 31 03 93 Rs in 000's
I Payments to and provisions for employees	7,190	4,940
II Rent, taxes and lighting	7,719	6,489
III Printing and stationery	696	5,454
IV Advertisement and publicity	4,329	3,379
V Depreciation on bank's property	3,828	2,354
VI Director's and LAB fees, allowances and expenses	217	507
VII Auditor's fees and expenses	216	158
VIII Law charges	663	239
IX Postages, Telegrams, Telephones etc	4,521	6,212
X Repairs and maintenance	467	423
XI Insurance	1,113	1,292
XII Other expenditure	19,533	18,868
TOTAL	50,492	50,315

بنك عمان الدولي ش م ع ع

Oman International Bank S A O G

Schedule 17—Principal accounting policies forming part of the accounts for the year ended 31 March, 1994

Principal accounting policies:

i) General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country

ii) Transactions involving Foreign Exchange

(a) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year

(b) Income and expenditure items have been translated at the exchange rate ruling on the date of the transactions

(c) Profit or loss on forward contracts have been accounted for on accrual basis

iii) Investments

In accordance with the guidelines issued by the Reserve Bank of India the investments of the Bank have been bifurcated into "Permanent Investments"—which are normally held upto the date of maturity and Current Investments"—which need not be held upto the date of maturity In respect of Permanent Investments the difference between the redemption value and cost of acquisition of the Investment is accrued as profit/loss over the period upto the date of redemption In respect of Current Investments other than Treasury Bills the same are valued at cost or market value whichever is lower The loss on revaluation is charged to revenue

Treasury Bills are valued at cost The Market value of other Current Investments is Rs 15 30 crores (Cost Rs 14 95 crores) The Market value of other Current Investments has been worked out by means of an appropriate capitalisation of yield method as recommended by the Reserve Bank of India

iv) Advances

a. Provision for Doubtful advances is based on the classification into 'performing" and 'non performing assets in accordance with Reserve Bank of India guidelines Provision for non performing assets is made as under

Sub standard assets	- 10 % of net advance
Doubtful assets	— 100 % of the unsecured portion and 20% to 50% of the net secured portion depending on the period for which the asset has remained non performing
Loss assets	- 100%

The provisions so required by the Bank have been made after considering the provisions existing in the books of the Bank as at the end of the Previous Year

b Provisions in respect of doubtful advances have been deducted from advances

c Provisions have been made on a gross basis Tax relief which will be available when the advance is written off will be accounted for in the year of write-off

d Interest on advances classified as non performing has been credited to Interest Suspense account as specified under the guidelines issued by the Reserve Bank of India Advances are reflected at net of interest suspended

v) Fixed Assets

a Fixed Assets other than Premises have been accounted for at their historical cost Premises have been considered at their revalued cost

b Leasehold Premises have not been capitalised Lease rentals paid during the year have been charged to revenue account

c Depreciation has been calculated on a straight line basis to write off the cost of fixed assets over the expected useful lives of the assets duly certified by the management The principal periods used are

Premises	25 years
Furniture and Fixtures	5 years
Equipment	5 years
Motor Vehicles	5 years
Computers	5 years

The depreciation on additions to Fixed Assets made during the year has been charged on the basis of completed months following the month in which the additions are made The depreciation provided on the above basis is higher than the depreciation computed in accordance with Schedule XIV of the Companies Act 1956

d Depreciation including additional quantum of depreciation on revalued assets has been charged to the Profit and Loss account

vi) Staff Benefits

a. Contributions to Gratuity Fund have been made on an accrual basis on the computation by the management of the Bank A separate Fund for Gratuity has been created which has been recognised by the Commissioner of Income Tax

b Contributions to Superannuation Fund have been made under Group Insurance Scheme of Life Insurance Corporation of India An application for the approval of the Fund has been made to the Commissioner of Income Tax which is awaited

vii) Net Profit

The net profit disclosed in the Profit and Loss account is after considering

a Provisions for taxes on income in accordance with statutory requirements

b Provision for doubtful advances

c Head Office Administrative Expenses to the extent estimated to be allowable under Section 44C of the Income Tax Act, 1961

بنك عُمان الدولي ش م ع ع

Oman International Bank S A O G

Schedule 18—Notes forming part of the accounts for the year ended 31 March, 1994

1 Additional depreciation charged on revalued assets which hitherto, was being recouped by transferring a like amount from the Revaluation Reserve has, from this year, been charged to the Profit and Loss account Consequent to the change in the basis of accounting of depreciation, the depreciation charge for the year is higher by Rs 1,191 843 (includes Rs 191 489 in respect of Previous Year) and the profit for the year is lower by the like amount

2 The Bank has been served with a Notice of Demand relevant to the Assessment Year 1991 92 of Rs 40 79 crores from the Income Tax authorities The Bank has made the necessary application for rectification of the Assessment Order and has also preferred an Appeal before the appropriate authorities Based on certain documentary evidence which has been filed while making the rectification application and also considering certain matters which in the previous assessments have been decided in the Bank's favour, the Bank is hopeful of a favourable rectification/appeal Order reducing its Income Tax liability substantially The Income Tax provision presently held by the Bank for the relevant Assessment Year is considered adequate to meet its tax liability

3 Inter Office accounts include an amount of Rs 16 903 516 brought in as initial remittance for acquisition of premises, fixed assets and start-up expenses and Rs 15 850 665 remitted from time to time for acquisition of premises for the use of the Bank

4 On the basis of the Valuation Report of the approved valuer the Bank has revalued its Office Premises in a commercial Co-operative Society on 31 12 92 The increase in value of the Premises arising out of the revaluation has been transferred to Capital Reserve under the head 'Revaluation Reserve

5 The Accounts for the year reflect the Indian operations of the Bank covering its existing Bombay Branch and Cochin Branch which commenced its operations on January 03 1994 Accordingly the Current Year s figures are not comparable with those of the Previous Year

6 Figures of the Previous Year have been regrouped/rearranged wherever necessary

SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/
M P NARSANG
Partner

Bombay
Dated May 09, 1994

Signatures to Schedules 1 to 18

For Oman International Bank S A O G

Sd/
R KRISHNAN
Chief Manager—India

Auditors' Report on the Indian Branch of Oman International Bank S A O G

We have audited the attached Balance Sheet of the Indian Branch of Oman International Bank S A O G as at 31 March, 1994 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date in which are incorporated the returns from Cochin Branch, audited by us

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The accounts are therefore drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949

We report that in accordance with sub-section (3) of Section 30 of the Banking Regulations Act 1949

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

b) The transactions which have come to our notice have been in our opinion, within the powers of the Indian Branch of the Bank

c) In our opinion, proper books of account as required by law have been kept by the Indian Branch so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Cochin Branch of the bank

d) The returns of Cochin Branch have been properly dealt with by us, while preparing our report

e) The Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account and the returns

f) There is a change in the method of accounting of additional depreciation on revalued assets resulting in a charge for depreciation being higher by Rs 1,191,843/- and profit for the year being lower by the like amount (Refer Note 1 of Schedule 18)

Subject to the foregoing in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, read with the Principal Accounting Policies appearing in Schedule 17 and read together with Note 2 regarding Income Tax Demand and other Notes appearing in Schedule 18, give the information required by the Companies Act 1956 in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31 March, 1994 and of its profit for the year ended on that date

SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/-
M P NARSANG
Partner

Bombay
Dated May 09, 1994

DISCUSSION

A Secular Muddle?

Niranjan Phukan

ONE is grateful to Andre Beteille (*EPW*, March 5, 1994) for opening a debate on the vexed question of secularism with refreshing candour and boldness. But one can hardly say he has dispelled the fog surrounding it. Indeed, one regrets that his exercise might provide theoretical underpinning to the thoroughly dishonest and unprincipled compromises of the present Indian government. This is most peculiar.

Secularism may be discussed and argued about by an intellectual minority, as Beteille believes. Perhaps I would not get a ticket to join that august minority. But I share the risks and anxieties of the common man that confusions about secularism generate. Not so long ago, within 30 kilometres of a place where the governor and the chief minister of my state (Assam) were taking fervent part in a Tantrik 'yagna', the army had dragged five young men out of their homes and shot them like pigs on the merest suspicion that they might have been involved in a terrorist murder. On April 14, a huge concourse of Muslim peasants and day-labourers assembled for three days in a 'World Iztema' at a place rocked by bloody communal carnage following the Babri masjid outrage. The chief minister and other members of the cabinet sought the blessings of the 'Iztema'. The RSS is reportedly planning a counter-demonstration in the vicinity.

Beteille attacks the semantics of the term 'secularism' by pointing out that its meaning is in fact inexhaustible, and that it is wrong to think it "can be given only one correct meaning". One suspects this limp liberalism and prefers the Bakhtinian notion that each keyword is actually a battleground of antagonistic class forces. Beteille lays his cards on the table to claim that unlike a theologian a sociologist is compelled by the logic of his discipline to be impartial to all religions. It is not quite clear if he wants all of us to abandon our other concerns and turn sociologists. The difficulty is that his colleagues might consider such company vulgar, and the benighted masses might be too besotted to be charmed by sociological enlightenment.

Beteille concedes that secularism is a doctrine and programme pushed by an assorted company of liberals, socialists and communists, but doubts if their efforts are of much worth. Secularism is in his opinion much more the product of a century of silent but massive social change characterised by 'secularisation' which is further described as a "universal tendency of the modern world". Fine. But what should bother us is that with the discomfiture of the left-liberal gang at present, militant fundamentalism has become the most striking phenomenon in many countries in our 'post-modern' world!

In Beteille's account secularisation has led to "the decline of many ritual observances", but not "to the decline of all religious beliefs and values". For example, Hindu ritual adherence to purity/pollution rites has dwindled, but not Hinduism as such. Actually, he goes on, many such ritual observances have magical origins, which have been undermined by secularisation.

Has the silent march of secularisation taken place without such violent ruptures as (to confine ourselves to our country) introduction of a new legal system, introduction of a new education system replacing the old, bitter struggles against 'suttee' and child-marriage, the struggle of the dalits, etc? Is that struggle now really over? What about the spate of *new* 'yagnas' for such sundry ends as ensuring world peace and toppling P V Narasimha Rao? What about the eruption of ritualistic Muslim legalism?

As part of the process of secularisation Beteille cites the growth of such secular institutions as banks, hospitals, universities, etc. One wonders why he does not mention the biggest and most powerful of such secular institutions—courts of law and the legal system. In India the battle for a secular legal system is far from over. If that battle is lost, the other institutions mentioned by him will soon follow suit. The sociological enlightenment ignores the struggle for liberalism and democracy that has brought about secularisation.

In Beteille's view both dogmatic religion and doctrinaire secularism err by making holistic claims for their own platforms. Secular intellectuals are worried by a concept of religion spreading its tentacles to every aspect of every individual's life. On the other hand there are doctrinaire secularists who are totally biased against religion and take perverse pleasure in exposing magic and superstition in religion. They ignore the fact that religion in its legitimate sphere "addresses fundamental questions of birth and death, misfortune, suffering, and renewal of life." That is a sectarian view. What is desired, according to Beteille, is accommodation between the two. Holism is out. Pluralism is in. It follows that the "co-existence of secular and religious ideas and institutions" is the ideal state of affairs. After all, the simplest of societies had known the relative autonomy of certain aspects of life from religious influence and control. Further, in a country like India, the co-existence and mutual tolerance of several faiths have been "a fact of historical experience". If the totalising claims of each religion is conceded, such historical experience loses its value. Hence accommodation in an undoctrinaire fashion between different religions, and between religion and secularism, is the only way out.

The problem in our opinion is one of political philosophy (if one does not like the word 'ideology'). It implies such issues as mutual attitudes between the state and the citizen and between the state and religion. It is deeply related to the protracted struggle for a democratic state against feudalism. The battle ended in Europe and America with the demarcation of the private and the public spheres. Decline of magic ritual and the power of priesthood guarding such rituals led to the enlargement and strengthening of the sphere of private worship and conscience. On the other hand, the public sphere is taken over largely by the state, and to some extent by voluntary associations. In India the paper document of a Constitution could not settle the dispute, which has now begun to rage with elemental fury.

Therefore the question of political hegemony cannot, should not be evaded. Whatever fundamental questions are addressed by religion it must not on that account be allowed to command an overriding allegiance from its members/followers. In the public sphere the state must in the last resort be the sovereign power, commanding primary loyalty. Therefore it is not sweet accommodation but the coercive power of the state that must ensure that religion does not interfere with or encroach upon the political obligations of the citizen and his respect for laws of the state. Even the accommodation among different religions, their mutual tolerance, may have to be ensured by such an authority. This coercive power is based not on brutal whim, but on legitimate, principled authority with the consent of the citizen. The rise of such state authority is no result of an unconscious process, but that of a conscious struggle which established the hegemony of certain forces.

The much-maligned secular intellectuals, reviled by born-again scholar-sadhus and scholar-pirs, have only taken this stand. Few of them have been so mad as to demand the abolition of religion. Secularism is to them no dogma, but an essential condition for preservation of democracy. It has therefore an unavoidable political content.

On the other hand, the actual Indian state, instead of confronting the mounting threats to democracy, has begun to fumble and founder (as before and during the shameful Babri masjid episode). Religious forces are unleashing a campaign for restricting the sovereign power of the state and undoing the work of democratic forces. Admittedly that work had at best been half-hearted. But to abandon that legacy will be to throw our people to the mercy of ravenous wolves. On the other hand, those among us who are for such an abdication by the state must be fought as enemies of the people.

The democratic state comes to birth along with a new stage in the development of religion. Beteille has rightly rejected an essentialist view of religion, but he fails to adopt a historical position. Is it because accepting history means choosing and taking sides?

Roja in 'Law and Order' State

S V Srinivas

TEJASWINI NIRANJANA's article ('Integrating Whose Nation? Tourists and Terrorists in *Roja*', *EPW*, January 15) and the response by Venkatesh Chakravarthy and M S S Pandian ('More on *Roja*', *EPW*, March 12) have quite correctly focused on the political significance of Maniratnam's much-dubbed film.

Released at a time (latter half of 1992 in Tamil and Telugu) when the Hindu right's rhetoric on Kashmir and Muslims was more strident than ever before, the film also coincided with the government's claim to have successfully solved the 'Punjab problem'. This was also the time of increased state repression in Andhra Pradesh, Assam, Bihar, Gujarat, tribal areas of Maharashtra, Madhya Pradesh and Kashmir itself. All these states (except Gujarat) apparently suffered from 'terrorism' and the governments of the states and centre were busy 'tackling the extremist menace' with a variety of brutal, unconstitutional means. ULFA and PWG were banned earlier as were RSS, VHP and Bajrang Dal later. The response of the state to the right was exceptionally wild while scores of people lost their lives due to their alleged association with ULFA and PWG. As has been pointed out by Tejaswini Niranjana, in Tamil Nadu too there was a crack down on 'terrorists' which in reality meant suppression of Sri Lankan Tamils and their supporters in the name of twisting the latest 'foreign hand', LTTE.

On the other hand, the regime's obsession with privatisation and liberalisation, Bank-Fundism's most visible manifestations, was acquiring a concrete, irreversible form. Even while the state withdrew from its economic and social obligations, armed and ruthless intervention in a broad spectrum of oppositional movements became the order of the day. Interestingly, emphasis is now being given to 'people's participation' even in law and order maintenance. As a result, Delhi police spends lakhs on appealing to the 'public' to help fight 'terrorism', 'drug abuse', and 'communalism'. This new-found mania for 'broadening the base' for policing does not prevent the government from raising a well-trained (read armed to the teeth) force to guard privately owned tea estates in Assam.

It is possible to argue that today, even while the state grows increasingly repressive, it is reducing its sphere of activity and rapidly confining it to maintaining law and order.[1] The ruling class-caste elite has been demanding precisely this. There seems to be a 'contradicton', in the sense of a *double bind*, in the state's functioning. Commenting on *Roja*, Tejaswini Niranjana and Chakravarthy and Pandian have emphasised on seemingly opposing pressures of the same process. In the film, there is thus at once "a rejection of the Nehruvian state which had been compelled to write in its policies a vision of democracy and egalitarian socialism" (Niranjana), and the ultimate victory of the "state and Hindu-patriarchal culture" (Chakravarthy and Pandian) The question I would like to address is how *Roja*, released at the crucial moment when the Nehruvian state was dismantled, reacts to the transformation mentioned above that strengthens the repressive arm of the state and drives it out of every other sphere of activity.

Roja interpellates the 'common man', upper-caste-middle-class male really, to protect 'national interest' by fighting terrorism. The correspondences between family and nation (Chakravarthy and Pandian) serve to 'bring home' larger problems like terrorism by turning abstract concepts like national security into immediately recognisable ones like family well-being. Such a relationship between the subject and nation renders irrelevant any other kind of commitment except (and this is where the film takes the cake) in the most mechanical and cliched terms. The moral: fight terrorism or *your* family will go to the dogs. This in itself is not new to Indian cinema (two decades ago *Deewar* merged the interests of the family with those of the nation—the errant son was also a criminal). In the recent past, the essential cinematic problem has become protection of the family (not necessarily nuclear family).[2] Maniratnam's *Dalapathi*, which preceeded *Roja*, is all said and done, a highly unimaginative film on the Hindu family. Family in films is itself becoming more oppressively patriarchal in the course of these developments.[3] Maniratnam therefore has at his disposal a rich film intertext which has already made the equation between family and nation-state, by extension heroism as a fight for both.

What is new about this film is the blatant equation of the Muslim with terrorism. If anything, Indian film-makers have gone to ridiculous lengths to say 'Hindu-Muslim (or Hindu-Sikh) Bhai- Bhai' and blame the foreign hand's agents, generally maniacal individuals, for the trouble. In *Roja* the foreign hand is very much in the background but more visible is an identifiable ethnic-religious community actively engaging in terrorism.[4]

Thanks to the intertext available on *what* terrorists do, the director leaves this largely to the audience's awareness of state propaganda and its manifestation in cinema (scores of films have been made in Tamil, Telugu and Hindi on this subject). Instead the focus is on *who* they are (Muslims) and one of their 'victims'. Through this victim and his beloved, the 'common man' is interpellated to save the nation and family.

Maniratnam employs two important techniques, star casting and film cliche, to force the closure of the film which, to quote Chakravarthy and Pandian, is 'orgasmic'. It is a fulfilment of Rishi Kumar's desire to be reunited with Roja and the middle class fantasy of saving the nation.

Film is generally watched and interpreted in the context of a long history of film-viewing. The audiences are always already conscious of a history of cinema, its actors, plots, genres and cliches. This consciousness is highly 'productive' as film-makers may build on expectations or play with them. When it comes to actors, especially recognisable ones, no matter what role s/he plays in the present film, there are 'images' already available to the audience in the light of which the new role is received.[5] Part of the 'pleasure' of watching films is precisely this interaction between what we are conscious of and what is being offered.[6]

In *Roja* the 'image' of the stars is used by Maniratnam to force, at least partially, the movement of the film towards its conclusion. This is Madhubala's (Roja) first film in Tamil. Her *Phool Aur Kante* (Hindi) was already a major success by this time. She was thus either unknown in southern India or known as a sexual object (*Phool Aur Kante*). In both cases she could quite easily function as the "ideal site of unlimited desire" (Chakravarthy and Pandian). Arvind (Rishi Kumar) appeared in Maniratnam's previous film, *Dalapathi*, as a responsible IAS officer and ideal son (the errant bastard being Rajanikanth). He also beats his half brother in the race to marry the heroine. He is thus recognisably responsible, sophisticated and successful. He can solve the nation's pressing problems and resolve the film's crisis. Pankaj Kapur (Liaquat) is new to south Indian cinema but he is of course Karamchand, the carrot-eating crime-buster of Doordarshan's first detective serial (available at least to urban middle-class audience). He is a good man really and as the authors of the earlier article have pointed out, not threatening for other reasons as well. Nationalism (and patriarchy) has already won half the battle.

As in Maniratnam's earlier films, Liaqu[at] is the hard-core criminal who undergoes change of heart (*Nayagan, Dalapathi*). Needless to say, the audience is fully aware of the possibility of such a change even before the film begins.[7] As pointed out by Chakravart[hy] and Pandian, the ideological battle is lost [by] the terrorists when the director seals the li[ps] of Liaquat beyond a few outbursts [of] 'aazadi', while Rishi mouths familiar expl

tives against violence, foreign hands, innocent victims and negotiating tables. Something similar happens in *Nayagan* where the protagonist looks appropriately apologetic when challenged by his daughter.

Likewise, film cliches[8] serve to force a resolution of the crisis (Kashmiri nationalism, separatism, fundamentalism) threatening the nation's being. As we have seen, much of the problem has already been solved. The issue of whether hostages should be exchanged is clinched by the employment of the age-old film cliche of 'action'.[9] The hero fights his way to justice, safety and happiness ever after. But for the 'action', the film would have to end in Rishi's death or the defeat of the army's stand against the exchange of hostages. If Rishi were to die, the army would be seen as insensitive. A part of the audience might go home thinking that hostages *should* be exchanged for humanitarian reasons. If on the other hand the exchange is made, the army would lose face and, worse, the audience might view such exchanges as attractive solutions to similar problems. Very unattractive and 'dangerous' alternatives indeed for the director. Thanks to the 'action', firstly the army's stand is vindicated and, secondly, Roja's plea to the minister and the government's climb down are rejected as incorrect and dangerous, if sentimental. Roja is a woman and the minister a politician, after all Indian cinema today denies politicians (who generally appear as corrupt, cruel, etc) the role of spokespersons of the state's point of view. The army alone is being projected as the authentic voice of the state.[10] Here the conflict is not between two representatives of the state but between one authentic representative and an unpatriotic (even if avancular) opportunist. There are numerous caustic references in the film to the exchange of hostages by the V P Singh government.

The film thus slickly packages state propaganda and "helps to legitimise army activities such as search operations, the interrogation of 'terrorists' and the shooting of them".[11] *Roja* calls for more rather than less armed intervention of the state. It criticises the 'softness' of the regime in its handling of terrorism and projects the army as a true friend of the patriotic people. The upper-caste-middle-class, as in other spheres of activity, is now mature and willing enough to do its bit in helping the state in its peace-making activities. It is now up to the government of India to invite the tenders and take the nation into the 21st Century.

Notes

[A] K Sengar, Deepak K Singh and P K Kim watched the film only to discuss it with me. Gopinath and the two Pradeeps had discussions with me on terrorism and on *Roja* in Malayalam. C T Manlong discussed representations of the army in recent Hindi films. Finally, all the above forced me to tone down what one person called my 'obsession with stars'.]

1 K Balagopal and others in the Andhra Pradesh Civil Liberties Committee have for sometime now been pointing this out in their public statements. I am indebted to the APCLC for this analysis of the state's transformation in the recent years.

2 Witness for instance the development in Telugu cinema: the leading actor Chiranjeevi's recent films *Lankesh Warudu* (1989), *Gang Leader* (1991) and its Hindi version *Aaj Ka Goonda Raj* (1992), *Gharana Mogudu* (1992) and *Mechanic Alludu*; Krishna's *Pachchani Sansaram* (1993) and *Number 1* are films about protecting the institution of Hindu family. Interestingly, there is an overlap of genres: 'family' films and 'action' films are fused.

3 I cannot discuss this at any length here. I shall only point out that as a part of our project, 'Mass Culture and Its Audience: Video Cinema in Arunachal Pradesh', we (Deepak K Singh, J L Dawar and I) asked film-goers what they 'learnt' from Hindi cinema which is very popular here. A majority of the male respondents said they learnt to "take care of the family", "be responsible sons/brothers", etc. The most popular film on video circuit in the recent past is the Mithun starrer *Sansaar*. I fully agree with the findings of Chakravarthy and Pandian on the linkages between family and the state, built into cinema. My point is, this predates *Roja*.

4 See Rajeev Velicheti, 'Women, Violence and Telengana in Contemporary Telugu Cinema' (presented at the Anveshi/Subaltern Studies Conference on Subalternity and Culture, January 1993). In a one page 'Note on Roja', he points out, "The film can be seen as a Hindu communal film potraying Muslims as perpetrating mindless and self-generating violence. A tune similar to prayers offered at namaaz, accompanied by thumping drum beats, follows the terrorists on the audio-track. The terrorists...are repeatedly doing namaaz and uttering the name of 'allah'" (p 13).

5 In the recent past the Hindi actor Shah Rukh Khan seems to have benefited most from such a manipulation by playing what is called a 'negative lead role'. *Baazigar* and *Darr* (1993), for example.

6 There is also another side to this. Maniratnam has himself remarked, "Stars are a burden; the bigger their image, the bigger your responsibility of not going against what the audience expect of them" (Khalid Mohammed, "Mani Matters", *Filmfare*, January 1994, p 64). In the summer of 1993, fans of the Telugu actor Krishna are reported to have 'boycotted' his film *Varasudu* because he was cast in a 'negative role'.

7 To cite another example, in Feroz Khan's films the other hero has to die (*Qurbani*, *Jaanbaz*, *Dayawan*).

8 By film cliche, I mean arrangement of sequences which can be recognised as 'song', 'fight', 'flash back', etc. Not in Esenstein's sense of a predictable *emotional* effect of shots in a montage (Film Forum, pp 60-61).

9 See also *Damini* for the deployment of an 'action-hero' to resolve the women's question.

10 See *Prahaar* and *Tirangaa* (Hindi), *Dauthyam* (Malayalam), and *Aagraham* (Telugu) for the army's representation as the only solution to terrorism or crime which is more often than not abetted by politicians.

11 Rajeev Velicheti, op cit.

Social Indicators of Development for India – I

EPW Research Foundation

THE objective of this note is rather a limited one which is to present a set of data for over a period of years on as many important indicators of socio-economic development for India as possible and incidentally make a brief comparison of these data with similar data for a select few other developing and semi-industrialised countries.

Undoubtedly India is one of the few countries that can take pride in possessing a fairly decent statistical base on different social and economic indicators of development and that too at disaggregated levels by social groups, regions and some by districts or even by lower levels of administrative units.[1] Apart from the mass of social and economic data departmentally generated and published periodically by the respective official departments and ministries, as also by the Central Statistical Organisation (CSO) which undertakes the tasks of co-ordination and dissemination of official economic and social statistics[2], the roles of the decennial Census and the Sample Registration System (SRS) of the Office of the Registrar-General and Census Commissioner, India and the National Sample Survey Organisation (NSSO) have come to be recognised as pivotal in the kind of nationwide sample surveys undertaken by them on different quantitative and qualitative dimensions of socio-economic development in India.[3]

Nevertheless, the task of presenting a consistent picture of the evolving socio-economic scenario of the Indian population over the decades/quinquennia of the planning era, is not an easy one. In the first place, the social statistics put out by the official agencies are scattered over a number of sources and due to the absence of uniformity in periodicity and such other issue, any standardised presentation of even such key indicators as population statistics, data on fertility and mortality, health and education indicators, and indicators of employment, unemployment, poverty and levels of living, is indeed difficult. The Five-Year Plan documents also do not present any consistent and comparable picture over different plan periods. Though the CSO has been producing since 1987[4] an annual publication entitled *Selected Socio-Economic Statistics for India*, this has not been enough of a source to present a fuller coverage of the various socio-economic facets of the Indian population.

Secondly, a striking aspect in the various sets of social indicators is the significant divergence in absolute numbers or relative ratios concerning specific characteristics. Many of these divergences are inevitable as they are ascribable to source differences, differences in reference points and above all differences in concepts and methodology of compilation. The differences in various concepts and definitions employed by the Indian Censuses, say, in regard to rural-urban distribution of the population, or in regard to worker participation rates of males and females, and now in the 1991 Census on literacy rates, have made it necessary to be cautious in attempting any straight comparison of the data over different Census decades.[5]

Some of the differences even in such simple data as population size can be indeed glaring. The population of India as on March 1, 1991 based on the year's decennial Census was placed at 846.30 million (including the projected population of 7.72 million for Jammu and Kashmir where the 1991 Census was not conducted) but post-Census evaluation survey conducted may indicate, according to the Census Commissioner himself, an under-enumeration to the extent of about 1.8 per cent which was so in the 1981 Census and hence he has estimated the country's population at 861.4 million for the same period [Nanda 1992: 9] though it has not been a practice in demographic literature to take cognizance of it.[6] To an extent, even the growth rates of population based on inter-Censal comparisons, namely, 24.66 per cent during 1971-81 or 2.22 per cent per annum and 23.85 per cent during 1981-91 or 2.16 per cent per annum, do not appear to correspond (even after making allowances for estimational differences) to the natural growth rates obtained from the Sample Registration System for all the individual years from 1971 to 1992 (see *Sample Registration Bulletin*, December 1992 and January 1994). Sometimes the sample surveys fail to capture accurately the vital aspects of population characteristics. For instance, a comprehensive analysis of the Sample Registration System up to the year 1988 undertaken by the Registrar General's Office (1991) concludes that "in rural areas, female mortality is of the same order as male mortality. In urban areas, however, the female mortality is lower than the male mortality" (p 37).[7] Similarly, the same report suggests that at the all-India level the infant mortality rate for female children during 1988 was lower at 93 infant deaths per 1,000 of live and still births, whereas for male children, it was higher at 95 infant deaths (ibid, p 40). The inter-state differences cannot fully explain this situation[8] because, as brought out in a subsequent paragraph, the female-male differential is acutely tilted against females in the largest states of central, eastern and northern India. Besides, elsewhere there is evidence to the effect that under-5 mortality for India for 1991 was 125 per 1,000 live births for female children and 123 for male children [World Bank: 1993].

Be that as it may, an attempt has been made to present in Table 1 various social indicators of development for India for certain landmark years in a synoptic form beginning from the pre-Plan period based essentially on official sources. In this vast array of statistics, there are flow figures pertaining to relevant financial years, stock figures for the period-end and data on certain social characteristics obtaining during or at the end of the year (such as crude birth and death rates or literacy rates). While almost all data pertain to the years under which they are indicated there are however some sets of data which relate not to the very years but those close to the years specified in the table due to the availability of data only for some benchmark years. (For example, the quinquennium NSS data for 1983 are presented against 1984-85 or the 1987-88 NSS data are presented underneath 1989-90.) While the sources of data have been indicated in the table, various descriptions regarding their nature and quality as also the necessary qualifications and provisos on them which may be contained in the original sources have not been reproduced here in their entirety. The data presented in this note are thus intended only to indicate a broad picture of India's progress as depicted by the evolution of social indicators over a span of 45 years or so.

The country's estimated population at 878.6 million as on March 1, 1993 derived from the base figures of the 1991 Census does not include, as highlighted above, the possible under-enumeration in the Census. That apart, there are now distinct signs that acceleration in population growth which has been a feature during the past three decades has been arrested since the middle of the 1980s. All indications, as brought out by the SRS data up to the year 1992 [Registrar General 1994] and those by the Standing Committee of Experts on Population Projections (October 1989) suggest that a distinct declining trend in the country's natural growth rate in population (from 21.3 per thousand population in 1987 to 19 in 1992) is discernible since 1987-88 and this is by and large attributable to the receding of the country's crude birth rate. Hence the Eighth Plan assumption of 1.78 per cent growth per annum during the period 1992-97 may well be realised almost for the first time in the history of India's five-year plan formulation. The crude birth rate (number of live births per 1000 population in any given year), which remained almost stagnant for about a decade and a half until 1986 at around 33/34 per thousand population despite some increase in the couple protection rate (i e, per cent of couple protected by various family planning methods) during the period, say from 16.3 per cent in 1973-74 to 35.6 per cent in 1984-85, has declined from about 32.2 births per thousand population in 1987 to 29 births in 1992 (*Sample Registration Bulletin*, January 1994). The decline in birth rate as well as the natural growth rate has been sharper in urban areas than in rural areas. Though The Planning Commission (1992) claims that the acceptance of family regulation has been more effective in older age-groups as reflected in the marked decline in fertility in the age-group of 30-44 years and much less in the

age-group of 15-29 years, this ignores the fact that the most effective method of couple protection is found to be the "terminal" method opted for by the older age-group as any other effective and reversible contraception is not available. It is reported that the second half of the 1980s witnessed the beginning of a new phase of fertility decline, with the total fertility rate (the average number of children born per woman in a woman's entire span of reproductive period) declining, after a decade of stagnation, from 4.5 in 1984-85 to 3.6 in 1990-91. Reports based on the SRS have ndicated that more refined measures of fertiity, namely, general fertility rate (number of ive births per 1000 women in the reproductive age-group of 15-49 years) and the general narital fertility rates (number of live births per thousand married women in the same eproductive age group) have shown sharper leclines [Registrar General 1991].

The arresting of the population growth rate luring the 1990s is of course largely due to the lecline in the crude birth rate but data do uggest that a surprising arresting of the pace f decline in the crude death rate has also layed a role in it. In fact, the SRS data idicate that the crude death rate has tended to nove up in the early 1990s both in rural and rban areas, that is, from 10.5 deaths per 1000 opulation in 1990 to 10.8 in 1992 in rural reas and from 6.8 to 7 in urban areas. After aching the lowest rate of 9.7 in 1990 from ound 15 in the early 1970s and 12.5-11.8 iring 1981-85, the crude death rate has ben to edge up to 9.8 in 1991 and 10 in 1992. he Eighth Plan expects that at best it may fall 8.7 by 1996-97. Also, as a result of the rsistence of many disabilities in the social ctor, such as a relatively high rate of infant ortality and maternal mortality and substanl gaps in the health infrastructure, the improvement in expectation of life at birth, as vealed by the Sample Registration System, ring the latter half of the 1980s has been less an that during the 1960s and 1970s through e mid-1980s [see also Nanda 1992] This pears to be somewhat natural, for after aining certain levels of life expectancy of und 57/58 years for males and females, y further rapid increase in life expectancy conditional upon some significant and rp improvements in health infrastructure health conditions of the people, as also se in nutritional standards, which do not m to be taking place. This is particularly of the rural areas where the health infrahas been weak and probably getti... r year by year. Besides, higher fertiln rural areas as compared to urban areas given rise to a higher percentage of child ulation in rural areas than in urban areas also higher infant and child mortality rates. n indicators of some acute forms of social bility like infant mortality (number of hs under one year of age related to the ual number of live births), under-five tality (number of deaths related to the ulation in the same age group), maternal tality (maternal deaths related to the ber of live births) and morbidity (the innce of sickness and ill health), the picture rally seems a mixed one. While the des in the infant mortality and under-five early childhood mortality have continued even during the 1980s, the progress achieved in maternal mortality and such other health conditions of women remains subdued. The fall in the infant mortality rate (infant deaths per 1000 of live births) from 110 in 1981 to 97 in 1985, to 91 in 1989, to 80 in 1990 and to 79 in 1992 is indeed noteworthy. The life expectancy at birth (the average number of years expected to be lived at the time of birth given the current mortality trends) for females remained, unlike in the developed countries, lower than that for males up to the 1971 Census but thereafter the position has been gradually reversed. Even so, it is known how unlike in the developed countries where male death rates exceed female death rates, in India death rates of children as well as women in the reproductive period exceed those for males in corresponding age groups [see Gopalan 1985; FRCH 1987]. In this regard, the SRS data for 1988 (Table A) suggest that up to the age group 30-34 years, age-specific female death rates invariably exceed male death rates but in the subsequent age groups it was the other way about suggesting that women face increased risks to life both during their infancy[9] and in the reproductive age group due to societal bias against female children and deaths associated with maternal causes [Karkal 1993; Gopalan 1985; and FRCH 1987].

Data on maternal mortality in India are indeed scanty and uncertain; levels as high as 1,300 per 100,000 live births have been quoted for certain rural areas [Sharma and Rao 1992]. Gopalan (1985) quoted a UNICEF source to suggest that during the period 1970-1972 the maternal mortality in the country ranged from 376 to 418 per 100,000 live births. The World Bank's *World Development Reports, 1990 and 1992* have reported the maternal mortality rate for India for 1980 at 500 (ibid, p 240), though a subsequent issue of this publication has not quoted any number in this regard On the other hand, the latest *Human Development Report, 1993* [UNDP 1993] has placed the maternal mortality for India at 550 for 1988. The National Health Policy (1993) under the Health For All by 2000 AD programme aims at reducing the maternal mortality rate to 200 by the 2000 AD. A study reported that for every maternal death, there were 16.5 cases of maternal morbidity or illness due to pregnancy, childbirth and puerperium [Karkal 1993]. As reported by Sharma and Rao (1992), a sizeable proportion of the maternal deaths is associated with malnutrition, particularly anaemia, but the major causes are associated with inadequate health care available to women during ante-natal, intranatal, and post-natal periods.

As a result, the female to male sex ratio has receded from decade to decade even after independence from 946 females per thousand males in 1951 to 929 in 1991. Similar to the phenomenon noticed in developed countries, 11 out of 14 districts in Kerala experience the sex ratio in favour of the females but there are also other districts in the country (e g, Srikakulam in Andhra Pradesh, Satara in Maharashtra and Pudukkottai in Tamil Nadu as per the 1991 Census), but the sociological factors involved are varied and complex. The persistent fall in the sex ratio has been noticed essentially in rural India (from 965 in 1961 to 941 in 1991) whereas in urban areas the sex-ratio has improved after the 1960s (from 845 to 893). This has occurred despite the growing incidence of male migration (probably more than female migration) from rural to urban areas; it is attributable to the persistence of risks associated with female health, particularly in rural areas.

The health infrastructure is also unduly low in rural areas as compared with that in urban areas. While the Government of India's quarterly *Rural Health Statistics* (September 1990 and December 1991) claims fairly good coverage of the rural population by sub-centres, primary health centres (PHCs), and community health centres (CHCs) under the Health For All by 2000 AD, the Planning Commission and the Department of Programme Implementation have reported poor performance in these crucial areas [Planning Commission 1993]. Kavita Bhatia (1993) and N H Antia (1993) lament how despite the creation of rural health infrastructure in a decentralised pattern based on a sound strategy, the objectives of setting up the primary health centres (PHCs) have hardly been fulfilled [Antia and Bhatia 1993: 65-66]. Now, even the Planning Commission (1992) has given up the hope of achieving any of the goals of rural health infrastructure: "The backlog of sub-centres, PHCs and CHCs in many states is staggering and the resources required to meet the targets are astronomical and as such unachievable in the near future" (p 323). Subsequently, the targets have been considerably diluted [see Planning Commission 1994].

Simultaneously, the daily calorie supply and in particular the daily protein supply per capita have also registered a distinct decline during the 1980s and thereafter. Against this background, doubts are expressed about the feasibility of achieving the goals of the child survival and safe motherhood scheme, launched by the government in 1992-93, namely, reduction of the infant mortality to less than 60 per thousand live births, child mortality rate to less than 10 per thousand children population and maternal mortality rate to less than 200 per 100,000 live births by 2000 AD. Doubts have also been expressed by demographers on the projections made by Vasant Gowarikar (1993) that India's annual exponential population growth should decline sharply from the present 2.14 per cent to 1.42 per cent by the turn of the century and "with the death rate of 8 per thousand, birth rate of 21, and the natural increase of 13 per thousand, India will reach the threshold of net reproduction rate of one within a decade" [Ashish Bose 1993].

EDUCATIONAL ATTAINMENTS

The disparity in social standards as between males and females is more glaring in their educational status. Though the disparity has narrowed over the years, the gap still remains wide. The average literacy rate (percentage of literate persons in total population) in 1991 has reached 52.2 per cent with the female literacy rate working out to 39.3 per cent and male literacy to 64.1 per cent; the

male-female differential was 25 percentage points in 1961, 24 percentage points in 1971 and again 24 8 percentage points in 1991, thus hardly showing any narrowing of the differences up to 1991

The 1991 Census has made a significant departure by canvassing the question on literacy only for the population aged seven years and above unlike the practice till 1981 of canvassing the question for those aged five years and above Also, the 1991 Census does not include the excluded younger population in the denominator for working out the percentage literacy rate unlike in the previous Census Though comparable data have been generated for the 1981 Census period also, the Census data till then remain non-comparable with the subsequent data The NSS data available up to 1987-88 as presented in Table 1 show a similar low literacy base of the Indian population and significantly lower ratio for the females than for males

The National Policy on Education (1986) had envisaged the provision of universal elementary education for children up to 14 years of age and eradication of illiteracy in the 15-35 age group But, according to the 1991 decennial Census, India had 47 89 per cent illiteracy rate and 324 million people in the age group seven plus were illiterate, though recent reports have indicated substantial progress in some states or in some districts of a few states achieved through total literacy campaigns launched under the National Literacy Mission [Mishra 1993, see also Sengupta 1991], the gap remains wide Planning Commission (1994) has reported that about 333 21 lakh persons would be covered under all schemes of adult education during 1993-94

Though gross enrolment ratio (enrolment as percentage of total population in the age group) is fairly high at the primary level, the drop-out rates continued to remain as high as 46 per cent for boys and 50 per cent for girls in 1989-90, at the middle level the drop-out rates have been 70 per cent and 60 per cent, respectively There are significant inter-state and inter-district differences in this regard As pointed out by J S Rajput (1994), cultural, historical and social constraints matter in females education, apart from early marriage, lack of upper primary schools in nearby areas also inhibits the education of girls in particular A UNICEF report brings out how the primary school drop-out, particularly amongst girls, was high and the secondary level drop-out was much higher in villages when the incidence of child labour was high [Sengupta 1993].

The Indicators

In regard to the trends in work participation rates (that is, total workers consisting of both main and marginal workers as percentage of total population) and labour force participation rates (i e, age specific labour force based on the usual status in proportion to the population aged five years and over), broad judgments pronounced by scholars on the trends in participation rates differ While Visaria and Minhas (1991) opine that "NSS surveys clearly indicate a reasonable stability in the national labour force participation rates", the Census Commissioner has noted that the total work participation rate has shown an increasing trend from 1971 onwards and that the female participation in work has shown a definite rising trend, particularly in rural areas (Census of India, 1991, Paper 3 of 1991) In this respect however, the NSS data for the 45th Round (1989-90), 46th Round (1990 91) and 47th Round (July-December 1991) show a different picture and appear as aberrations as these surveys have been based on thin sample sizes and also enterprise oriented sample designs (*Sarvekshana* 1992 and CSO, 1992 op cit)

A major issue in work participation rates concerns relatively low level of participation by women Recognising that there may be a deliberate exclusion of a whole range of activities performed by women from the purview of work and that there are cognitive problems in the identification of women workers arising out of traditional cultural biases the 1991 Census of India took special steps to "sensitise the enumerators as well as the respondents in an effort to remove the gender bias in enumeration" (Census of India, 1991, Paper-3 of 1991) To what extent this has been reflected in data for 1991 is indeed difficult to discern, particularly because the increase in work participation rate for rural women during 1981 1991 (4 14 percentage points from 23 06 per cent to 27 20 per cent) was not any the higher than that between 1971 and 1981 even after making allowance for conceptual differences (7 14 percentage points from 15 92 per cent to 23 06 per cent)

The unemployment rates as provided by the NSS data indicate no definitive trend While the most inclusive concept of unemployment measured in terms of person-days, shows a significant decline in 1987-88 in almost all categories after showing some increase between 1972-73 and 1983 (amongst males in particular), what is said to be chronic unemployment rate measured by the usual status approach did show a gentle increase between 1972-73 and 1987-88, so also generally as per the mid-way measure of person-week or weekly status [10]

As for the trends in poverty rates, data now put out by an Expert Group of the Planning Commission placed the proportion of people below the poverty line at 38 0 per cent (or about 302 million people) in 1987-88 [11]

Comparison with Other Countries

That even among the populations of developing countries the Indian population enjoys a conspicuously low social development was evident from the low rank of 134 assigned to the country in an array of 173 countries arranged in descending order of the Human Development Index constructed by the UNDP s fourth *Human Development Report 1993*

As may be seen in Table 2 India's adult literacy rate (per cent of literate persons aged 15 and over) at 48 2 for 1990 compares with South Korea s 96 3, Thailand's 93, Indonesia s 81 6 Malaysia's 78 4 and China s 73 3 As early as in the mid-1970s, these countries had adult literacy rates ranging from 60 for Malaysia to 92 for South Korea when India s was only 36 (Table 3) Similarly in infant mortality rate (deaths of infants under one year per 1 000 live births), India has as high a rate as 90 for 1991 compared with 16 for South Korea, 15 for Malaysia 27 for Thailand and 74 for Indonesia and 38 for China (Table 6) Again, maternal mortality rate (deaths of women from pregnancy-related causes per 100 000 live births) estimated at 550 was the highest for India as against a range of 50 to 300 in respect of the above five countries Though India has achieved a life expectancy at birth of over 59 years it is still much lower than that in other comparable countries It is the gender bias against women in India that stands out Women literacy rate is strikingly low While school enrolment has reached a sizeable number at the primary level it continues to be low at the secondary level More significant is the sizeable drop out rate for female pupils While a detailed review of these inter-country differences is beyond the scope of this note, there is enough evidence in the social indicators presented in Tables 2 to 6 to show how India lags behind these countries in overall social development

Interestingly a comparison of the rankings based on different parameters suggests that India s ranking based on HDI is better than that based on GNP per capita fairly significantly though even here China scores over all other developing countries including India (Table 2) An important factor in India lagging behind other countries in social development has been the considerably low level of government expenditure earmarked for health and education sectors as compared with that in other countries (Table 6)

Notes

1 For a description of the myriad sources of social and economic data see Government of India *Report of the Committee to Review the National Statistical System* (Department of Statistics Ministry of Planning June, 1980)

Table A Estimated Age Specific Death Rates by Rural/Urban and by Sex India 1988
(Number of deaths per 1000 of population in the age group)

Sector	0-4 Years			5-14 Years			15 34 Years			35 49 Years			50 Years and Above		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
Rural	35 1	39 1	35 7	2 6	2 8	2 6	2 4	3 3	2 9	6 8	4 9	5 9	37 1	31 6	34 3
Urban	18 8	18 7	18 7	1 2	1 5	1 3	1 8	2 0	1 9	5 4	3 6	4 6	34 8	29 2	32 1
Total	31 8	34 9	33 3	2 2	2 5	2 4	2 3	3 0	2 6	6 4	4 6	5 5	36 6	31 1	33 9

Source Registrar General, India, *Sample Registration System—1988* May 1991, pp 47-54

India has been singled out as one of the "five countries that have readily available data to undertake" group-specific and region-specific human development measures, in the company of the US, Mexico, Turkey and Swaziland. See UNDP, *Human Development Report, 1993*, p 18.

For a detailed description of the varied statistical series published by the CSO, see Government of India, *Annual Report, 1991-92 and 1992-93* and Government of India, *Performance Budget, 1993-94* (both of Department of Statistics, Ministry of Planning and Programme Implementation).

Apart from the massive amount of data on various population characteristics, economic and industrial classification of population/workers, fertility rates, social and cultural characteristics, housing and household amenities and special data on ex-servicemen (some based on Census and full count and some on a sample basis) generated in the decadal Census, the Sample Registration System (SRS) operated by the Office of the Registrar General, India, since 1969-70 has become a regular source of annual estimates on vital statistics, particularly in the absence of dependable data from the civil registration system in India. The SRS provides crude birth and death rates at the state and national levels for rural and urban areas separately and also estimates on various other measures of fertility and mortality. The SRS, which became operational 25 years ago in 1969-70, is an annual survey conducted at present in 6,022 sample units (approximately 0.7 per cent of the country's population) in urban and rural areas spread all over India except Mizoram, the sample units being villages and Census enumeration blocks (urban). The SRS is a dual registration system involving enumeration of all births and deaths in a sample unit through two different procedures, viz, continuous enumeration and retrospective but independent half-yearly survey followed by a process of matching the two records. This dual registration system has been the basis of annual birth rate, death rate and rate of natural increase, as also other fertility and mortality indicators during the past two decades and a half. See various issues of *Sample Registration Bulletin* (up to January 1994) and Registrar General, India, *Sample Registration System 1988* (New Delhi, May 1991). See also Swamy and Sinha in *SR Bulletin*, January 1994. For details of the large-scale integrated sample surveys in socio-economic fields conducted by the NSSO, see Government of India (1993) and various issues of *Sarvekshana*.

The CSO had brought out an exploratory issue of *Selected Socio-Economic Indicators for India* in December 1987 but the regular series began in 1989.

The question of conceptual differences regarding rural-urban differentiation is relevant only up to the 1971 Census after which, "for purposes of comparability and administrative convenience, the definition of an urban unit was uniformly adopted. See *Census of India, 1981 : Paper-2 of 1981: Rural-Urban Distribution*. On the question of worker participation differences, see *Census of India, 1981 : Paper-2 of 1982: Development of the Economic Questions* and also Hirway (1993). On the question of literacy, see *Census of India, 1991: Paper-1 of 1991, Provisional Population Totals*.

On the other hand, it must be said to the credit of population experts that for medium-term projections they can come to a reasonable estimate of the population size based on vital statistics derived from the Sample Registration System. The Report of the Standing Committee of Experts on Population Projections (October 1989) had placed the country's total population at 843.6 million for March 1, 1991 while the subsequent Census 1991 placed it at 846.3 million for the same period. The long-term projections have, however, been far wide of the mark because some of the hopes of successes in reducing birth rates, or achieving better couple protection rates, have generally been belied. Incidentally, there are three sets of annual series of population normally put out in official publications : (i) for March 1 each year extending the decennial census data provided by the aforesaid standing committee; (ii) mid-calendar year population estimates by the Registrar General as published in the Government of India's *Economic Survey*; and (iii) mid-financial year estimates provided by the CSO in its *National Accounts Statistics*. The three sets of estimates for recent years are as follows (in million):

Year	March1	Mid-Calendar Year	Mid-Financial Year
1991	846.3	851.7	856.0 (1991-92)
1992	862.5	867.8	873.0 (1992-93)
1993	878.6	883.9	

7 The relevant data on estimated crude death rates by sex and by rural and urban India from the 1988 SRS are:

Sector	Number of Deaths per 1000 of Respective Population		
	Male	Female	All Sexes
Rural	11.9	12.0	12 0
Urban	7.9	7.4	7.7
All-India	11.0	11.0	11.0

See Registrar General (1991), pp 36-37.

8 The officials associated with the estimates in the Registrar General's Office have argued that the SRS estimates for rural areas of MP and UP are sufficiently reliable. See Swamy and Sinha in *Sample Registration Bulletin*, January 1994.

9 Significantly, the World Bank (1993) has reported that "under good nutritional and health conditions and in times of peace, male children under five have a higher death rate than females" (p 322). Besides, it is widely recognised how "women face health problems throughout their life-cycle, starting from sex preferences in infancy, discrimination in feeding practices, biological vulnerability during the reproductive period, the effects of repeated pregnancies, to special problems such as nutritional anaemia and maternal mortality" [FRCH 1987: 145].

10 For a comparison of the concept of 'work' adopted by the Census and NSS surveys, see *Census of India, 1991 : Paper-3 of 1991* and also Visaria and Minhas (1991). For details of the three concepts employed by the NSSO, see CSO (1992) and Visaria and Minhas (1991). These concepts were evolved on the recommendations of the Committee of Experts on Unemployment Estimates set up by the Planning Commission in 1969 (Chairperson, M L Dantwala).

11 For details, see *EPW* Research Foundation, 'Poverty Levels in India : Norms, Estimates and Trends', *Economic and Political Weekly*, September 18, 1993.

References

Antia, N H and Kavita Bhatia (1993): *People's Health in People's Hands*, The Foundation for Research in Community Health, July.

Bhatia, Kavita (1993): 'Development of the Public Health Services in India' in Antia and Bhatia (1993).

Bose, Ashish (1993): 'Demographic Giants: China and India', *Financial Express*, November 23.

—(1994): 'North-South Demographic Divide', *Financial Express*, February 16.

Central Statistical Organisation (1992): *Selected Socio-Economic Statistics for India*. Also the 1989, 1990 and 1991 issues of the publication.

Directorate General of Health Services (1990): *Bulletin on Rural Health Statistics*, September (and also December 1991).

FRCH (1987) *Health States of the Indian People* (A Supplement to the ICSSR/ICMR Report on *Health For All: An Alternative Strategy*, December

Gopalan, C (1985) 'The Mother and Child in India', *Economic and Political Weekly*, January 26.

Government of India, Department of Statistics (1980). *Report of the Committee to Review the National Statistical System*, June 11.

—(1992): *Annual Report, 1991-92*.

—(1993), *Performance Budget: 1993-94*.

—(1994) : *Economic Survey, 1993-94*.

Hirway, Indira (1991), Census 1991: Development (Women's Concerns) *The Economic Times*, April 12.

Mishra, Lakshmidhar (1994): *An Anguish of the Deprived* (See report on the book in *Business and Political Observer*, January 24, 1994)

Nanda, A R (1982). Census of India, 1981, *Development of the Economic Questions*, (Part-2 of 1982)

—(1992). 'India's Population—2000 AD and Beyond: Perspective from 1991 Census', *IASSI Quarterly*, October-December.

NSSO—42nd Round (1991): 'Child and Maternity Care' (July 1986-June 1987), *Sarvekshana*, April-June, Issue No 47.

NSSO—42nd Round (1993) : 'Results on Participation in Education for Major States' (July 1986-June 1987), *Sarvekshana*, 55th and 56th Issues, April-June and July-September.

Padmanabha, P (1992): 'India's Population—2000 AD: Perspective from 1981 Census', *IASSI Quarterly*, October-December.

Planning Commission (1992): *Eighth Five-Year Plan, 1992-97* (Vols I and III).

—(1994) : *Annual Plan, 1993-94*.

Rajput, J S (1994): 'Focus on Education for the Girl Child', *The Times of India*, January 10.

Registrar General, India (1994): *Sample Registration Bulletin*, January. Refer also issues of this quarterly *Bulletin* for June 1989 to December 1992.

—(1991): *Sample Registration System, 1988* (May).

Registrar General and Census Commission (1992): Census of India, 1991 : *Final Population Totals: Brief Analysis of Primary Census Abstract* (Part-2 of 1992).

Report of the Expert Committee on Population Projections (Census of India, 1971: Paper 1 of 1979)

Report of the Standing Committee of Experts on Population Projections October 1989.

Sharma, K V Rameshwar and N Pralhad Rao (1992), 'Strengthening Nutrition Programmes for Women', *IASSI Quarterly*, October-December

Sengupta, S (1991): 'Progress in Literacy in India during 1983 to 1988', *Sarvekshana*, April-June.

Soman, C R and P G K Panikar (1993): 'Decentralisation in Health Care and The Kerala Experience' in N H Antia and Kavita Bhatia (1993).

Tilak, Jandhyala B G (1991): 'Human Development for India', *IASSI Quarterly*, October-December.

United Nations Development Programme (UNDP) (1993): *Human Development Report, 1993*.

World Bank (1993), *World Development Report, 1993*.

Table 1: Social Indicators of Development for India through the Planning Era

Item	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960-61	1965-66	1970-71	1973-74	1978 79	1979 80	1980 81	1984-85	1989-90	1990-91	1991-92	1992-93	1996-97
Population size, composition and growth														
Total population census/mid year[1] (in millions)	361 1	439 2	493 2	548 2	590 0	660 3	675 2	683 3	750 4	827 4	846 3 (861 4)[2]	862 5	878 6	941 37[4]
Annual exponential population growth rate[1]	1 25	1 96	*	2 20	*	*	*	2 22	*	*	2 14	1 91	1 87	1 78[4]
Sex ratio (number of females per thousand males)[3] Combined	946	941	*	930	*	*	*	934	*	*	927	*	*	*
Rural	965	963	*	949	*	*	*	951	*	*	939	*	*	*
Urban	860	845	*	858	*	*	*	878	*	*	894	*	*	*
Urban population as per cent of total population[1]	17 3	18 0	*	19 9	*	*	*	23 3	*	*	25 7	26 0	*	28 3[4]
Factors in population growth														
General fertility rate (live births per thousand women of child-bearing age)[5]	*	201 0	*	192 0	*	1"5 0	*	154 0	133 0	*	140 9	130 3[4]	*	113 0[4] (2011-16)
Total fertility rate Combined[1] (average number of births in the life time of a female)	*	*	*	5 2	4 7	*	*	4 5	4 5	3 8[18]	3 6[1]	*	*	2 0[2]
Rural	*	*	*	5 4	5	*	*	4 8	4 9	*	*	*	*	*
Urban	*	*	*	4 1	3 6	*	*	3 3	3 4	*	*	*	*	*
Couple protection rate (per cent)[5]	*	*	3 1	11 5	16 3	22 5[4]	22 3	24 4	32 1	43 3	44 1	*	43 4[1]	(2000 AD) 60[20]
Birth rate (number per thousand)[1] Combined	41 7	41 2	39 6	36 9	34 5	33 7	33 7	33 9	32 9	30 2	29 5	29 0	*	25 7[4]
Rural	*	*	*	38 9	35 9	35 1	35 1	35 6	34 3	31 7	30 9	30 7	*	*
Urban	*	*	*	30 1	28 4	27 6	27 8	27 0	28 1	24 7	24 3	23 1	*	*
Cumulative number of total births averted since 1956 in thousands[5]	*	36	635	6 823	20,952	*	*	44 190	80,072	123 454	142,900	149 340	155 600	*
Contraceptive prevalence (number of users in thousands)[5]	*	*	582 0	1 963	3,528	*	*	3 809	10 744	16 952	17,905	14 232	*	*
Mortality[3]														
Death rate (number per thousand) Combined	22 8	19 0	18 2	14 9	14 5	14 5	12 8	12 5	11 8	9 7	9 8	10 0	*	8 7[4]
Rural	*	*	*	16 4	15 9	14 1	13 7	13 7	13 0	10 5	10 6	10 8	*	*
Urban	*	*	*	9 7	9 2	8 1	7 9	7 8	7 8	8 8	7 1	7 0	*	*
Infant mortality rate (per thousand live births)	182 5	135 1	151	129 0	129 0	120 0	114 0	110 0	97 0	80 0	80 0	79 0	*	68 0[4]
Male	190 0	142 3	*	129 0	124 0	119 0	113 0	110 0	96 0	*	*	*	*	*
Female	175 0	127 9	*	129 0	134 0	121 0	115 0	110 0	98 0		*	*	*	*
Rural Combined		*	*	138 0	139 0	130 0	124 0	119 0	114 0	86 0	87 0	85 0	*	*
Male		*	*	137 0	133 0	129 0	123 0	119 0	113 0	*	*	*	*	*
Female		*	*	138 0	146 0	131 0	125 0	119 0	114 0	*	*	*	*	*
Urban Combined	*	*	*	82 0	80 0	72 0	65 0	62 0	66 0	50 0	53 0	53 0	*	*
Male	*	*	*	83	78	73	65	63	68	*	*	*	*	*
Female	*	*	*	.81	82	71	65	62	64	*	*	*	*	*
Under 5 mortality rate (percentage of population in the age group)[3]	*	*	*	51 9	*	51 0	*	41 2	38 4	33 3	*	*	*	*
Maternal mortality [2] (per 1 00 000 live births)	*	*	*	376-418[*]	*	*	500	*	*	550	*	*	*	*
Life expectancy at birth[1,6] Overall (years)	32 1	41 3	41 3	45 6	(1975) 49 7	49 2	52 3	54 4	58 2	58 2	59 9	58 2	*	60 6[4]
Male	32 4	41 9	41 9	46 4	50 5	49 5	52 5	54 1	56 6	58 6	55 9	57 7	*	60 1[4]
Female	31 7	40 6	40 6	44 7	49 0	49 0	52 1	54 7	56 1	59 7	59 9	58 7	*	61 1[4]

(Continued)

Table 1: Social Indicators of Development for India through the Planning Era (*Continued*)

	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960-61	1965-66	1970-71	1973-74	1978-79	1979-80	1980-81	1984-85	1989-90	1990-91	1991-92	1992-93	1996-97
Total labour force (millions)[6]														
Total	140.0	188.7	*	230.4	240.1	255.4	270.8	*	305.4	*	314.9	328.9	383.6	364.3
Male	*	*	*	155.1	161.5	182.2	193.7	*	218.9	*	223.5	*	259.9	*
Female	*	*	*	75.3	78.6	73.2	77.1	*	86.5	*	91.4	*	123.7	*
Rural Total	*	*	*	192.5	199.6	206.7	215.1	*	237.4	*	249.3	*	304.5	*
Male	*	*	*	124.2	128.7	142.9	148.9	*	164.2	*	167.8	*	196.2	*
Female	*	*	*	68.3	70.9	63.8	66.2	*	73.2	*	81.5	*	108.3	*
Urban Total	*	*	*	38.0	40.6	48.8	55.6	*	68.0	*	65.6	*	79.1	*
Male	*	*	*	30.9	32.9	39.4	44.8	*	54.7	*	55.7	*	63.7	*
Female	*	*	*	7.1	7.7	9.4	10.8	*	13.3	*	9.9	*	15.4	*
Labour force proportions (per cent of total labour force)														
Male	*	*	*	67.3	67.3	71.3	71.5	*	71.7	71.8	71.0	*	67.8	*
Female	*	*	*	32.7	32.7	28.7	28.5	*	28.3	28.2	29.0	*	32.2	*
Rural	*	*	*	83.5	83.1	80.7	79.4	*	77.8	75.8	79.2	*	79.4	*
Urban	*	*	*	16.5	16.9	19.3	20.6	*	22.2	24.2	20.8	*	20.6	*
Worker participation rates[7] (in per cent of respective population) (Census and Planning Commission estimates)														
Total	*	43.0	*	34.0	*	*	*	36.8	*	*	37.6	*	*	*
Male	*	57.1	*	52.7	*	*	*	52.6	*	*	51.6	*	*	*
Female	*	28.0	*	13.9	*	*	*	19.8	*	*	22.7	*	*	*
				28.6[1]										
Rural														
Total	*	45.0	*	36.1	*	*	*	38.8	*	*	40.2	*	*	*
Male	*	58.2	*	53.6	*	*	*	53.8	*	*	52.5	*	*	*
Female	*	31.4	*	15.5	*	*	*	23.1	*	*	27.2	*	*	*
Urban														
Total	*	33.5	*	29.6	*	*	*	30.0	*	*	30.4	*	*	*
Male	*	52.4	*	48.9	*	*	*	49.1	*	*	49.0	*	*	*
Female	*	11.1	*	7.2	*	*	*	8.3	*	*	9.7	*	*	*
Labour force participation based on usual principal status (NSS estimates), (per cent)[3,14]														
Rural														
Male	*	*	*	*	64.6	63.7	*	*	62.6	(61.4)54.6	54.9	54.3	*	*
Female	*	*	*	*	37.7	30.5	*	*	29.1	(29.2)29.4	24.3	24.7	*	*
Urban														
Male	*	*	*	*	60.0	60.1	*	*	60.3	(59.6)52.4	53.2	53.5	*	*
Female	*	*	*	*	16.5	17.1	*	*	14.8	(14.6)12.9	13.0	12.4	*	*
Unemployment rates[3] (per 1,000 of labour force)														
Rural														
Male	*	*	*	*	12	13	*	*	14	(18) 13	13	20	*	*
Female	*	*	*	*	5	20	*	*	7	(24) 6	4	8	*	*
Urban														
Male	*	*	*	*	48	54	*	*	51	(52) 39	45	43	*	*
Female	*	*	*	*	60	124	*	*	49	(62) 27	54	56	*	*
Area and forest reserves[3]														
Density of population (pop/sq km)	117.0	142.0	150.0	177.0	179.4	200.8	205.4	216.0	228.2	251.6	273.0	*	*	286.3[16]
Agricultural land (availability per person)	0.638	0.503	0.455	0.410	*	0.388	0.360	0.356	0.332	0.302	*	*	*	*

Table 1: Social Indicators of Development for India through the Planning Era (*Continued*)

	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960-61	1965-66	1970-71	1973-74	1978-79	1979-80	1980-81	1984-85	1989-90	1990-91	1991-92	1992-93	1996-97
Forest and Woodland (availability per person)	0.113	0.124	0.127	0 115	*	0.110	0 102	0 099	0.090	0.082	*	*	*	*
Total annual deforestation rate (per cent)[9]	*	*	0.3	*	*	*	*	0.5	0.5	0.5	*	*	*	*
Income[1]														
Per capita NNP at 1980-81 prices	1126.9	1350.3	1355.3	1519.6	1482.9	1689.3	1550.3	1630.0	1810.7	2160.0	2213.1	2167.1[15]	2215 0[15]	*
Compound growth in per capita income per annum over the preceding period (in per cent)[16]	*	1.9	0.2	2 4	-0.8	2.7	-8 2	5.1	2.7	3.6	2.5	-2.1	2.2	*
Poverty[10]														
Poverty line expenditure (in rupees per capita per month)														
Rural														
Planning Commission	*	*	*	*	49.1	65.0	*	*	101.8	131.8	*	*	*	*
Minhas	*	*	*	33.0	49.1	55.2	*	*	93.2	122 6	*	*	*	*
Expert Group	*	*	*	*	49.1	55.4	*	*	87.9	112.8	*	*	*	*
Urban														
Planning Commission	*	*	*	*	56.6	75.0	*	*	117.5	152 1	*	*	*	*
Minhas	*	*	*	39.0	56 6	67.7	*	*	111 3	158.3	*	*	*	*
Expert Group	*	*	*	*	56.7	70 2	*	*	115 3	162 2	*	*	*	*
Percentage of people living below the poverty line														
Rural														
Planning Commission	*	*	*	*	54 1	51.2	*	*	40.4	33 4	*	*	*	*
Minhas	*	*	*	58 8	56.4	51.5	*	*	50 8	48.7	*	*	*	*
Expert Group	*	*	*	*	54.6	51.2	*	*	43.8	37 6	*	*	*	*
Urban														
Planning Commission	*	*	*	*	41 2	38.2	*	*	28 1	20.1	*	*	*	*
Minhas	*	*	*	46 2	49.5	42 4	*	*	40.2	37.8	*	*	*	*
Expert Group		*	*	*	47.5	46.3	*	*	41 7	38.9	*	*	*	*
Combined														
Planning Commission	*	*	*	*	51.5	48 3	*	*	37 4	29.9	*	*	*	*
Minhas	*	*	*	56.3	54.9	49.5	*	*	48.2	45.9	*	*	*	*
Expert Group	*	*	*	*	53 1	50.1	*	*	43.3	38.0	*	*	*	*
Nutrition														
Food and its distribution[2]														
Net availability of foodgrains (in million tonnes)	52.4	75 7	78 5	94 3	97.1	114.9	101.4	114.3	124 3	144 8	158 6	148.9	150 2	*
PDS as a per cent of net availability of foodgrains	15 3	5 3	19 2	8 3	11.1	10.2	14 8	11.4	12.7	11.0	13.1	12.5	10.1	*
Per capita net availability of foodgrains (grams)	394 9	468 7	408.1	468 8	451.2	476.5	410.4	454.8	454.0	476 4	510.1	469.9	465.6	*
Per capita net availability of pulses (grams)	60 7	69.0	48.2	51 2	40.8	44 7	30.9	37.5	38.4	41 1	41.6	34.3	36.6	*
Per capita household consumption expenditure based on NSS rounds (in rupees)[3]	(1954-55)													
Rural Total	15	20	26 4	34.7	53	68.9	*	*	112 5	189.5	*	*	*	*
Rural Food	9.9	14.1	19.3	25.6	39.7	44.3	*	*	73.7	121.8	*	*	*	*
Urban Total[1]	24.7	27.5	36	50.4	70.8	96.2	*	*	164	298	*	*	*	*
Urban Food	13.7	16.9	22.7	33.1	47.9	57.7	*	*	97	165.5	*	*	*	*

(*Continued*)

Table 1: Social Indicators of Development for India through the Planning Era (*Continued*)

	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960 61	1965 66	1970-71	1973-74	1978 79	1979-80	1980-81	1984-85	1989 90	1990 91	1991 92	1992 93	1996-97
Share of food in per capita household consumption expenditure in per cent[1]	1954 55													
Rural	66 0	70 5	73 1	73 8	74 9	64 3	*	*	65 5	64 3	*	*	*	*
Urban	55 5	61 5	63 1	65 7	67 7	60 0	*	*	59 1	55 5	*	*	*	*
Daily calorie supply (k cal)[3], per capita	*	*	2111 0	*	2296	2366	2404	2404	2481	2283	*	2139	*	*
Daily protein supply (grams)[3], per capita	*	*	*	*	63 6	62 3	62 8	62 8	*	61 8	*	54 1	*	*
Housing														
Households (number in millions)[6] Total	*	83 5	*	97 1	*	*	*	122 6	*	*	160 6	*	*	209 2
Rural	*	68 6	*	78 0	*	*	*	93 5	*	*	113 5	*	*	137 0
Urban	*	14 9	*	19 1	*	*	*	29 1	*	*	47 1	*	*	72 2
Housing stock (in million units)[6] Total		79 3		93 0				116 7			129 6			168 2
Rural		65 7		74 5				88 7			92 9			111 5
Urban		14 1		18 5				28 0			36 7			56 2
Shortage of housing (in million units)[6] Total	9 0	15 2	*	14 5	*	*	*	21 1	27 0	28 5	31 0	*	35 9	41 0
Rural	6 5	11 6	*	11 6	*	*	*	16 1	18 5	19 3	20 6	*	23 2	25 5
Urban	2 5	3 6	*	2 9	*	*	*	5 0	8 5	9 2	10 4	*	12 7	15 5
No of people living in slums (in millions)[6]	*	*	*	*	*	*	*	27 9	33 1		48 8	51 2	*	*
per cent of homeless (figures in brackets are absolute numbers in thousands)[1]	*	0 29 (1265 0)	*	0 36 (1986 0)	*	*	*	0 34 (2343 0)	*	*	*	*	*	*
Investment in housing to the total investment the economy in respective plans (in percentages)[6]	34 0	19 0	15 0	12 0		9 3	*	12 5		9 0	*	*	*	*
Per cent of people with access to water supply and sanitation[6]														
Rural water supply	*	*	*	*	*	*	*	31 0	56 3	73 9	88 0	78 4	*	100 0
Rural sanitation	*	*	*	*	*	*	*	0 5	0 7	2 4	3 0	2 7	*	5 0
Urban water supply	*	*	*	*	*	85 0	*	77 8	72 9	83 8	84 0	84 9	*	94 0
Urban sanitation	*	*	*	*	*	38 0	*	27 0	28 4	45 9	47 0	47 9	*	69 3
Fuel and Power														
Per capita consumption of energy from petroleum products in kgs[3]	7 5 (1955-56)	13 2	18 0	30 5	31 8	*	39 6	40 5	45 8	58 2	65 2	67 1	*	*
Per capita consumption of electricity (domestic) (in Kwh)[1]	2 4	3 4	4 8	7 0	8 1	11 9	12 1	13 5	21 0	36 1	38 2	42 1	45 4*	*
Transport and Communication[3]														
Total road length (km) per 1,000 persons	1 11	1 19	1 57	1 67	*	2 04	2 23	2 17	2 26	2 35	2 38	*	*	*
Number of registered commercial vehicles per 1,000 persons including goods vehicles and buses	0 33	0 51	0 85	1 11	*	1 41	2 01	2 23	3 13	4 26	4 73	5 02	*	*
Availability of post offices per 1,00,000 population	10 0	17 5	19 8	19 9	*	19 5	20 8	20 3	19 4	18 2	17 6	*	*	*
Medical Care														
Total number of registered allopathic doctors per 1,00,000 population[3]	17 0	21 0	21 0	27 6	*	31 0	*	39 2	41 8	46 0	47 0	*	*	*
Number of rural allopathic doctors per 1,00,000 rural population[13]	*	6 9	*	13 6	*	*	*	13 8	*	*	*	*	*	*

(*Continued*)

Table 1 Social Indicators of Development for India through the Planning Era (*Continued*)

	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960-61	1965-66	1970-71	1973-74	1978-79	1979-80	1980-81	1984-85	1989-90	1990-91	1991-92	1992-93	1996-97
Number of nursing personnel per 1,00,000 population[1]	5.0	9.0	11.0	14.0	*	18.0	*	21.0	26.0	32.0	*	*	*	*
Number of nurses working in rural areas per 1,00,000 rural population[13]	*	4.9	*	7.3	*	*	*	11.0	*	*	*	*	*	*
Basic health infrastructure														
Total number of beds of all types per 1,00,000 population[1]	32.0	52.0	61.5	64.0	69.0	78.0	83.5	83.0	90.0	97.0	95.0	*	*	*
Number of beds in hospitals and dispensaries in rural areas per 1,00,000 rural population[13]	11.0	14.3	15.1	*	*	*	*	16.3	18.4	17.7	*	*	*	*
Number of primary health centres per 1,00,000 rural population[3]	0.22	0.71	1.15	1.16	1.14	*	*	1.08	2.28	3.33	3.45	*	*	*
Number of rural dispensaries per 1,00,000[13]	1.8	2.1	2.0	*	*	*	*	2.2	2.4	2.1	*	*	*	*
Number of hospitals per 1,00,000 rural population[3]	0.40	0.31	0.33	*	*	*	*	0.35	0.28	0.49	*	*	*	*
Education														
Literacy (in per cent terms)[7] Total	18.3	28.3	*	34.5	*	*	*	(36.2) 43.7	*	*	52.2	52.0[4]	*	75.0[6]
Male	27.2	40.4	*	46.0	*	*	*	(46.9) 56.5	*	*	64.2	*	*	*
Female	8.9	15.3	*	22.0	*	*	*	(24.8) 29.9	*	*	39.2	*	*	*
Population Census data														
Rural[19]	*	*	*	23.7	*	*	*	29.7	36.1	*	44.5	*	*	*
Male	*	*	*	33.8	*	*	*	40.8	49.7	*	57.8	*	*	*
Female	*	*	*	13.1	*	*	*	18.0	21.8	*	30.4	*	*	*
Urban[19]	*	*	*	52.4	*	*	*	57.4	67.3	*	73.0	*	*	*
Male	*	*	*	61.2	*	*	*	65.8	76.8	*	81.1	*	*	*
Female	*	*	*	42.1	*	*	*	47.8	56.4	*	63.9	*	*	*
National Sample Survey data														
Rural[2]	*	*	*	*	*	*	*	*	33.9	37.5	*	*	*	*
Male	*	*	*	*	*	41.5	*	*	45.2	48.4	*	*	*	*
Female	*	*	*	*	*	18.4	*	*	22.2	25.9	*	*	*	*
Urban[7]	*	*	*	*	*	*	*	*	61.6	64.5	*	*	*	*
Male	*	*	*	*	*	66.8	*	*	70.1	72.3	*	*	*	*
Female	*	*	*	*	*	50	*	*	52.3	55.9	*	*	*	*
Gross enrolment ratios as per cent to total population						(1975-76)								
Primary schools (6-11 years)[3] Total	43.1	62.4	67.0	76.4	*	79.3	*	80.5	93.6	99.9	101.0	102.7	*	*
Male	60.6	82.6	96.3	92.6	*	95.7		95.8	110.3	115.5	115.3	116.6		
Female	24.8	41.4	56.5	59.1	*	62.0	*	64.1	76.0	83.6	85.6	88.1	*	*
Middle schools (11-14 years) Total	12.9	22.5	30.8	34.2	*	35.6	*	41.9	48.1	59.2	60.1	61.2	*	*
Male	20.6	33.2	44.2	46.5	*	47.0		54.3	61.3	73.0	73.4	74.2		
Female	4.6	11.3	17.0	20.8	*	23.8	*	28.6	34.9	44.6	46.1	47.4	*	*
Secondary school (14-17 years) Total	5.3	*	*	18.5	*	18.8	21.9	17.3	23.5	26.6	28.6	*	*	*
Male	8.7	*	*	26.8	*	25.6	22.9	23.1	31.7	35.0	37.3	*	*	*
Female	1.5	*	*	9.8	*	11.6	13.9	11.1	14.7	17.7	19.4	*	*	*
Pupil teacher ratio					(1975-76)									
Primary schools	33.0	36.0	39.0	39.0	37.0	*	38.0	38.0	41.0	43.0	42.0	43.0	*	*
Middle schools	24.0	31.0	33.0	30.0	30.0	*	33.0*	33.0	36.0	37.0	37.0	38.0	*	*
Secondary schools	25.0	25.0	26.0	26.0	26.0	*	26.0	27.0	28.0	29.0	31.0	32.0	*	*

(*Continued*)

Table 1 Social Indicators of Development for India through the Planning Era (*Continued*)

	Pre-Plan	II Plan	III Plan	IV Plan		V Plan	Annual Plan	VI Plan		VII Plan	Annual Plans		VIII Plan (Projections)	
	1950-51	1960-61	1965-66	1970 71	1973 74	1978-79	1979-80	1980 81	1984-85	1989 90	1990 91	1991 92	1992 93	1996-97
School drop-out rates (per cent)[6,17]														
Primary														
Boys	*	65 3	68 6	66 1	58 1	*	*	48 3	*	46 0	*	*	*	*
Girls	*	75 0	78 7	74 4	68 7	*	*	58 2	*	50 0	*	*	*	*
Total	*	*	*	67 0	*	*	*	*	*	48 0	*	*	*	*
Middle														
Boys	*	31 5	34 2	35 1	34 0	*	*	27 6	*	61 0	*	*	*	*
Girls	*	39 0	40 5	40 8	41 4	*	*	34 3	*	70 0	*	*	*	*
Total	*	*	*	79 0	*	*	*	*	*	64 0	*	*	*	*
Newspaper circulation[3] (number per 1 00 000 population)	*	1206 0	1282 0	1650 0	1513 0	1974 0	2152 0	2210 0	2559 0	2754 0	*	*	*	*

* denotes information not available

Notes (i) Years representing as column heading do not always correspond to the respective Five Year or Annual Plan periods (e g the year 1978 79 for the Fifth Plan period)

(ii) Again the data presented generally pertain to the years indicated in the table though in some cases they pertain to the periods close to those years

(iii) For the sake of brevity detailed nuances of data and their quality are not reproduced here The respective sources indicated may be referred

Sources (1) Government of India, *Economic Survey*, various issues (up to 1993-94)

(2) Nanda, A R (1992), "India's Population 2000 AD and Beyond Perspective from 1981 Census", *IASSI Quarterly*, Vol 11 No 2, October December

(3) CSO *Selected Socio-Economic Indicators for India*, 1990, 1991 and 1992

(4) Government of India, *Eighth Five-Year Plan*, Vol I

(5) World Bank various publications on India.

(6) Government of India, *Planning Commission Five Year Plan Documents*, various issues

(7) Visaria, Pravin and B S Minhas (1991)

(8) *Sarvekshana*, 52nd issue, Vol XVI, No 1, July-September 1992 Data pertains ~~to 27th~~ round (1872 73) 32nd round (1977 78) 38th round (1983) 43rd round (1987 88) and 45th round (1989-90)

(9) World Bank, *World Development Report*, various issues

(10) *EPW* Research Foundation (1993)

(11) The labour force for 1971 has been estimated by the Planning Commission as the census figure was an underestimate Figures are from the Draft Fifth Five Year Plan Therefore the estimate for 1971 is an adjusted Planning Commission estimate

(12) *World Development Report 1992 and Human Development Report 1993*

(13) The Foundation for Research in Community Health *State Sector Health Expenditures A Database All India and States*

(14) Based on the NSS 27th round (1972-73), 32nd round (1978-79), 38th round (1983), 43rd round (1987 88) 45th round (1989-90) and 47th round (July December 1991)

(15) CSO (1994) *Press Note on Quick Estimates of National Income for 1992 93*

(16) Computed by us

(17) Institute of Applied Manpower Research, *Manpower Profile India Year-Book 1992 93*

(18) Registrar general, various issues of *Sample Registration Bulletin* (up to latest for January 1994)

(19) Various decennial census reports

(20) P Padmanabha (1992)

(21) C Gopalan (1985)

(22) S Sengupta (1991)

Table 2: Human Development Index: Key Components

Rank in HDI	Country	Life Expectancy at Birth (years) 1990	Adult Literacy Rate (Per Cent) 1990	Mean Years of Schooling 1990	Literacy Index	Schooling Index	Educational Attainment 1990	Real GDP Per Capita (PPP$) 1990	Adjusted Real GDP Per Capita	Human Development Index 1990	GNP Per Capita Rank Minus HDI Rank[1]	Under 5 Mortality (Per 1 000 Live Births) Male 1991	Under 5 Mortality (Per 1 000 Live Births) Female 1991	Life Expectancy at Birth (Years) 1990	Maternal Mortality Rate (Per 100 000 Live Births) 1988	Adult Literacy Rate (15-24 Years Only) 1980-81	Total Fertility Rate 1991	Total Fertility Rate 1991
22	Italy	76.0	97.1	7.3	0.98	0.59	2.54	15,890	5,043	0.924	-4	12	10	81.0	6	—	2.4	1.3
33	Korea, Rep of	70.1	96.3	8.8	0.97	0.72	2.65	6,733	4,916	0.872	4	22	16	73.1	80	—	4.3	1.8
41	Portugal	74.0	85.0	6.0	0.83	0.48	2.13	8,770	4,955	0.853	-5	15	11	77.0	—	—	2.8	1.4
53	Mexico	69.7	87.6	4.7	0.86	0.38	2.10	5,918	4,895	0.805	7	50	38	73.0	150	91	6.5	3.2
57	Malaysia	70.1	78.4	5.3	0.75	0.43	1.92	6,140	4,901	0.790	9	21	15	72.3	120	83	5.5	3.7
70	Brazil	65.6	81.1	3.9	0.78	0.31	1.87	4,718	4,718	0.730	-17	73	60	68.4	230	85	4.9	2.8
73	Turkey	65.1	80.7	3.5	0.77	0.28	1.82	4,652	4,652	0.717	10	77	70	67.0	200	75	6.0	4.5
74	Thailand	66.1	93.0	3.8	0.93	0.31	2.16	3,986	3,986	0.715	15	40	30	68.1	180	96	5.5	2.3
75	Cuba	75.4	94.0	7.6	0.94	0.62	2.49	2,200	2,200	0.711	26	—	—	77.3	54	99	—	—
86	Sri Lanka	70.9	88.4	6.9	0.87	0.56	2.29	2,405	2,405	0.663	44	25	19	73.1	180	90	4.3	2.5
92	Philippines	64.2	89.7	7.4	0.88	0.60	2.37	2,303	2,303	0.603	22	—	—	66.2	250	92	6.4	3.6
101	China	70.1	73.3	4.8	0.68	0.39	1.75	1,990	1,990	0.566	41	48	37	71.8	130	82	5.8	2.4
108	Indonesia	61.5	81.6	3.9	0.78	0.32	1.88	2,181	2,181	0.515	14	120	102	63.3	300	82	5.5	3.0
127	Kenya	59.7	69.0	2.3	0.63	0.18	1.43	1,058	1 058	0.369	17	113	97	61.7	400	—	8.0	6.5
130	Zambia	54.4	72.8	2.7	0.68	0.21	1.57	744	744	0.314	4	186	166	55.5	600	—	6.7	6.5
132	Pakistan	57.7	34.8	1.9	0.21	0.14	0.55	1,862	1 862	0.311	4	137	139	57.8	600	25	7.0	5.7
134	India	59.1	48.2	2.4	0.37	0.19	0.93	1,072	1 072	0.309	12	125	123	59.3	550	40	5.8	3.9
142	Nigeria	51.5	50.7	1.2	0.40	0.09	0.89	1,215	1 215	0.246	11	195	177	53.3	750	—	6.9	5.9
147	Bangladesh	51.8	35.3	2.0	0.21	0.16	0.58	872	872	0.189	12	130	136	51.5	650	27	7.0	4.4
158	Sudan	50.8	27.1	0.8	0.11	0.05	0.27	949	949	0.152	-20	176	156	52.0	700	—	6.7	6.3

Notes —means not available

[1] A positive figure shows that the HDI rank is higher than the GDP rank, a negative is the opposite

Source United Nations Development Programme,(UNDP)(1993), *Human Development Report*

Table 3: Profile of Human Development: A Cross Country Comparison of Major Indicators

Rank in HDI	Country	Life Expectancy at Birth 1960	1975	1985	1990	Health Services Per Cent (1987-80)	Population with Access to Water Supply Per Cent 1975	1990	Sanitation Per Cent 1990	Daily Calorie Supply (k cal) 1965	1985	1989	Adult Literacy Rate Per Cent 1960	1974	1990	Combined Primary and Secondary Enrolment Ratio Per Cent (1987-90)	Daily Newspaper Circulation (Per 1 000 People) Per Cent (1988-90)	Tele-visions (Per 1,000 People) 1990	GNP Per Capita (US$) 1990	Real GDP Per Capita (PPP$) 1990
22	Italy	69	72	77	76.0	*	*	*	*	3,113	3,538	3,504	91	98	97	*	107	424	16,880	59,890
33	Korea, Rep of	53	61	69	70.1	100	66	78	99	2,255	2,841	2,852	71	92	96	97	280	210	5,043	6,733
41	Portugal	62	68	74	74.0	*	*	*	*	2,531	3,161	3,495	62	70	85	*	38	219	4,950	8,770
53	Mexico	56	63	67	69.7	91	62	78	74	2,643	3,177	3,052	62	76	88	82	127	139	2,490	5,918
57	Malaysia	52	59	68	70.1	88	34	78	94	2,405	2,684	2,774	23	60	78	75	140	148	2,330	6,140
70	Brazil	56	61	65	65.6	*	*	96	78	2,636	2,633	2,751	61	64	81	94	54	213	2,680	4,718
73	Turkey	49	57	64	65.1	*	68	92	*	2,200	3,167	3,236	40	55	81	81	72	175	1,640	4,652
74	Thailand	49	58	64	66.1	59	25	72	62	2,371	2,462	2,316	68	82	93	59	72	112	1,420	3,986
75	Cuba	62	70	77	75.4	100	*	*	*	2,155	3,122	*	*	*	94	95	124	207	*	*
86	Sri Lanka	61	68	70	70.9	90	19	60	50	2,155	2,385	2,277	61	78	88	88	32	35	470	2,405
92	Philippines	49	58	63	64.2	*	40	81	70	1,936	2,341	2,375	72	87	90	97	54	48	730	2,303
101	China	51	62	69	70.1	*	*	71	96	2,034	2,602	2,639	*	*	73	88	*	31	370	1,990
108	Indonesia	40	48	55	61.5	43	11	42	44	1,792	2,533	2,750	47	62	82	81	28	60	560	2,181
115	Vietnam	40	45	65	62.7	97	*	50	53	2,031	2,240	2,233	*	*	88	69	9	39	*	*
127	Kenya	43	50	54	59.7	*	17	28	46	2,287	2,151	2,163	*	40	69	72	15	9	370	1,058
130	Zambia	39	45	52	54.4	75	42	59	55	2,073	2,137	2,077	41	43	73	67	12	30	420	744
132	Pakistan	42	51	51	57.7	85	25	50	22	1,747	2,159	2,219	16	21	35	29	15	17	400	1,862
134	India	42	50	56	59.1	*	31	75	13	2,100	2,189	2,229	24	36	48	68	*	32	360	1,072
142	Nigeria	34	41	50	51.5	67	*	46	13	2,185	2,038	2,312	25	*	51	49	16	32	290	1,215
147	Bangladesh	39	42	51	51.8	74	56	78	12	1,964	1,899	2,021	*	23	35	42	6	5	210	872
158	Sudan	41	49	48	50.8	70	*	*	12	1,874	1,737	1,974	*	15	27	36	24	71	400	949

Note * denotes information not available
Sources UNDP(1993) *Human Development Report* and World Bank, *World Development Report*, various issues

Table 4: A Cross Country Profile of Education

Rank in HDI	Country	Percentage of Age Group Enrolled in Education: Primary Total 1970	Primary Total 1990	Primary Female 1970	Primary Female 1990	Secondary Total 1970	Secondary Total 1990	Secondary Female 1970	Secondary Female 1990	Tertiary (Total) 1970	Tertiary (Total) 1990	Primary Net Enrolment (Per Cent) 1975	Primary Net Enrolment (Per Cent) 1990	Primary Pupil Teacher Ratio 1970	Primary Pupil Teacher Ratio 1990	Education Expenditure as a Percentage of GNP 1960	Education Expenditure as a Percentage of GNP 1988-90
72	Italy	110	97	109	96'	61	79	55	78	28	31	97		22	12	4 2@	4 8@
33	Korea, Rep of	103	108	103	110	42	87	32	85	16	39	99	100	57	36	1 8@	4.9
41	Portugal	98	119	96	117	57	59	51	59	11	18	91	99	34	14	2	3.7
53	Mexico	104	112	101	110	22	53	17	53	14	14	.	98	46	31	1 2	4.1
57	Malaysia	87	93	84	93	34	56	28	58	4	7			31	20	2 9	5.5
70	Brazil	82	108	82		26	39	26		12	12	71	88	28	23	1 9	3.9
73	Turkey	110	110	94	105	27	54	15	42	6	14		99	38	30	2 6	1 8
74	Thailand	83	85	79	85	17	32	15	32	13	16			35	18	2 3	3 8
86	Sri Lanka	99	107	94	105	47	74	48	77	3	4					3 8	2 7
92	Philippines	108	111		110	46	73		75	3	27	95	99	29	33	2 3	3
01	China	89	135		129	24	48		41	1	2		100	29	22	1 8	2 4
08	Indonesia	80	117	73	114	16	45	11	41			72	98	29	23	2 5	0 9
127	Kenya	58	94	48	92	9	23	5	19	1	2	88		34	31	4 6	6.4
32	Pakistan	40	37	22	26	13	22	5	13		3			41	41	1 1	3 4
34	India	73	97	56	83	26	44	15	33	6				41	61	2 3	3.2
42	Nigeria	37	72	27	63	4	20	3	17	2	3			34	41	1 5	1.7
147	Bangladesh	54	73	35	68		17		11	3	3		65	46	63	0 6	2.2
158	Sudan	38	49	29		7	20	4		2	3			47	34	1 9 •	4 8

Notes: denotes information not available @ Public expenditure statistics only
Sources: World Bank, *World Development Report*, various issues
UNDP(1993) *Human Development Report*

Table 5: Health Profile of Selected Countries

Rank in HDI	Country	Population Per Physician 1970	Population Per Physician 1990	Population Per Nursing Person 1970	Population Per Nursing Person 1990	Maternal Mortality Rate (Per 100 000 Live Births) 1988	Births Attended Health Staff (Per Cent) 1985	Babies with Low Weight (Per Cent) 1985	Infant Mortality Rate (Per 1,000 Live Births) 1970	Infant Mortality Rate (Per 1,000 Live Births) 1991
22	Italy	550	210	*	*	6	*	7	30	8
33	Korea Rep of	2220	1370	1190	*	80	65	9	51	16
41	Portugal	1110	490	820	*	14	*	8	56	11
53	Mexico	1480	*	1610	*	150	*	15	72	36
57	Malaysia	4310	2700	1270	380	120	82	9	45	15
70	Brazil	2030	*	4140	*	230	73	8	95	58
73	Turkey	2230	1260	1010	*	,200	78	7	147	58
74	Thailand	8290	5000	1170	550	180	33	12	73	27
86	Sri Lanka	5900	*	1280	*	180	87	28	53	18
92	Philippines	9270	8120	2690	*	250	*	18	66	41
01	China[1]	*	1010	*	1410	130	*	6	69	38
08	Indonesia	26820	7030	4810	*	300	43	14	118	74
27	Kenya	800	10130	2520	*	400	*	13	102	67
30	Zambia	13640	11290	1730	600	600	*	14	106	106
32	Pakistan	4310	2940	6600	5040	600	24	25	142	97
34	India	4890	2460	3710	*	550	33	30	137	90
42	Nigeria	1983	*	4240	*	750	*	25	139	85
47	Bangladesh	8450	*	68780	*	650	*	31	140	103
58	Sudan	14520	*	990	*	700	20	15	149	101

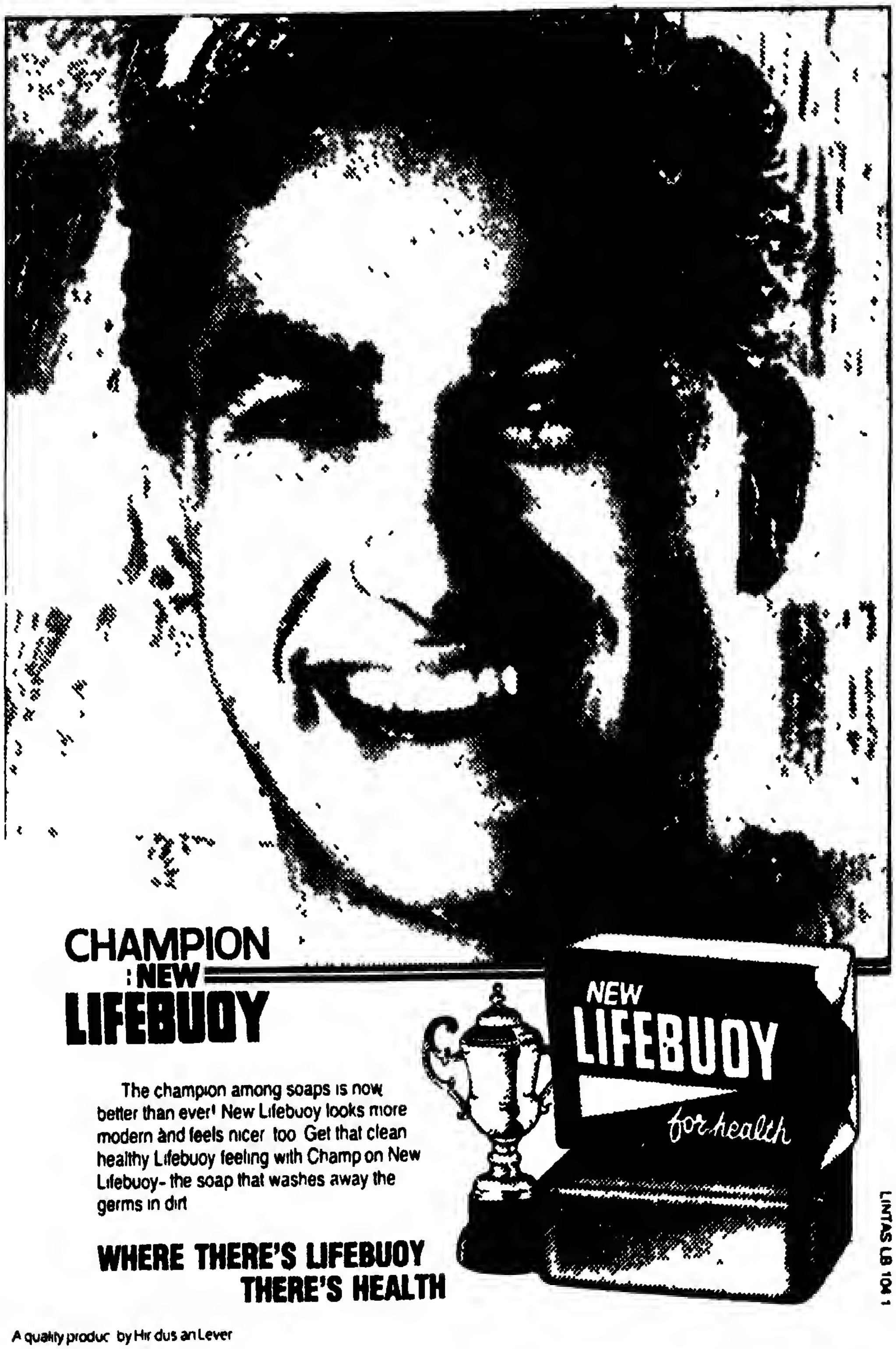
Notes: * denotes information not available
[1] Data for China on health infrastructure *vis-a-vis* is unavailable for the mentioned years, therefore we have used figures averaged over 1984-90 as a proxy
Sources: World Bank, *World Development Report*, various issues
UNDP (1993) *Human Development Report*

Table 6: Income, Poverty and Social Investment Level of Selected Countries

Rank in HDI	Country	Real GDP Per Capita (PPP$) 1990	GNP Per Capita (US$) 1976	GNP Per Capita (US$) 1985	GNP Per Capita (US$) 1990	Income Share: Lowest 40 Per Cent of Households Per Cent 1985-89	Income Share: Ratio of Highest 20 Per Cent to Lowest 20 Per Cent 1985-89	Gini Coefficient 1975-88	People in Absolute Poverty: Total Per Cent 1975-89	Urban Per Cent 1975-89	Rural Per Cent 1975-89	Education as a Percentage of Total Government Expenditure* 1972	1980	1991	Health as a Percentage of Total Government Expenditure* 1972	1980	1991	Social Security Benefits Expenditure as a Per Cent of Total Government Expenditure* 1972	1980	1991	Defence Expenditure as a Per Cent of Total Government Expenditure* 1972	1980	1991
22	Italy	15,890	3,050	6,520	16,880	18.8	6.0	.	.	.	.	16.1	8.4	..	18.5	12.6	.	44.5	29.6		6.3	3.4	.
33	Korea, Rep of	6,733	670	2,150	5,450	..	.	0.36	13	18	11	15.8	17.1	15.8	1.2	1.2	2.0	5.9	7.5	11.3	25.8	34.3	22.2
41	Portugal	8,770	1,690	1,970	4,950	.	..	.	.	..	..		11.2	.	.	10.3		..	27.0	.	.	7.4	..
53	Mexico	5,918	1,090	2,080	2,490	.	..	0.50		.	.	16.4	18.0	13.9	4.5	2.4	1.9	25.4	18.5	13.0	4.2	2.3	2.4
57	Malaysia	6,140	860	2,000	2,330	13.9	11.1	0.48	32	13	38	.	.	.	.	.		.			18.5	..	..
70	Brazil	4,718	1,140	1,640	2,680	8.1	26.1	0.57	..	..	.	8.3	0.0	3.1	6.7	8.0	6.7	35[1]	32.0	25.5	8.3	4.0	3.5
73	Turkey	4,652	990	1,080	1,640	..	..	0.51	..	..	.	18.1	14.2	17.6	3.2	3.6	3.0	3.1	6.1	3.3	15.5	15.2	10.4
74	Thailand	3,986	..	800	1,420	..	..	0.47	32	15	34	19.9	19.8	20.2	3.7	4.1	7.4	7.0	5.1	5.9	20.2	21.7	17.1
75	Cuba	..	860	..	..	..	..	..	..	..	.	.	.	.	..	.		.	.	..	..	..	..
86	Sri Lanka	2,405	200	380	470	13.3	11.7	0.45	..	..	.	13.0	6.7	8.3	6.4	4.9	4.8	19.5	12.7	18.4	3.1	1.7	9.4
92	Philippines	2,303	410	580	730	15.2	8.7	0.45	58	48	63	16.3	13.0	16.1	3.2	4.5	4.2	4.3	6.6	3.7	10.9	15.7	10.9
101	China	1,990	410	310	370	..	..	..	..	..	.	..	.	.	.	.	.	.	..	.	..	..	..
108	Indonesia	2,181	240	530	560	21.2	4.7	0.31	17	20	16	7.4	8.3	9.1	1.4	2.5	2.4	0.9	1.8	1.8	18.6	13.5	8.2
127	Kenya	1,058	240	290	370	..	.	.	52	10	55	21.9	19.6	19.9	7.9	7.8	5.4	3.9	5.1	3.9	6.0	16.4	10.0
130	Zambia	744	440	390	420	..	..	..	71	26	80	19.0	11.4		7.4	6.1		1.3	3.4	..	.	0.0	.
132	Pakistan	1,862	170	380	400	19.0	5.8	0.36	30	32	29	1.2	2.7	1.6	1.1	1.5	1.0	3.2	4.1	3.4	39.9	30.6	27.9
134	India	1,072	150	270	360	20.4	5.1	0.42	49	40	51	2.3	1.9	2.5	1.5	1.6	1.6	3.2	4.3	6.9	..	19.8	17.0
142	Nigeria	1,215	380	800	290	..	..	..	..		..	4.5	..	.	3.6	..	..	0.8	.	.	40.2	..	.
147	Bangladesh	872	110	150	210	23.7	3.7	0.34	.	.	..	14.8	11.5	11.2	5.0	6.4	4.8	9.8	5.3	8.0	5.1	9.4	10.1
158	Sudan	949	290	300	400	..	..	.	..	..	85	9.3	9.8	..	5.4	1.4	.	1.4	0.9	..	24.1	13.2	

Notes: .. denotes information not available.
* Rate of Change in expenditures, UNDP Report 1993.
[1] includes not only social security but also housing amenities and welfare.

Sources: UNDP(1993): *Human Development Report*.
World Bank, *World Development Report*, various issues.



Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038

Three generations of small savers. There's one thing they all trust–Units.

Even people generations apart think the same way when it comes to Units. Because Units help make their dreams come true.

Whether it's a young man saving for a house of his own. Or an older man looking forward to a comfortable retirement. Or a little girl dreaming of becoming a doctor some day..

Unit Trust has schemes to meet every need. Whether the need is for high growth or liquidity. Whether it's tax benefits or good returns coupled with insurance cover.

People know that with Unit Trust, they can get what they want. That is why the number of Unit holders is going up so spectacularly. To over 33 million today. Most of these people are small savers. They come from every part of the country. They come from every walk of life. They have different needs, different dreams.

But they share the same abiding confidence in Unit Trust. Living up to this confidence is what keeps us going. And growing.

UNIT TRUST OF INDIA
For your better tomorrow.

Sista s-UTI 140/91

ECONOMIC POLITICAL WEEKLY

A Sameeksha Trust Publication Rs 12 00 Vol XXIX No 21 May 21, 199

- RURAL NON-AGRICULTURAL EMPLOYMENT IN KERALA: EMERGING TENDENCIES
- DEMISE OF FABIAN SOCIALISM—AND OF MARKET CAPITALISM
- TORTURE AND HUMAN AND LEGAL RIGHTS
- CALCULATING THE FISCAL DEFICIT
- SOCIAL INDICATORS: INTER-STATE DISPARITIES
- THE G7: SPECTRE OF JOB DESTRUCTION
- REDIRECTED ANGER: 'LOVING THY NEIGHBOUR'

CONFLICT AND COMPROMISE: PROPERTY IN A MATRILINEAL MUSLIM SOCIETY

ISSUE OPENS ON 23rd MAY, 1994

LANCO FERRO LIMITED

Regd Office 1 8 50/G
2nd Floor Krishna Nagar Colony
Prenderghast Road
Secunderabad 500 003

Corporate Office Ground Floor
Visaka Towers
1 8 303/69 3 S P Road
Secunderabad 500 003
Tel Nos 811244 811344
Fax 91 040 811544

Public Issue of 90,00,000 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 9,00,00,000.

HIGHLIGHTS ■ Promoters contribution includes M/s Asian Finance and Investment Corporation Limited (AFIC) which has been promoted by Asian Development Bank (ADB) ■ Technical knowhow from M/s Tata Korf Engineering Services Limited covering guarantees for production ■ Technocrat Promoters ■ Project appraised by ICICI and with financial assistance from ICICI IDBI and IFCI ■ Project ideally located as it is in close proximity to raw material sources and consumption centres ■ Captive power plant ■ Commercial production by July 1994 ■ Easy liquidity listing proposed at Hyderabad Bombay and Calcutta Stock Exchanges ■ Income tax benefits under section 80M 80L of the Income Tax Act

Investors may note that in case of oversubscription the allotment shall be on a proportionate basis, a SEBI nominated public representative shall be associated in the process of finalisation of basis of allotment

RISK FACTORS ■ INTERNAL 1 The Company is yet to receive the environmental clearance from the concerned authorities ■ EXTERNAL 1 The cost of one basic input coke which is to be imported is exposed to exchange fluctuations which could affect the profitability projections 2 The possibility of competition from the existing companies and the new projects which would manufacture Pig Iron is not ruled out 3 Performance of the user industry will have a bearing on the performance of the Company 4 Any time overrun in the implementation of the project or longer period of stabilisation of production may affect the financial projections of the Company

Rs.5/- on Application

MANAGEMENT PERCEPTION OF THE RISK FACTORS ■ EXTERNAL 1 There would be a corresponding increase in the price of pig iron for any increase in the price of imported coke these fluctuations may not affect the overall profitability 4 The project would be implemented by July 1994 as against October 1994 as envisaged by the [illegible]

LEAD MANAGERS TO THE ISSUE

ICICI Securities and Finance Company Ltd
63 [illegible]
Bombay [illegible]

Bank of Baroda
90 [illegible]
[illegible] 600 018

Karvy Consultants Pvt Ltd
[illegible]

CO MANAGERS TO THE ISSUE

ADVISERS TO THE ISSUE

Prudential Capital Markets Ltd
[illegible]
Secunderabad Hyderabad [illegible]

Vijay Growth Financial Services Ltd
906 A Block Babu Khan Estate
Basheerbagh Hyderabad [illegible]

Allianz Capital & Management Services Ltd
[illegible]

If the company does not receive the minimum subscription of 90% [illegible] including devolvement of underwriters within [illegible] days [illegible] the company shall forthwith refund the entire subscription amount [illegible] delay beyond [illegible] refund [illegible] subscription [illegible] of the Companies Act [illegible]

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887-3038/3041
Director
S L Shetty

Vol XXIX No 21 May 21, 1994

Matriliny and Islam

History provides instances of societies that come to accept two sets of rules simultaneously, both being viewed as sacrosanct: those subsumed in traditional customary law and derived essentially from kinship and those subsumed in the legal codes of their new faiths. The people of Lakshadweep, who have followed matriliny under the rubric of Islam, present a fascinating case of this kind. **1273**

Non-Agricultural Employment

While the near-constancy of the occupational structure in India has been a major cause for concern, Kerala has drawn considerable attention for its apparently 'developed' occupational pattern characterised as it is by a relatively low share of agriculture. A review of the structure of rural employment in Kerala, particularly non-agricultural employment, focusing on the weaknesses of the emerging structure. **1285**

Fiscal Deficit

Since the fiscal deficit has now started to be used extensively to measure the success or otherwise of the government's macro-economic operations, we have to be clear about what to include or exclude in its calculation. **1297**

Education for Whom?

In the existing socio-political and economic matrix, for whom is education and whose quality of life does it improve? **1257**

Torture

Despite repeated exposure by journalists and human rights organisations and occasional intervention by courts, torture is pervasive and a daily routine in every one of India's states, irrespective of the political persuasions of the party in power. **1259**

Unintended Victims

Taking the totality of violence around us, we see that most acts of aggression are ultimately expressions of redirected anger—anger that brings violence to people for whom the aggression is not specifically intended. **1267**

Job Destruction

Unemployment in the leading capitalist countries has now hit levels unprecedented since the Great Depression, with the so-called cyclical upswings making little difference. Also it seems to matter little whether the hegemonic political force in power is social democrat, monetarist or Keynesian. **1265**

Posturing

While supporting the recent Tilhari judgment, left and feminist groups should take care to expose the pseudo-champions of Muslim women's rights who remain silent about the plight of Hindu women. **1264**

Uneven Development

Apart from India's generally low level of social development, the inter-regional and inter-state disparities in such development are acute. Special statistics on social indicators of development for states and regions. **1300**

Double Demise

With the collapse of the erstwhile communist regimes in eastern Europe, socialism has suffered a severe setback. But we also need to reflect on another development: the death of market capitalism. **1253**

Why Scientism Beats a Retreat

DHRUVA RAINA (October 16, 1993) raises some important issues about the legitimacy of science, methods of science and what has belied hopes about science. When discussing the legitimacy of science, we have to distinguish between its contents and its applications. The former consists of experimentally verified facts, and theories, laws and hypotheses which may be looked upon as abstractions or abbreviations from which experimentally verifiable facts can be deduced. All this is knowledge and it is neither good nor bad. Of course, science is reaching a stage when experiments and gains in knowledge in isolated fields like bio-technology may be hazardous—but it looks as though with controlled experiments even this can be avoided.

When one comes to applications of science, the human element comes in and the question is whether to blame the human element or science for the distortions. The ozone hole is due to automobiles, refrigerators and a host of other developments made possible due to science. But creating the ozone hole is certainly not necessary for the pursuit of science. The ozone hole is the creation of the irrational craving of the human mind for things that are not functionally needed for leading a civilised life. Instead of using science to shape his life, man is using the craving of his mind to do so and in the process has created ecological disaster. It is science that has brought home to man that his methods are threatening his very survival and science cannot be blamed for doing this service.

A distinction has to be made between science content and scientific method. Knowledge of science for day to day needs and healthy living is a must. Unfortunately this is lacking due to science illiteracy as pointed out by the author. What is much more precious is a knowledge of scientific method which is as important as literacy. Briefly, the scientific method is (1) What is experimentally verified is fact. (The experiment being repeatable by another person.) (2) When there are two different opinions, the only way we can decide as to which of them is correct is by experiment, if an experiment is possible. (3) What cannot be experimentally verified can only be an opinion as every statement has its counter. (4) The onus of proving a fact rests on the claimant. (5) Facts have generality (circulation of blood is the same for all human beings). (6) Theory, law, hypothesis are statements from which experimentally verifiable statements can be deduced.

The author has rightly pointed out that scientific truths are provisional truths and not absolute or universal truths. Not only theories, laws, hypotheses change but also experimental facts (but this has not hindered the growth of science). By adopting provisional truth as a working hypothesis and correcting it by trial and error method as new facts are discovered, science has made unimaginable progress compared to other disciplines.

Compared to science, the performance of disciplines which do not even have a method of deciding which of two opinions is correct is dismal. In these disciplines opinions abound without any accord. Further since experimental facts are repeatable, prediction (an aeroplane can be designed to fly) is possible in science which is one of the main reasons for its utility. This is lacking in other disciplines.

Scientific method is the treasure-trove of humanity and all that man has to do is to 'learn' to use science to solve all 'problems'. Science has made available the way and what is required is the will.

K V SRINIVASAN

New Delhi

Workers Let Down

IN response to the report 'New Hurdles' (January 15), I strongly condemn the lukewarm behaviour of CPI(M) leaders and CITU in settling the problem of the Kanoria Jute Mill workers. It is disheartening to note that the trade unions are supporting the management and the labour department in deserting 14,000 workers of the Kanoria Jute Mill. It is clear from the report that all the established trade unions in West Bengal have become self centred and they are of no use to the workers. When the CITU cannot support the Kanoria workers in fulfilling their genuine demands it cannot be called communist anymore. At least when the SSU was formed CITU should have helped it. Whatever may be the situation, when a problem arises for the working community all should get united and work for its solution. Otherwise there is no difference between capitalists and workers in a capitalistic society.

S DEBORAH

Liverpool
Australia

Caste and Justice

KANCHA ILAIAH (March 19) has presented a logical political analysis but seems to have ignored the fact that the backlash of caste as ideology is bound to disintegrate as soon as it proves a threat to other castes.

It is evident that the BSP might emerge as a pressure group but cannot ensure social justice to the weakest among the weaker sections of our society. In a caste-dominated society intrinsic sub-caste conflicts and corrupt political and administrative infrastructure are sufficient to spoil the game engineered by Kanshi Ram. The moment the present affluent class of dalits and OBC feel a threat from the politics of BSP, powerful forces would emerge to curb its growing influence. We have seen examples of the Janata Dal and its leader V P Singh who championed Mandal Commission report—Mandal heroes have been reduced to zeroes.

Another interesting example to show some future trends likely to emerge are recent riots in Meerut over the installation of the Ambedkar statue. In this game except a small group of dalits all other backward SC/ST castes kept themselves aloof. Even the SP-BSP coalition government in UP could not come to their rescue.

SHALINI SHARMA

New Delhi

Subscription Rates
Inland
(including Nepal and Bhutan)

	Six months	One year	Two years	Three years (*in rupees*)
Institutions		475	900	1325
Individuals	200	375	700	1025
Concessional Rates				
Teachers/Researchers		250	-	-
Students	-	195		-

Concessional rates are available only in India. To avail of concessional rates certificate from relevant institution is essential.
Remittance by money order/bank draft/postal order requested. Please add Rs 14 to outstation cheques towards bank collection charges.

Foreign (*in US $*)

	Air Mail: Institutions	Air Mail: Individuals	Surface Mail: Institutions	Surface Mail: Individuals
Pakistan, Bangladesh & Sri Lanka	60	30	40	20
USA, Canada, UK, Europe, Japan, New Zealand, Australia & Russia	125	80	70	40
All other countries	80	50	50	30

All remittances to **Economic and Political Weekly**

ECONOMIC AND POLITICAL WEEKLY

Cosmetic Gestures

THE Reserve Bank of India's monetary and credit policy for the first half of 1994-95 and the broad monetary target for the full year are grounded in the narrowest possible construct of money-real economy linkages. It is difficult to explain otherwise the RBI governor's very exact prediction of a reduction in the inflation rate by four percentage points during 1994-95 because broad money (M3) growth would be contained within a range of 14-15 per cent during the year. Recent experience has shown that the RBI has little control over money supply growth, much less over inflation. Conventional relationships have broken down and, because of the extreme slackness in the real economy, there has emerged a complex disequilibrium between monetary and other financial sectors and between them and the real sectors. There is no appreciation of these complexities in the RBI's assessment and, therefore, what it has presented as a policy has hardly any relevance to the actual situation obtaining in the economy. No doubt in the current depressing economic [illegible] the monetary authorities are having to bear the brunt of fiscal policy failures, but the RBI has contributed to the fiscal failures and has been more loyal than the king in regard to structural adjustment in general and financial sector reform in particular.

What are the key elements of the economic situation which ought to have influenced monetary policy formulation? First, there is the general slackness in economic activity and, in particular, the industrial recession stretching to some four years already. Neither the whopping revenue and fiscal deficit nor the massive liquidity growth has helped because both have been unrelated to productive activity in the real sectors. The former has been absorbed in the government's non-productive expenditures and the latter has served to bloat financial, particularly share market, asset values and real estate prices in urban areas. Second, against the backdrop of economic sluggishness the premature imposition of capital adequacy and other norms on the banking system has adversely affected both the demand for, and supply of, bank credit for productive activities. Non-food credit by scheduled commercial banks increased by Rs 7,476 crore (5.1 per cent) in 1993-94 compared to Rs 24,317 crore (20.1 per cent) in 1992-93. The RBI governor has nonchalantly attributed this to banks' hesitancy in providing credit because of "credit risks in the context of the prudential norms".

Third, the large increases in liquidity since the beginning of 1993-94 are attributable, despite the RBI's attempt to duck the issue, as much to the central government's compulsion to borrow for financing unproductive expenditure as to the large foreign exchange accruals. Dealing with the causes of monetary expansion in 1993-94, the RBI governor makes much of the so-called historic step of the government agreeing to the enforcement of a cap on the automatic monetisation of the centre's fiscal deficit through the creation of *ad hoc* treasury bills and the success of an active internal debt management policy with the government raising money at market related rates of interest through a system of auctions. These claims fly in the face of facts. The rapid increase in foreign exchange [illegible] essentially occurred in the second half of 1993-94, whereas in the first half of the year there had been an increase of Rs 4,104 crore in the net foreign exchange assets of the banking system, in the second half the increase was Rs 21,870 crore and in the first three weeks of April there has been a further addition of Rs 1,788 crore. When liquidity was not abundantly available with the banking system in the first half, the central government borrowed as much as Rs 12,117 crore from the RBI though for the whole of the year the 1993-94 budget had placed the budget deficit (or net RBI credit) at only Rs 4,314 crore. In the second half and thereafter, with abundant liquidity in the market, RBI credit to the central government was reduced and government borrowed from the commercial banks. This was done with ease because banks were themselves reluctant to extend commercial credit due to the capital adequacy norms. In the second half, the central government curtailed its dependence on the RBI by Rs 10,783 crore, but commercial and co-operative bank credit to government increased by Rs 18,364 crore, there has been a further increase of Rs 6,240 crore in the first fortnight of April. Did the RBI and the government have any choice but to absorb the liquidity through a contraction in RBI credit to the government? When the RBI governor claims to have successfully operated an active internal debt management policy, is it the contention that when the RBI injected some Rs 24,000 crore through purchase of foreign exchange in the second half of 1993-94 and thereafter, there was an option of pumping in another Rs 10,000 crore through RBI credit to the central government? Initially, in the 1993-94 budget, the government had visualised total borrowing of only Rs 9,700 crore from the market, but it ended up borrowing as much as Rs 29,692 crore (revised estimates)—all because tax revenues were surrendered and all for financing a revenue deficit of Rs 34,058 crore. Whatever happened to government borrowings crowding out private sector needs?

Against this background and the fact that since the beginning of 1993-94, in a period of 13 1/2 months up to April 15 this year, M3 has expanded by as much as Rs 82,005 crore, Rs 20,174 crore of it in the form of currency with the public, the measures announced this week, principally the raising of the cash reserve ratio (CRR) from 14 per cent to 15 per cent to absorb an amount of Rs 3,700 crore and the downward revision of the export refinance limit by about Rs 1,570 crore (when the actual utilisation ratio is just about 10 per cent due to excess liquidity with banks), are hardly relevant. The emphasis both in these measures

as also in the stiffening of the selective credit controls against sensitive commodities is on inflation control through conventional demand management policies

The macro economic situation however calls for effective implementation of broadbased supply management policies but going far beyond the narrow fire fighting concept of supply management proposed by the authorities through import of a few commodities in short supply Broadbased supply management would aim at a step up of investment and saving which alone will help utilise both foreign exchange reserves and liquidity for productive purposes To achieve this, the government and the RBI will have to take a series of well thought out steps a sizeable increase in public sector investment which will go to crowd in private investment, compelling companies to use funds obtained from abroad for investment and production rather than in the stock and financial markets and in real estate and inducing banks to extend commercial credit even if this requires postponing the implementation of capital adequacy norms A pick up of the tempo of activity in agriculture and rural and small scale industries has immense potential for generating demand for the goods of medium and large scale industries, both directly and indirectly by augmenting household incomes and consumer demand for industrial goods

The monetary policy changes announced by the RBI show no awareness of the need for such purposeful supply management The RBI has instead consistently narrowed the scope of banks priority sector advances In the latest policy the definition of the priority sector has been expanded to cover (i) scheduled commercial banks lendings to their sponsored RRBs (ii) advances up to Rs 5 lakh for financing distribution of inputs for agriculture allied activities such as dairying poultry piggery and fisheries and (iii) the enhanced credit limit of Rs 5 lakh granted to professionals and self employed persons and of Rs 10 lakh for qualified medical practitioners in rural and semi urban areas including for purchase of one motor vehicle These changes have been introduced surreptitiously in the sense that no revision has been effected in the overall priority sector ceiling of 40 per cent or the sub ceiling of 18 per cent for agriculture Earlier indirect credit given to agriculture was included in priority sector credit similarly, the definition of small scale industry was expanded to cover units with capital investment of Rs 75 lakh against the erstwhile Rs 35 lakh—once again without changing the overall ratios With such definitional changes which would automatically enable banks to fulfil the priority sector norms without involving themselves in additional lending the RBI s bureaucratic proposal that the banks prepare action plans for monitoring their sub target for agricultural lending during 1994 95 is an eye wash Similarly while the RBI s increased assistance to the National Bank for Agriculture and Rural Development (NABARD) for providing refinance support to primary lending institutions is indeed helpful the more serious question is that relating to the institutional structure for rural lending which is in disarray Except in very few areas credit co operatives are weak the regional rural banks (RRBs) are in the red and commercial banks are withdrawing from rural lending In this situation one should not be surprised if private moneylenders and moneylending organisations are eventually accepted by the government as the ultimate answer to the problem of rural finance putting the clock of progress back by many decades

KARNATAKA

Panchayat Election Fiasco

THE Karnataka government s decision to postpone the second round of panchayat elections beyond June is a clear case of flouting the Constitution and distorting the Supreme Court ruling with impunity while keeping just within the plane of legality That there have not so far been attempts by opposition parties to mobilise large scale mass based protest about this blatant disregard of democratic practice is a sad commentary on current political ethos

On April 30 less than two weeks after the state election commission had announced the new dates for the postponed elections to the zilla parishad and the taluka panchayats the state governor promulgated an ordinance amending sections of the Karnataka Panchayat Raj Act relating to reservation for backward classes Following this the state government promptly constituted a one man commission to work on delimitation of constituencies and postponed the elections much to the dismay of the governor The state government s argument is that according to the older reservation policy the state act provided for 33 per cent reservation for backward classes The new policy adopted by the government recently extends the reserved quota to 50 per cent

The sequence of events and the resignation of the panchayat raj minister M Y Ghorpade—for failing to keep his promise of holding the panchayat elections before the end of May—tell a different tale The new policy based on the recommendations of the Chinnappa Reddy Commission was adopted by the government two days after the dates of the panchayat elections were announced Following this Ghorpade clarified that although the gram panchayat elections had been conducted on the basis of the 1986 policy of reservation the current round would be according to the new policy which he said extended the reservations He implied that the Panchayat Raj Act stipulated that reservations should be according to the 1986 policy or any order which might replace it The changed policy now compartmentalised four categories most backward classes, more backward classes backward classes and occupational groups with 75 per cent of the reservations going to categories one, two and four and 25 per cent to category three Ghorpade held that postponement of elections was not necessary for recategorising the reserved seats Moreover the state election commission had pointed out earlier that unless elections were held before June they would have to be postponed until next year because of the monsoons the assembly elections in November followed by the formation of the new government etc The Moily government s insistence on postponing the elections is obviously motivated by different considerations

For one thing not so very long ago, Veerappa Moily in order to quell the dissidence within the party had to constitute a jumbo cabinet in an attempt to accommodate the various power groups Even so the Congress in Karnataka is beset with problems, some internal and others caused by the fact that Moily has been unable to keep the promise of effective leave alone efficient and corruption free government Moily embarked on a tour of the state to campaign for the panchayat elections after the dates were announced and it is significant that the postponement came soon after this In fact the announcement of the new reservation policy only narrowly escaped violating the code of conduct laid down by the election commission because the election notification had not been issued although it was clearly a pre election ploy to capture votes But that this was not sufficient must have been obvious to Moily

The lack of mass mobilisation on the issue is indeed a cause for dismay Clearly the long years of an institutionalised democratic system has meant that it is possible for those in power to distort democratic principles even while sticking to the legal requirements These distortions cannot be opposed by recourse to the courts alone A further proof of the need for such a movement lies in the fact that the Karnataka government has neglected to constitute a finance commission to take care of the finances of the local government thus violating the requirements of the State Panchayat Raj Act Without such a commission in place *ad hoc* financial arrangements are being adopted which will make a mockery of effectualising local government Thus if the 73rd constitutional amendment is to really lead to the empowerment of local governments and not in fact to an apparent demonstration of the inability of people to handle the affairs of government at the local level there has to be more than formal criticism and protest

INDIAN WORKERS IN WEST ASIA

Paying with Their Lives

AN extremely disturbing aspect of the Indian emigration to the Gulf has for long been that living and working conditions of our emigrant workers in that region are to say the least extremely difficult How hazardous these conditions are stares one in the face when one reads the *suo motu* statement in parliament by R L Bhatia minister of state for external affairs, on the evacuation of Indian citizens from war torn Yemen Hopefully belated though the government action has been in this regard, it will be possible to evacuate all of our citizens exposed to risk of life in either part of Yemen

But the hazards to our emigrants to the Gulf arise *not* so much out of the sort of conflict that has cropped up now in Yemen or that arose between Kuwait and Iraq four years back The continuing hazards our emigrants face arise from their living and working conditions and this comes out from the figures the minister gave in the course of his statement to parliament about the deaths of our emigrants and their causes

According to Bhatia, out of a total of 1 583 bodies or mortal remains shipped back from west Asia during 1993 and up to April 1994 (i e in some 16 months) only 982 deaths were due to natural causes the balance were due to accidents (506) suicides (83) murders (9) and executions (3) Thus close to 40 per cent of the deaths of our emigrants in west Asia were due to unnatural causes chief of them being accidents The minister did say that Indian missions in the region do try to obtain compensation and early settlement of legal dues however complicated the formalities and even gave a figure of the amount repatriated as compensation in 1993 namely, Rs 8 47 crore i e Rs 1 5 lakh per death on average a rather small amount remembering what expenses an emigrant incurs and what his death means to his family in purely financial terms

The fact remains that deaths from causes other than natural are far too high to be slurred over It is not clear whether or not members of parliament reacted strongly to the disclosures but it is not a matter they can allow to rest Several questions arise How many of the accidents were work related? What was the nature of non work related accident deaths? How do the figures for Indian emigrants compare with those for emigrants to west Asia from other countries say, Pakistan and the Philippines? Is not the suicide rate among Indian emigrants rather high? Are not these suicides mostly job related?

Bhatia s statement does not give the impression that the government is fully aware of the enormity of the situation Nor is the effort of our missions in the region, as reflected in the figure of compensation amount obtained sufficiently reassuring The government cannot be allowed to wallow in the inflow of the large annual remittances and not attend to the lives lost in the process of earning these remittances

STOCK MARKETS

Wrong Signals

THE attitude of the authorities in regard to the goings on in the stock market can only be described as curious The finance minister has reportedly directed the Securities and Exchange Board of India (SEBI) to restart the badla system of forward transactions in some form or the other The government, it seems refuses to learn any lessons from the massive fraud in securities and banking transactions in 1991 92 on which the country has before it the report of a joint parliamentary committee (JPC) The report had found that despite repeated warnings by the governor of the Reserve Bank of India (RBI) and the chairman of SEBI the ministry of finance did not address themselves seriously to check the unhealthy trend believing this phenomenon to be a beneficial consequence of their policy

When the BSE sensitive index (base 1978 79=100) shot up from 1915 at end-December 1991 to 4 546 on April 2 1992, SEBI had warned the finance ministry of the hyper heating of the market and attributed it to the entire system of badla trading As it did not have the powers itself, SEBI had wanted the finance ministry to suspend trading in carry forward transactions Nothing was done but when the bubble finally burst the government was forced to vest SEBI with the necessary statutory powers SEBI found that brokers continued to build up large speculative holdings and persist in a variety of malpractices without the stock exchange authorities lifting a little finger Incidentally, we now have it on the authority of the former executive director of the Bombay Stock Exchange (BSE) that the Indian secondary market in securities continues to be affected adversely by malpractices like lack of transparency insider trading, manipulation of prices proliferation of odd lots, inadequate protection to clients in case of defaults by stock brokers etc '

SEBI was thus on strong ground when it banned forward trading in December last year However apart from stockbrokers and other speculators who were understandably peeved at SEBI chairman G V Ramakrishna's tough stand and his proposal for replacing badla with a system of futures and options, the government too could not stomach his independence Ramakrishna's removal from the chairmanship of SEBI was received with relief by brokers and there was a significant improvement in share prices

In the meantime, with sizeable foreign funds flowing into the stock exchanges and the exaggerated expectations aroused by the finance ministry in regard to the liberalisation process and the 1994-95 budget the BSE sensitive index again reached a high of 4299 on February 28 While the index has since ruled lower, even at its present level the P/E ratio for the 30 scrips comprising the sensitive index stands at 47

Overall the banning of 'badla' trading has introduced a measure of sobriety into share market operations Almost for the first time in the history of the BSE, the gross turnover in non specified scrips has crossed that in specified scrips, thus confirming that the bulk of the transactions in the latter were speculative The gross turnover in non-specified shares in April was Rs 2,298 crore as against Rs 1,033 crore in specified scrips In November 1993, by contrast, the gross turnover in non-specified shares was Rs 1,307 crore or just 24 per cent of that in specified scrips at Rs 5,501 crore Even in February this year—that is, before the cleaning up of the earlier speculative holdings had been completed—the gross turnover in non-specified shares remained lower at Rs 3,915 crore or 72 per cent of that in specified shares The significant diversification of the pattern of investment in shares reflected in the change in the relative turnover in specified and non-specified shares should be a boon for medium-sized companies and also portends a more healthy development of the capital market Besides, a major qualitative difference between when 'badla' transactions were prevalent and now is that about 85 per cent of the transactions then were for carrying forward deals whereas an equal proportion now result in cash delivery The emerging situation is akin to what obtains in the more advanced markets, in the US, for instance, more than 85 per cent of transactions result in cash delivery Many of the malpractices, including insider trading and kerb dealings, are also reported to have faced some restraint after the ban As brought out in the JPC report, the SEBI was convinced that the root problem of secondary share market operations was the archaic badla system which provided share brokers with tremendous clout and resources Obviously, the alternative in the form of futures and options has to await the advent of screenbased and scripless trading As an interim arrangement SEBI has proposed a system of limited carry-forward transactions with fairly stiff margin requirements and also equal treatment of bears and bulls, but the stock exchanges have refused to fall in line

Against this background when the newly created supervisory body was striving to confront the brokers as a class with a vested interest in the badla system the finance ministry has once again sent out wrong signals to the market and the community at large The failure of the Videsh Sanchar Nigam Euro issue has been erroneously attributed to the so-called depression in domestic

[illegible] the more fundamental micro economic factors. Having statutorily [illegible] created an independent SEBI, communications from the finance minister and his ministry to this body should be transparent so that there is no day to day inter[illegible]. It is to the credit of the SEBI that it [illegible] from the [illegible] securities scam. The credibility it has gained as a result needs to be nurtured not undermined.

ASLV

Commercial Viability

THE successful launch of the Augmented Satellite Launch Vehicle (ASLV) and the 115 kg satellite it carried into what is referred to as a high performance low earth orbit on May 4 has received wide notice and acclaim as having established once and for all the autonomous Indian launch capability in regard to vehicles and orbits of this class.

If one's only source of information on the subject were the budget documents, one would be wondering why so much was being made of the recent launch. According to the Expenditure Budget (1994-95) Volume II, a major milestone in the Indian space programme was achieved "with the successful launch of the third development flight of ASLV-D3 from Sriharikota on May 20, 1992. ASLV-D3 successfully injected SROSS-C satellite into orbit". If the earlier launch was successful and the one executed this time was just a repeat, why the song and dance about it? The fact is that only now has genuine success in the form of what has been described as a text book launch been achieved. The earlier launch had virtually aborted after the first two stages and its payload had been disgorged in a lower orbit. Obviously another launch had to be made to establish the capability. But the question remains: Why are our scientists so quick to claim premature success? That, however, is for the scientists to sort out among themselves.

What should be of interest to the general public is the claim now being put out that our space agency ISRO has proven not only its technical capability but also its ability to do its task at the lowest cost. Has it? It is reported that the ASLV can deliver payloads in low earth orbits at a cost of $ 17,600 per kg as against $ 50,580 per kg in a comparable launch vehicle called Scout. It is not clear how the costing has been done with respect to the ASLV's launch, but even assuming that it will launch a payload of 150 kg (the latest launch carried a payload of only 115 kg), the amount the space agency will recover at the rate of $ 17,600 per kg works out to Rs 7.90 crore as against the original sanctioned cost of the ASLV project of Rs 17.98 crore (the actual cost of the project has been probably far in excess of that). In addition, one has to take note of the cost of the satellites launched and lost, not to speak of the overheads of an organisation that will cost the exchequer Rs 755 crore in 1994-95.

The point is that while to some the establishment of the launch capability is an end in itself and worth any expense, however high, if the commercial viability of the programme is also sought to be established, a far greater amount of sophistication will be called for than is in evidence. The space agency ISRO has failed to establish its commercial credentials so far. Hopefully its new commercial arm, ANTRIX, will work out its costing properly before it starts peddling its products.

DELHI

Environmental Facade

ALTHOUGH only a few months old, the BJP government of Delhi has already somewhat fouled up its image over an apparently non-political issue by resorting to what its leaders in their evangelical zeal may regard as a reformist measure but which threatens to alienate a large number of their followers in the capital in the long run.

The controversy over the BJP government's decision to clean up the Idgah abattoir in the old city and the crisis generated by it in the meat market of the capital indicate the trap which the BJP has got itself into. On the one hand, it is bound by its obligation to adhere to the principles followed by the RSS-VHP ideologues (who strongly stress vegetarianism as a food habit) and, on the other hand, it has to take care of the traditional food habits of its north Indian Hindu voters (most of whom are non-vegetarians). Incidentally, contrary to the impression created by the BJP-RSS-VHP politicians that the majority of Indians are vegetarians, the latest survey by the Anthropological Survey of India—contained in the recently published 10 volume *People of India*—clearly shows that only about 20 per cent of the various Indian communities are vegetarians. The ASI report observes: "We are largely a drinking, smoking and meat-eating people".

The BJP government is armed by an order from the Delhi High Court which has ruled that the number of animals slaughtered at the Idgah should be reduced from the daily 12,000 to 2,500 to prevent unhygienic conditions created by the accumulation of carcasses in a crowded place which also results in the contamination of the meat. While everyone would agree that the filth in the slaughter house should be removed and that contaminated meat should be stopped from reaching the retail shops, the BJP government's decision to make this a priority item on its agenda of reforms gives rise to several suspicions. First, a large number of butchers at the Idgah abattoir are Muslims. Some years ago, during communal riots in old Delhi, they were the main targets of RSS arsonists, who set fire to the abattoir as a result of which their business suffered. The BJP government's latest move to curtail their business, backed by a court order this time, has quite understandably made the Muslim community suspicious. But they are not the only victims. A large number of Hindus—suppliers of animals to the butchers, as well as traders in the wholesale and retail market—are also affected by the government's decision, not to speak of the meat eaters among the capital's Hindu citizens who for the last one month have been going without meat (because of a strike by the butchers in protest against the official measure), and may have to spend more to buy meat when it is available, because of short supply due to the court-enforced restriction on the slaughter of animals at the abattoir.

The BJP government is defending its decision with the populist appeal of protecting meat-consumers from contaminated meat which, it claims, is being supplied by the Idgah abattoir. But curiously enough, the BJP ministers have refused to lift a little finger to bring about the long overdue reforms in Delhi's hospitals where human lives are endangered every day by unhygienic conditions, contaminated equipment (including syringes and even donated blood found later to be AIDS infected) and the carelessness of the doctors—recorded regularly in the newspapers. Even when the BJP supporters were coming out with letters in these newspapers shedding tears over the slaughter of innocent animals at the Idgah abattoir, and urging their government in Delhi not only to ban the killing of goats, but also chicken, over 200 members of their own fold—devout Hindus—were being hospitalised after eating holy 'prasad' to chants of the BJP slogan 'Jai Sri Ram' in the east Delhi colony of Shastri Park during the Ram Navami celebration on April 20. Soon after that, in another BJP-ruled state, Rajasthan, at least six people died of suspected food poisoning and 160 were taken ill after taking 'prasad' at the famous Kela Devi fair in Sawai Madhopur on April 28. Surely these 'prasads' did not come from the Idgah abattoir. They were pure vegetarian.

The BJP is apparently more concerned about the future of its own selected animals than the plight of human beings. Significantly, one of the first bills proposed and passed by the BJP-headed Delhi assembly is the Delhi Agricultural Cattle Preservation Bill, which envisages total prohibition of the slaughter of cows, calves, bulls and bullocks. This would deprive the poor (including the 'dalits' and the Muslims) of the meat from these animals which has been the main source of cheap protein for them. It is obvious that the pseudo-environmental concerns of the BJP actually conceal the Hindu communal urge to hit the economic interests of the minority communities.

Inlac Granston

AFTER acquiring a newly established 100 per cent export oriented unit for the manufacture of granite slabs from Srividya Granite Tile Exports, Inlac Granston now plans to modify and expand the existing tile plant and also put up a slab plant to cater to the entire range of products for customers. The unit which is situated in Dharmapuri district of Tamil Nadu presently has a capacity to manufacture 84,420 sq mtrs of granite slabs of 300 mm X 300 mm and 300 mm X 600 mm sizes per annum. Under phase one of the expansion project the company plans to install a slab plant with a capacity of 33,000 sq mtrs and also manufacture tiles of higher size up to 400 mm X 600 mm. The second phase of the project envisages increasing the capacity of the newly installed slab plant to 66,000 sq mtrs and also installing flaming machines for flame finish tiles/slabs. The new automatic tile plant will be supplied by Eisenwerk Hensel of Germany while the automated slab plant will be supplied by Mordenti of Italy. The company which enjoys equity participation by Olympia Finance, Ireland and Plattyen Investments, Vaduz has already started production and had exported goods worth Rs 2.9 crore up to September 1993. Further, it has also entered into a marketing tie-up with Hofco Naturstein Vertriebs of Germany for at least 50 per cent of its production. To part finance the project the company is entering the capital market with a public issue of 50,00,000 equity shares of Rs 10 each at par. The issue which will open for subscription on May 30 will be lead managed by SBI Capital Markets and Bank of Baroda.

Orton Synthetics

Orton Synthetics is setting up a composite project for the manufacture of texturised/twisted/fully-drawn polyester filament yarn with a capacity of 9,280 mt per annum along with a weaving complex with a capacity of 269 looms for producing 154 lakh metres of cloth per annum with processing capacity for approximately 250 lakh metres of cloth per annum. Partial commercial production of the weaving section is expected to commence in the third quarter of this year while the fabric division is expected to achieve rated capacity progressively during the fourth quarter. The project will be entitled for benefits of the 1993 scheme of incentives as it is located at Baramati which is a government declared 'C' category backward area. To part finance the Rs 76.7 crore project the company plans to tap the capital market with a public issue of 2,25,86,700 equity shares of Rs 10 each at a premium of Rs 5 per share out of which 88,86,700 equity shares have been reserved for NRIs, Indian mutual funds, foreign institutional investors and Indian financial institutions. The issue which will be lead managed by SBI Capital Markets and Allbank Finance will open for subscription on June 2.

Premier Aqua Farm

Premier Aqua Farm is setting up a semi-intensive aqua culture farm with a capacity of 400 tonnes of shrimp per annum at Kanuparthy village in the Prakasham district of Andhra Pradesh. The company has been promoted by C Anil Kumar who has considerable experience in deep-sea fishing. The company plans to cultivate white prawn and black tiger prawn which requires highly scientific and modern techniques for ensuring consistently high yield, size and quality. It has also entered into a technical assistance and 100 per cent buy-back arrangement for a period of eight years at the prevailing market price with ITC. Commercial production is to commence in December this year. To part finance its project the company plans to tap the capital market with a public issue of equity shares aggregating Rs 3.63 crore.

Pentafour Solec

Belonging to the Pentafour group, Pentafour Solec Technology is setting up a project for the manufacture of solar photo voltaic modules of various capacities ranging from 2 watts to 100 watts based on a highly innovative and new concept of solar technology. The project which will have an installed capacity of 3 mega watts is expected to commence commercial production by October this year. The company has entered into a technical assistance and buy-back agreement with from Solec International of USA. The technical agreement is for a period of five years during which time the entire technology will be transferred including future developments. In addition to the technical collaboration agreement the foreign collaborator will also have a 23.4 per cent stake in the post equity capital of the company as against the 37.6 per cent stake of the Indian promoters. To part finance the project the company plans to tap the capital market with a public issue of equity shares at par aggregating Rs 2.93 crore on May 27.

Dravya Industrial Chemicals

Dravya Industrial Chemicals (DIC), of the HAMCO group, is engaged in the manufacture of lead and lead alloys. The company is entering the capital market on May 30 with a public issue of 290 lakh equity shares of Rs 10 each at par to part finance its expansion-cum-modernisation programme. The programme undertaken by the company will have a total outlay of Rs 40 crore and envisages the setting up of two units for manufacturing lead/lead alloys at Vapi and Sarigam with an installed capacity of 7,200 tonnes per annum at each unit, aggregating to 14,400 tonnes per annum. Further in order to establish itself as a marketing organisation to cater to the requirements of industrial customers, the company is setting up sales offices all over the country and also at the international level. HAMCO, the parent company, is also transferring its marketing rights to DIC. The Sarigam unit is expected to become operational from April 1995 and trial production has already commenced at the Vapi unit.

Industrial Oxygen

Promoted by Lalit Kumar Jain and associates, the 30-year old Industrial Oxygen Company plans to enter the capital market soon with a public issue of 22.4 lakh equity shares of Rs 10 each at a premium of Rs 130 per share. The company is presently engaged in the manufacture of industrial gases, air separation plants, nitrogen PSA plants and LPG cylinders and has manufacturing facilities at 11 locations throughout the country. It is now setting up two projects at an estimated cost of Rs 42.5 crore at Wardha and Butibori in Maharashtra for the manufacture of industrial gases. The company is also implementing two industrial gases project at Karjan and Jejuri at a total outlay of Rs 20.3 crore. The issue is also for repaying its existing term loan and deferred payment guarantee and for augmenting its working capital requirement. The Wardha project was expected to go on stream last month while the Butibori project is scheduled for April 1995.

Macro economic imbalances are persisting in the new fiscal year The rate of inflation has accelerated with the composite index for food items rising by 3 2 per cent in just one month The reserve money growth of 5 5 per cent in the first three weeks of 1994 95 should similarly be a matter for concern Commoditywise trade data show a growing proportion of capital goods in total imports

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82 100)	Weights	April 30, 1994	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92	1990 91
All Commodities	100.0	261.9	1.4	11.0	6.9	1.9	1.3	10.2	7.0	13.6	12.1
Primary Articles	32.3	265.9	1.6	13.1	3.6	2.6	0.7	11.6	3.0	15.3	17.1
Food Articles	17.4	289.9	1.7	6.2	5.5	3.0	1.5	4.8	7.5	20.9	18.9
Non Food Articles	10.1	285.9	2.0	26.5	—	2.5	-0.7	24.2	1.4	8.1	19.3
Fuel Power Light and Lubricants	10.7	278.0		10.4	17.7	—	0.3	13.1	15.2	13.2	14.4
Manufactured Products	57.0	256.7	1.5	9.9	6.9	2.0	1.9	8.8	7.9	12.6	8.9
Food Products	10.1	259.7	2.6	12.4	5.9	3.5	3.8	11.8	6.8	10.2	13.2
Food Index (computed)	27.5	278.8	2.0	8.3	5.6	3.2	2.3	7.1	5.8	17.2	16.8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1993 94	Fiscal Year So Far 1992 93	1992 93	1991 92	1990 91	1989 90
Industrial Workers (1982=100)	263[1]	-0.4	9.1	5.7	8.2	5.2	6.1	13.9	13.6	6.6
Urban Non Man Emp (1984 85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1166[1]	nil	9.4	5.0	10.7	1.9	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Apr 15 1994	Over Month	Variation (Per Cent): Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92
Money Supply (M3)	448224	15572 (3.6)	16178 (3.7)	18173 (5.0)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	87182	3750(4.5)	5015 (6.1)	3874 (5.7)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	357199	9848 (2.8)	9848 (2.8)	10945 (3.7)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	211529	7668 (3.8)	7420 (3.6)	6344 (3.6)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	242176	6464 (2.7)	6284 (2.7)	9221 (4.3)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	54592	3728 (7.3)	865 (1.6)	794 (3.2)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money (April 22 94)	146309	4871 (3.4)	7687 (5.5)	12018 (10.8)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (Apr 21 94)	99357	1642 (1.7)	2594 (2.7)	11020 (11.4)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (Apr 29, 94)							
Deposits	324859	-533 (-0.2)	11045 (3.5)	6930 (2.6)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	167779	-457 (-0.3)	4157 (2.5)	3837 (2.5)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non food advances	157633	1169 (0.7)	4918 (3.2)	3168 (2.2)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	141494	5948 (4.4)	9101 (6.9)	387 (0.4)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980 81=100)	Weights	Dec 1993	Average for Fiscal Year So Far 1993 94	Average for Fiscal Year So Far 1992 93	Variation (Per Cent) Fiscal Year Averages: 1992 93	1991 92	1990-91	1989 90	1988 89	1987 88	1986 87
General Index	100.0	240.9	214.7 (2.4)	209.7 (4.0)	1.6	0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	251.2	213.0 (0.2)	213.5 (2.5)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	230.5	204.7 (1.8)	201.0 (4.1)	0.9	1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	300.9	284.0 (7.3)	264.6 (4.7)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	May 20 1994	Month Ago	Year Ago	Trough of 1993	Peak of 1993	End of Fiscal Year: 1992 93	1991 92	1990 91	1989 90	1988 89
BSE Sensitive Index (1978 79 100)	3784 (+0.1)	3779	2358 (31.4)	2037	3455	2281 (46.8)	4285 (266.9)	1168 (49.6)	781 (9.4)	714 (79.4)
National Index (1983 84=100)	1830 (0.4)	1837	1085 (30.0)	934	1659	1021 (-48.1)	1968 (234.1)	589 (39.9)	421 (13.2)	372 (76.3)

External Sector	1993 94 Quarterly Data: Apr Jun	July Sept	Oct Dec	Jan Mar	Fiscal Year So Far: 1993 94	1992 93	1991 92
Exports Rs crore	16073 (39.8)	16388 (27.0)	16721 (29.4)	20365 (27.1)	69547 (30.4)	53351 (21.1)	44042 (35.3)
US $ mn	5127 (27.8)	5224 (15.2)	5330 (17.8)	6492 (21.5)	22173 (20.4)	18421 (3.1)	17866 (1.5)
Imports Rs crore	17018 (6.5)	16825 (5.8)	17634 (13.1)	21329 (38.1)	72806 (15.7)	62923 (31.5)	47851 (10.8)
US $ mn	5429 (2.7)	5363 (-4.1)	5621 (2.9)	6799 (33.4)	23212 (6.8)	21726 (11.9)	19411 (-19.4)
Balance of Trade Rs crore	945	437	-913	-964	3259	-9 572	3 809
US $ mn	302	139	291	-307	1039	3 305	-1 545

Foreign Exchange Reserves	May 6 1994	Month	Year	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993-94	Variation Over: 1993 94	1992 93	1991 92	1990 91	1989 90	1988 89
Rs crore	48059	50	26574	783	1639	27430	5385	10223	-1383	-795	-647
US $ mn	15267	-6	8389	172	507	8724	731	3383	-1137	-854	-1386

Foreign Trade

Commodity Composition of Imports and Exports	April-January									
	1993-94		1992-93		1992-93		1991-92		1990-91	
	Rs Cr	US $mn	Rs Cr	US $mn	Rs Cr	US $mn	Rs Cr	US $mn	Rs Cr	US $mn
Imports										
Food and live animals chiefly for food	1226(2.1)	391	1335(2.6)	467	1843(2.9)	636	804(1.7)	326	917(2 1)	511
Pulses	447(0.8)	143	274(0.5)	96	316(0.5)	109	255(0.5)	104	481(1.1)	268
Cashewnuts, raw	334(0.6)	107	279(0.5)	98	360(0.6)	124	267(0.6)	108	134(0.3)	75
Crude materials inedible oil except fuels	3342(5.8)	1066	4226(8.1)	1478	4420(7.0)	1526	3268(6 8)	1326	3363(7.8)	1875
Fertiliser crude	324(0.6)	103	403(0.8)	141	458(0.7)	158	455(1.0)	185	347(0.8)	193
Metalifers ores and metal scrap	1016(1.8)	324	1705(3.3)	569	1792(2 8)	619	1175(2.5)	477	1528(3 5)	852
Mineral fuels, lubricants and related materials	16176(28.1)	5158	15129(29.0)	5291	18532(29 5)	6399	14160(29 6)	5744	11606(26.9)	6468
Petroleum, crude and products	15007(26.0)	4785	13992(26.8)	4893	17153(27 3)	5923	13123(27.4)	5323	10816(25.0)	6028
Animal and vegetable oils, fats and waxes	136(0.2)	43	158(0 3)	55	174(0.3)	60	249(0 5)	101	326(0.8)	182
Chemicals and related products	7649(3.3)	2439	7792(14.9)	2725	8862(14.1)	3060	7526(15 7)	3053	5447(12.6)	3036
Organic chemicals	2360(4.1)	952	1599(3.1)	559	1977(3.1)	683	1361(2.8)	552	1442(3.3)	804
Fertiliser manufactured	1764(3.1)	562	1920(3.7)	672	2020(3.2)	697	1591(3.3)	645	1141(2 6)	636
Manufactured goods chiefly classified by materials	12279(21.3)	3915	10094(19 4)	3530	12349(19.6)	4264	9193(19 2)	3729	8638(20.0)	4814
Pearls, precious/semi precious stones	7190(12.5)	2293	5554(10.6)	1942	7011(11.1)	2421	4825(10.1)	1957	3738(8.7)	2083
Iron and steel	1846(3.2)	589	1739(3 3)	608	2092(3.3)	722	1741(3.6)	706	1892(4 4)	1055
Non-ferrous metals	1245(2.2)	397	972(1 9)	340	1118(1.8)	386	839(1.8)	340	1102(2.6)	614
Capital goods	13346(23.2)	4255	10703(20.5)	3743	12926(20.5)	4463	10432(21.8)	4232	10465(24 2)	5833
Machinery except electrical and machine tools	5025(8.7)	1602	3858(7.4)	1349	4866(7.7)	1680	3593(7.5)	1458	3768(8.7)	2100
Transport equipment	2261(3.9)	721	1110(2.1)	388	1336(2.1)	461	915(1.9)	371	1670(3.9)	931
Project goods	3345(5.8)	1067	3094(5.9)	1082	3460(5.5)	1195	3625(7.6)	1471	2551(5.9)	1422
Others	3516(6.1)	1121	2711(5.2)	948	3814(6.1)	1317	2220(4.6)	900	2431(5.6)	1355
Total	57649(100.0)	18381	52149(100.0)	18237	62923(100.0)	21726	47851(100.0)	19411	43193(100 0)	24073
Exports										
Food and live animals chiefly for food	8650(15 5)	2758	6133(14.6)	2145	7792(14.6)	2690	6861(15.6)	2783	4665(14.3)	2666
Cashew kernels	839(1.5)	267	620(1.5)	217	745(1.4)	257	672(1.5)	272	441(1.4)	252
Oil meal	1803(3.2)	575	1090(2.6)	381	1539(2.9)	531	921(2.1)	374	609(1 9)	348
Marine products	1963(3 5)	626	1393(3.3)	487	1743(3.3)	602	1443(3.3)	585	960(2 9)	549
Beverages and tobacco	114(0.2)	36	123(0.3)	43	158(0.3)	54	102(0.2)	42	70(0.2)	40
Crude materials, inedible oils except fuels	3241(5.8)	1033	2086(5.0)	729	2831(5.3)	978	3022(6.9)	1226	2926(9.0)	1672
Iron ore	1070(1.9)	341	843(2 0)	295	1102(2.1)	381	1435(3.3)	582	1049(3.2)	600
Mineral fuels and lubricants	1078(1.9)	343	1136(2.7)	397	1379(2.6)	476	1022(2.3)	415	938(2 9)	536
Animal and vegetable oils, waxes and fats	261(0.5)	83	108(0.3)	38	143(0.3)	49	169(0.4)	69	89(0.3)	51
Chemical and chemical products	4792(8.6)	1528	3341(8 0)	1169	4253(8.0)	1469	4146(9.4)	1682	2722(8 4)	1555
Drugs, pharmaceuticals and fine chemicals	1600(2.9)	510	1254(3.0)	439	1524(2.9)	526	1550(3.5)	629	1014(3 1)	580
Dyes/intermediates	929(1.7)	296	773(1 8)	270	958(1.8)	331	781(1.8)	317	442(1.4)	253
Plastic and linoleum products	829(1.5)	264	312(0.7)	109	429(0.8)	148	276(0 6)	112	200(0.6)	114
Manufactured products classified chiefly by material	31046(55.6)	9899	24006(57.3)	8395	30516(57 2)	10536	23540(53 4)	9549	17085(52 5)	9764
Leather and mfgs	2194(3.9)	700	2091(5 0)	731	2512(4.7)	867	1984(4 5)	805	2566(7.9)	1467
Leather footwear	1203(2.2)	384	943(2.3)	330	1181(2.2)	408	1143(2 6)	464	neg	neg
Gems and jewellery	9887(17.7)	3152	6584(15.7)	2303	8839(16.6)	3052	6750(16 1)	2738	5247(16 1)	2999
Rubber mfd products	670(1.2)	214	506(1.2)	177	647(1.2)	223	287(0.7)	117	270(0 8)	154
Primary and semi finished and steel	1071(1.9)	342	343(0.8)	120	431(0.8)	149	226(0 5)	92	189(0.6)	108
Cotton yarn fabrics/madeup	3907(7.0)	1246	3208(7.7)	1122	3929(7.4)	1356	3203(7 3)	1299	2100(6 5)	1200
Manmade yarn, etc	1113(2.0)	355	884(2 1)	309	1059(2.0)	366	821(1 9)	333	407(1 2)	232
RMG cotton including accessories	4728(8.5)	1507	3941(9.4)	1378	5210(9.8)	1799	3754(8.5)	1523	2642(8 1)	1510
Capital goods	5063(9.1)	1614	3995(9.5)	1397	4985(9.3)	1721	4054(9 2)	1645	3087(9 5)	1764
Manufacture of metals	1757(3.1)	560	1286(3.1)	450	1696(3.2)	586	1194(2.7)	484	819(2 5)	468
Machinery and instruments	1642(2.9)	524	1298(3.1)	454	1572(2.9)	543	1433(3 3)	582	1249(3 6)	714
Transport equipment	1480(2.7)	472	1223(2.9)	428	1519(2.8)	524	1224(2 8)	496	719(2.2)	411
Others	1586(2.8)	506	943(2.3)	330	1294(2.4)	447	1125(2 6)	457	971(3.0)	555
Electronic goods	785(1.4)	250	519(1.2)	181	612(1.1)	211	654(1.5)	265	417(1.3)	238
Total	55825(100.0)	17799	41872(100.0)	14643	53351(100.0)	18421	44042(100.0)	17865	32553(100 0)	18604

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript[7] stand for July. (ii) Figures in brackets are percentages to total. (iii) — means not available.

STANDARD INDUSTRIES

Inflationary Pressures

DESPITE a rise in turnover, Standard Industries, the flagship company of the Stanrose group, saw a fall in profitability in 1992-93. For the six months ended September 1993 the company's profitability has fallen further with operating margin falling from 14 per cent for the 12 months ended March 1993 to 11.8 per cent for next six months. Despite the consistent fall in profitability the company has declared a bonus issue of one equity share for every two held during the period under review (the company changed its accounting period ending from March to September) resulting in an increase in equity capital by about Rs 9 crore. Further it also maintained the dividend rate at 20 per cent.

The inflationary pressures on the company's textiles division led to a squeeze on margins. Power rates increased from Rs 2.05 per Kwh to Rs 2.18 per Kwh. Further, increased working capital requirements as also the higher borrowings on account of the modernisation programme led to a sharp rise in interest charges. Following the installation and commissioning of 72 picanol air jet looms at Prabhadevi last year the company has also commissioned four VOUK draw frames, one autoconer each at the Sewree and Dewas units, one schlafhorst autoconer model 238 and 7 sohler airtext overhead cleaners for shuttleless looms. The company is also extending the modernisation programme to the processing department by installing atmospheric jigger for bleaching and by undertaking modification of the yarn dyeing plant. The company's chemicals division was also adversely affected following the liberalised import policy and the fall in international prices of caustic soda, caustic potash and potassium carbonate. The prices of caustic soda fell so steeply in the international market that even with 85 per cent duty the landed costs were far below the production costs of many units in the country As against exports of Rs 3.3 crore for the whole of last year, exports for the period under review fell to a mere Rs 1 crore. The company's newly installed potassium carbonate plant was in full operation during the period.

To part finance its ongoing modernisation projects the company plans to enter the international capital market with a euro issue of $ 30 million. The proceeds of the issue will also be used to repay/prepay high cost borrowings and debts and meet long-term working capital finance in addition to financing other approved corporate purposes.

INDIAN SEAMLESS METAL TUBES

Diversification Pays

Indian Seamless Metal Tubes, the flagship company of the Indian Seamless group, has shown improved results for 1992-93. The company's strategy of establishing diverse interests in areas such as water drilling, mineral exploration, automobiles and bearings by widening the product range to include a gamut of seamless hollows and tubes of 3,000 varying diameters (ranging from 6 mm to 200 mm) seems to have paid off over the years.

Despite the severe recessionary trends in the engineering, automobile and bearing industries, the company's net sales during the year rose by 18.7 per cent and operating profit increased by 40 per cent over the previous year. However, with interest charges rising by a sharp 74 per cent there was a lower increase in net profit of 18.5 per cent. The company's performance in the past can be spoken of in superlatives—it was the sole supplier of customised pipes to priority sectors until recently; it was the first to manufacture cold pilgered tubes in carbon and alloy steels; and it was the first to manufacture 100 per cent import substitute seamless tubes for the bearing industry. During the year under review the company installed an additional roughing and rounding mill which uses an induction heating furnace for heating the billets thus minimising material loss by way of scales.

With the conversion of part B of the fully convertible debentures issued earlier, conversion of term loan from financial institutions (FIs) into equity shares and the allotment of bonus shares of the FIs against their entitlement there was a rise in the company's equity capital to Rs 7.6 crore. To part finance the modernisation of its plant and to upgrade technology the company, issued zero per cent fully convertible debentures of Rs 270 each aggregating Rs 12.88 crore and 16 per cent secured non-convertible redeemable debentures of Rs 190 each with detachable warrants aggregating to Rs 15.1 crore on rights basis.

The devaluation of the rupee and its consequent convertibility on the trade account has boosted the company's exports which rose by 30 per cent over the previous year. This was despite the abolition of the International Price Reimbursement Scheme (IPRS) for certain grades of tubes as also the considerable delay in release of payments due under IPRS. Realising the increased scope for exports as a result of the liberalisation scenario the company has opened an office in Birmingham, United Kingdom.

With effect from September 1992, Indian Seamless Steels and Alloys ceased to be a subsidiary of the company following the former's public issue of partly convertible debentures which was oversubscribed by about eight times. The product quality of Seamless Tubes and Technologies (India), an associate of the company, has reportedly been well received in the market following the successful implementation of its project for manufacturing cold formed rings. Another associate company, namely, Indian Seamless Financial Services has doubled its income and profit in 1992-93 and has received category 'I' classification as 'Merchant Banker' from SEBI. Meanwhile Taneja Aerospace and Aviation, an aircraft project in collaboration with Partenavia, Italy, which recently entered the capital market with a public issue is reportedly progressing well as is the trainer aircraft project in collaboration with National Aeronautical Laboratory.

The company earned a net profit of Rs 3 crore on net sales of Rs 60.4 crore in the first six months of 1993-94.

MALWA COTTON SPINNING

Market Constraint

Promoted in the joint sector by Punjab State Industrial Development Corporation and Oswal Woollen Mills, Malwa Cotton Spinning Mills is engaged in the production of cotton carded yarn, viscose yarn, polyester viscose yarn and acrylic yarn. Improved demand and higher production on increased capacity in 1992-93 helped the company post a 22.7 per cent higher net sales figure. A less than proportionate rise in operating expenses resulted in a 34.4 per cent higher operating profit. However, with the company achieving its highest ever production level during the year the rise in offtake was not proportionate leading to a build up of inventories (up 122 per cent over the previous year) and this in turn has led to a steep rise of 77.8 per cent in interest charges. The completion of the company's Paonta Sahib unit expansion further led to an increase in depreciation charges by 26.9 per cent with the result that the company's net profit rose by only 16.9 per cent as compared to the sharp rise in operating profit. The company raised the dividend level from 35 per cent last year to 37 per cent in 1992-93.

Production of cotton yarn during the year was higher by 11.5 per cent at 76.6 lakh kgs while that of other synthetic yarns was higher by 14.3 per cent at 86.9 lakh kgs.

(Rs lakh)

Financial Indicators	Standard Industries		Indian Seamless Metal		Malwa Cotton Spg		Milkfood		Ruchi Soya Indust	
	Sept 1993	March 1993	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992	March 1993	March 1992
Income/appropriations										
1 Net sales	17514	34270	10441	8798	17924	14608	14837	13823	11966	9273
2 Value of production	18528	35102	10583	8928	18135	14948	14436	14602	12642	10168
3 *Total income*	19112	36285	11308	9572	18330	15110	14667	14674	13175	10799
4 Raw materials/stores and spares consumed	6541	12360	6496	5963	11335	9845	10628	10575	7480	4633
5 Other manufacturing expenses	5983	10465	1334	981	1348	1081	1213	1330	2968	3645
6 Remuneration to employees	2520	4714	380	320	1058	829	342	285	88	58
7 Other expenses	2004	3994	669	569	1244	866	1945	1591	1224	977
8 *Operating profit*	2064	4752	2429	1739	3345	2489	539	893	1415	1486
9 Interest	1382	2861	986	566	1179	663	201	322	361	290
10 *Gross profit*	1280	2399	1442	1158	2143	1845	452	571	1051	1204
11 Depreciation	972	1751	344	287	536	424	205	206	245	124
12 *Profit before tax*	307	643	1097	871	1607	1421	246	365	806	1080
13 Tax provision	0	0	65	0	525	495	0	35	163	135
14 *Profit after tax*	307	643	1032	871	1082	926	246	330	643	945
15 Dividends	187	310	206	125	181	171	59	54	184	108
16 Retained profit	120	333	826	746	901	755	187	276	459	837
Liabilities/assets										
17 Paid-up capital	1873	1873	757	568	490	490	489	244	1261	648
18 Reserves and surplus	8470	8575	4661	3117	4856	3956	2338	2394	4878	1369
19 Long term loans	10792	10908	3723	4155	4613	3077	1217	1369	0	0
20 Short term loans	6000	5343	2014	1443	3785	2069	207	360	1567	999
21 Of which bank borrowings	4190	3337	806	738	3185	1669	0	0	1292	924
22 Gross fixed assets	35868	35490	8029	7277	9480	6599	4259	3980	2867	2283
23 Accumulated depreciation	18480	17592	2172	1640	2461	1927	1711	1635	412	167
24 Inventories	9095	8174	1946	1877	5189	2335	1199	1578	2500	1437
25 Total assets/liabilities	34313	34313	13231	11200	17634	11448	5457	6324	9828	6083
Miscellaneous items										
26 Excise duty	1763	3461	1271	332	501	253	26	150	287	114
27 Gross value added	5757	10309	2763	2028	4303	3308	946	1191	1266	1458
28 Total foreign exchange income	2749	6162	284	219	2515	2367	0	0	671	598
29 Total foreign exchange outgo	881	3647	315	1232	9443	244	17	5	10	174
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	51.0	99.9	78.9	78.6	101.6	127.6	271.9	218.6	130.0	169.8
31 Sales to total net assets (%)	64.5	128.4	93.6	94.8	130.4	152.3	349.0	316.5	155.3	307.5
32 Gross value added to gross fixed assets (%)	16.1	29.0	34.4	27.9	45.4	50.1	22.2	29.9	44.2	63.9
33 Return on investment (gross profit to total assets) (%)	3.7	7.0	10.9	10.3	12.2	16.1	8.3	9.0	11.4	22.0
34 Gross profit to sales (gross margin) (%)	7.3	7.0	13.8	13.2	12.0	12.6	3.0	4.1	8.8	13.0
35 Operating profit to sales (%)	11.8	13.9	23.3	19.8	18.7	17.0	3.6	6.5	11.8	16.0
36 Profit before tax to sales (%)	1.8	1.9	10.5	9.9	9.0	9.7	1.7	2.6	6.7	11.6
37 Tax provision to profit before tax (%)	0.0	0.0	5.9	0.0	32.7	34.8	0.0	9.6	20.2	12.5
38 Profit after tax to net worth (return on equity) (%)	3.0	6.2	19.0	23.6	20.2	20.8	8.7	12.5	10.5	46.9
39 Dividend (%)	20.0	20.0	30.0	27.5	37.0	35.0	20.0	30.0	20.0	20.0
40 Earning per share (Rs)	1.64	3.43	13.63	15.33	22.08	18.90	5.03	13.52	5.10	14.58
41 Book value per share (Rs)	42.30	41.64	69.91	59.35	109.10	90.73	57.81	108.11	48.68	31.13
42 P/E ratio (based on latest and corresponding last year's price)	51.2	29.9	17.6	11.9	19.0	17.5	14.7	5.9	18.6	3.8
43 Debt-equity ratio (adjusted for revaluation) (%)	136.2	139.9	70.4	123.3	86.3	69.2	43.0	51.9	0.0	0.0
44 Short term bank borrowings to inventories (%)	46.1	40.8	41.4	39.3	61.4	71.5	0.0	0.0	51.7	64.3
45 Sundry creditors to sundry debtors (%)	115.1	117.8	41.8	57.7	80.8	31.3	581.1	509.9	65.9	269.3
46 Total remuneration to employees to gross value added (%)	43.8	45.7	13.8	15.8	24.6	25.1	36.2	23.9	7.0	4.0
47 Total remuneration to employees to value of production (%)	13.6	13.4	3.6	3.6	5.8	5.5	2.4	2.0	0.7	0.6
48 Gross fixed assets formation (%)	1.5	20.0	11.7	73.4	43.7	26.9	7.0	5.4	25.6	82.1
49 Growth in inventories (%)	11.3	19.7	3.7	14.7	122.2	9.8	-24.0	106.5	74.0	114.2

Modernisation of the Barnala unit has reportedly resulted in producing value added yarns and addition to the company's exports and the yarn produced by the unit has been well received in the domestic and international markets. The installation of 10,080 spindles at the Paonta Sahib unit which was taken up by the company in 1991-92 was completed during the year under review. The company has now undertaken a Rs 14 crore project for installing 9,600 spindles for manufacturing synthetic yarn which is in an advanced stage of completion. It has also undertaken a project of 24,192 spindles for the manufacture of cotton yarn at a total outlay of Rs 46 crore which it expects to complete on a continuous basis. Meanwhile exports rose by 6.3 per cent to Rs 25.2 crore with the company exporting acrylic yarn, synthetic/cotton blended yarn, etc, in addition to cotton yarn.

Though the company's net profit has increased in absolute terms profitability has fallen over the previous year with profit margin falling from 6.3 per cent last year to 6 per cent in 1992-93.

For the first six months of 1993-94 the company earned a net profit of Rs 7.3 crore on a net sales of Rs 101 crore and achieved a gross margin of 12.2 per cent as against a gross margin of 12 per cent for the whole of 1992-93.

MILKFOOD

Troubled Times

The largest milk converter in the private sector, Milkfood which has been promoted by the Jaiswal family (also the promoters of Jagatjit Industries) and was once known as the premier unit in the dairy industry has now fallen on troubled times. Pitched against a number of small operators in the industry following the delicensing of the industry the company is finding it difficult to meet even its daily requirement of milk supply with the result that the company's profitability has fallen drastically over the last few years.

Though the company managed to post a 7.3 per cent rise in net sales in 1992-93, operating and net profit fell by 39.6 per cent and 25.5 per cent respectively over the previous year. A sharp rise in operating expenses offset the decline in interest charges and depreciation provision. Inability to register itself through the National Dairy Development Fund (NDDF) for exports has also hampered the company's prospects. Further if the Milk and Mild Products Order of 1992 is implemented the past efforts of the company at cultivating its sources of milk supply at large costs will turn out to be useless as the Order would mean a reshuffle of areas to determine where the company has to source its milk supplies from. With ghee and other milk products accounting for up to 85 per cent of the company's revenue this could drastically affect its profitability.

The company's foray into the yoghurt business has come a cropper with the result that the product has been taken off the shelves and it is reportedly considering hiving off its yoghurt division. Its ice-cream business on the other hand seems to have caught on with the company claiming to have captured up to 35 per cent of the north Indian ice-cream market. However with ice-cream constituting only 15 per cent of its turnover this avenue of increasing total income has limited scope. Further with major foreign players making a beeline into the country competition is expected to hot up.

However, the registration problem with NDDF has now been sorted out and the release of export quota in the dairy industry by the Agro Processing Export Development Authority has raised hopes for the industry as a shortfall in production in the neighbouring countries can be taken advantage of. Further the company's foray into fast foods through its store Cafe 100 in Delhi seems to have hit the mark and it is now planning expansion in this segment.

For the six months ended September 1993 the company's performance fell drastically. Net sales dropped to Rs 28.5 crore and the company suffered a net loss of Rs 2.9 crore for the period.

RUCHI SOYA INDUSTRIES

Reduced Profitability

Ruchi Soya Industries, the flagship company of the Rs 500 crore Ruchi group, saw a decline in profit in 1992-93 over the previous year. Though the company managed to increase net sales by 29 per cent despite a fall in vegetable oil prices following the changed import policy of the government, a sharp rise in operating expenses led to a 4.8 per cent fall in operating profit with the result that the operating margin fell from 16 per cent in 1991-92 to 11.8 per cent in 1992-93. A 24.5 per cent rise in interest charges and a 98 per cent rise in depreciation charges further contributed to the 32 per cent fall in net profit. The centre's decision to import soyabean oil further hampered profitability. In spite of the fall in profitability the company maintained the dividend rate at 20 per cent on the higher equity capital which entailed a rise of 70 per cent in dividend outgo.

With the rationalisation of its soya food processing unit, refinery and vanaspati plant, the company expects better capacity utilisation in the future. The expansion project undertaken by the company is being implemented as per schedule. The company's exports rose by 12 per cent over the previous year while those of its subsidiary, namely, Ruchi International rose to Rs 21.4 crore giving a combined increase of 103 per cent over total exports in the previous year.

To part finance its expansion programme the company entered the capital market during the year with a rights issue of equity shares aggregating Rs 39.1 crore in August 1992. The rights issue has led to an increase of Rs 6 crore in the company's equity capital. The vanaspati plant, one of the expansion projects of the company, was commissioned in September 1993 in addition to the commissioning of its new soya lecithin plant (with an installed capacity of 600 tonnes) in Madhya Pradesh. Soya lecithin is being used as an emulsifier, an import substitute product and is marketed in the bread and biscuits industry. In addition the company is also exploring its export prospects. The possibility of imports of soyabean oil being less than expected due to a good soyabean crop in the country has led to delay in the company's export-oriented project which was based on the strategy of exporting meals and importing oil. The company has also developed a strategy for procurement of raw materials for the entire year which envisages the use of sunflower as a substitute during the summer season in addition to soyabean and rapeseed, which can be used for producing vanaspati and refined oil and to meet the yearly capacity utilisation of the plant.

For the first half of 1993-94 Ruchi Soya notched a net profit of Rs 9.1 crore on net sales of Rs 80.9 crore.

The Demise of Fabian Socialism—and of Market Capitalism

Arun Ghosh

With the collapse of the erstwhile communist regimes in eastern Europe, socialism as a credo has suffered a severe setback. But we also need to reflect on an interesting development in recent years, the death of 'market capitalism'.

FABIAN socialism has been dead around the world for some decades now. With the passing away of Robi Dutt at New Delhi on April 4, the last staunch, stalwart protagonist of Fabian socialism in India has also gone from our midst. R C Dutt had the right credentials for the somewhat unusual views he held for a once-functioning member of the Indian Civil Service. After all, Robi Dutt was a scion, a grandnephew, of Romesh Chandra Dutt, who was the first to repudiate the British view of Indian history—as written for school children by the likes of Stanley Lane-Poole among many others—who first rewrote a cogent and coherent history of British India, who looked at history not merely as a history of political rulers, as a matter of dates of assassinations, of the ascendancy of one despot in place of another, but as an economic history of an evolving people, of the evolution of struggles, of institutions which build civil society.

Robi Dutt, with his aristocratic and ancestral intellectual background—he came from the family of the Dutts of Rambagan in Calcutta—had natural leanings towards what is now described somewhat disparagingly as Leftist views. Romesh Dutt's heritage was not lost on Robi Dutt; and in his official life, he remained a very good friend of the likes of Parameshwar Nath Haksar, who correctly saw the nationalisation of banking as the practical means of achieving a socialist society which Jawaharlal Nehru has dreamed of introducing through state intervention in production and distribution, *a la* the USSR model. Robi Dutt's good fortune was that within a decade of his joining the Indian Civil Service (in 1937), India became independent; with independence and with Jawaharlal Nehru's vision of a 'socialist pattern of society' in India and his—and Mahalanobis'—vision of using the state to bring about the economic transformation of the people of this country, there was room for a competent administrator to play a useful role in the build-up of the institutions necessary for the socio-economic uplift of the Indian people. Robi Dutt served in pre-Partition Bengal in diverse capacities before he came to the centre as an administrator. He got his first—for him really relevant—opportunity for the application of the progressive (and liberal) views he held as the chief executive of the then National Coal Development Corporation (with headquarters at Ranchi) between 1959 and 1964; and later, he was to serve as secretary to diverse economic ministries of the government of India until his retirement in 1972. Even while in government, Robi Dutt gave expression to his strongly Fabian views in the minute of dissent he wrote as a member of the Monopolies Commission in 1964, when he put in a strong plea against allowing the growth of private monopoly power in the economic life of the country. But it was really after his retirement from government that Robi Dutt's genius and his penchant for a coherent and socialist system of planning for the development of India found full expression. In the numerous volumes he wrote, in the seminars and discussions he organised at the India International Centre—first as a convenor of the Economic Affairs group and later as a convenor of the Social Affairs group—Robi Dutt kept working away till the end. On the evening of his death, he was at his desk till five in the evening, working on a seminar on federalism in India. It was only after 5 p m that he felt a little cold and uncomfortable, a feeling that lasted a bare two hours before he breathed his last, at the age of 82. The last few years of his life were spent in extensive writing and speaking on the problems of socialism in crisis, on the role of state enterprises in a developing economy, on the importance of planning in an underdeveloped society, with its problems of inequalities, lack of social and economic infrastructure, lack of education, of health, of nutrition, and with the ravages of malnutrition and ill-health affecting the productivity of workers, and afflicting society.

But Robi Dutt belonged essentially to a past generation of perfect gentlemen. A Fabian socialist by persuasion, he did not really come to grips with the reality that Fabian socialism had faded away even in Britain, even earlier than its fading away in India. The Reagan-Thatcher emphasis on 'supply side economics', on creating more space for the private sector at the expense of the public sector reflects the emergence of international finance capital, the increasing dominance of multinational companies (or transnational corporations as it is now fashionable to call them) in the production process from the decade of the 70s onwards. Today, all policies around the world are dictated by the interests of TNCs and international finance capital. And the power of these forces makes nonsense of the type of market capitalism advocated by Adam Smith, of the general equilibrium system under conditions of free competition as dreamed of by Leon Walras, of the continuing 'creative destruction' as outlined by Joseph Schumpeter, and even of the Keynesian programme of pump priming by the state so as to help effective demand to keep up with market supplies under the capitalist system

No Sense of History

Let us face it. With the collapse of the erstwhile communist regimes in eastern Europe, socialism as a credo has suffered a severe setback. But we also need to reflect on an interesting development in recent years, the death of 'market capitalism'. We need to reflect on this development But let us digress for a moment.

The sight of intelligent human beings, highly talented people—capable of sending space shuttles to probe the skies, plumb the depth of the seas to investigate the earliest forms of life (which are apparently capable of oxidising sulphides for their sustenance at the bottom of the ocean, where there is no oxygen because of volcanic eruptions with heavy metal residues at temperatures of some 350°c sent up from the bowels of the earth into the ocean base), and of sending perfect, 'high density' communication pictures via the satellite from one side of the globe to exactly the opposite side—unable to perceive the unfolding of the process of economic history of human kind is indeed strange.

Of course, specialists—experts in their own fields—have to necessarily rely on the experience and judgment of experts in other fields; and the more specialised an expert, the greater is his dependence on other experts. But, for every physical scientist, one can find a score of social scientists; and one wonders how and where the latter have lost their sense of history. Where, in particular, are the economists of yester-year who propounded a theory of development?

Consider the theory of markets. John Hicks was probably among the first among economists to produce a complete and cogent theory of the evolution of the market as the basis of economic development Hicks was wrong inasmuch as he exaggerated, and placed

the growth of markets as the *sine qua non* of economic development Markets of sorts have existed long before economic development as we know it really exploded on the earth That development, initiated by the Industrial Revolution, has now been greatly accelerated by artificial intelligence, by genetic mutation, by the possibilities of harnessing the latent energy in Nature for the use of man The growth of markets and scientific discoveries and inventions—and innovations to apply inventions to practical use—have interacted, each has fed the other each has spurred the growth of the other Markets could not have grown but for the rapid strides in labour productivity, nor the latter without growing markets

That much is clear What is not clear is the new fetishism of the neo-liberal economists in regard to their faith in the market system as the best means of achieving an optimum equilibrium as the best regulator of production activities and the distribution of the social product

The Walrasian 'general equilibrium' was at least a theoretical possibility in a world with a large number of independent producers and consumers But the real world of today is vastly different In 1992, a mere 200 multinational giants had sales of $ 5 9 trillion, and 172 of them (originating in five countries) accounted for sales of $ 5 2 trillion (See 'World's Top 200 Mega Corporations Foundations of the Economic Gulag by Frederic F Clairmont and John H Cavanagh, *EPW* February 5, 1994, p 284) Their share of world trade is not known, but considering the fact that the total volume of world exports, as of 1988, was no more than $ 3 trillion (vide, UNCTAD, *Report on Trade and Development, 1989*), one can be reasonably sure that a substantial part of total exports of the world was made by the MNCs and, in fact, quite a significant volume of such trade was intra-MNC flows of materials, components and even final products.

Capitalism in Crisis

Ever since the middle of the 60s, the capitalist system has been in increasing trouble, the beginnings of the sort of trouble that had engulfed the world in the 30s, after the onset of the Great Depression in 1929 The fissures deepened in the 70s, with the dollar going off the gold standard, with the break down of the Bretton Woods system, and with the oil producers revolting against the exploitation of their natural resources for keeping up the living standards of the industrially developed world Stagflation was the order of the day in the OECD countries in the decades of the 70s and 80s, and the remedy sought—the savage monetary discipline introduced to tame inflation—created long-term unemployment of an average of some 10 per cent of the workforce of the industrially developed countries (not counting Japan) That is still the order of overt unemployment in western Europe, though some new members of the EEC are much worse off

In the late 80s, we have the sudden and precipitate collapse of the socialist system in eastern Europe, and in a couple of years, the world view changed dramatically Quite obviously, the type of command economy, the precise mode of central planning adopted by these countries did not bring panacea to the people of these countries That is clear. But the signals were misinterpreted to imply that the alternative is unbridled market capitalism In fact, that gospel spread because the capitalist world saw in the vast areas of eastern Europe a large potential market. The fact that the developed countries themselves had a perpetual problem of inadequacy of demand, that they had to have a large unemployed workforce, that their experiment at Keynesian state intervention had led in the 70s to inflation—partly because of the accident of a sudden rise in oil prices, but even more importantly because Keynesian pump priming does *not* solve the basic problems of imbalance between market supply and market demand inherent in the capitalist system, because of inequalities in the distribution of income—led the developed countries (and the powerful interests therein) to press for an international economic order that is best defined as a dream world for MNCs and for international finance capital

Consider the situation. The OECD countries are obviously unable to market all that they (and their MNCs) are capable of producing. Nor are they in a position to invest all the savings that are getting generated. In fact, international finance capital is not even interested in long-term investment. At this crucial conjuncture of history, the collapse of eastern Europe comes as a 'saviour' of the capitalist system in western Europe.

The folly of the ruling elite in India is another windfall to be exploited and comes in handy. India is also a huge potential market for industrially developed countries. Eastern Europe—particularly Russia—has not quite switched over to playing the game as preplanned; they are totally lacking in the 'institutions' which can make for a functioning market economy. But India has most of the required institutions, for India has never been anything but a capitalist economy, only superimposing certain central planning decisions on market-led production and investments. The markets in eastern Europe need to be developed; the market in India is ready for the picking.

International Finance Capital

Two points need to be emphasised here. The common man does not know of these two obvious truisms, but it is difficult to accept the fact that economists cannot see through the maze. First, of course, is the nature of capitalist production today. Industrial production around the globe is controlled by, may be, between a hundred and five hundred multinational companies. And, the MNCs owe no allegiance to a country. The fact that most of the MNCs originate in the US or in western Europe or in Japan, makes the governments of these countries pursue the policies that suit the MNCs.

Secondly, MNCs do not need external finance; they have large surpluses which they can themselves invest. But, outside of the MNCs, there is a large and growing corpus of funds. International finance capital today has command over considerably more than 7,000 billion US dollars. These are floating funds, seeking to make profits out of 'trade in assets'. International finance capital is not interested in financing either production activity or trade in goods. Trade in assets gives larger and quicker (short) term profits. It is interesting to note that not so far back, one man, George Soros, was able to put in more money than the Bank of England could garner, to save the British pound. It was not so long ago that the UK had to opt out of the Exchange Rate Mechanism (ERM) of the European Economic Community; the Bank of England put in some $ 7 billion to save the pound, and ultimately had to surrender. Reportedly, George Soros netted something like $ 2 billion as his net gain from the transaction, for the pound had to be devalued. And, with the pound went the Italian lira; and the narrow band within which European currencies were allowed to fluctuate—the 'Snake'—had to be considerably widened.

That is the type of operation in which international finance capital is interested. Speculation in real estate, speculative investments in financial assets, leveraged buying-out operations, speculation in currency fluctuations, these are the *modus operandi* of international finance capital.

As a consequence of the two facts of life today indicated above, we have to understand the purposes, the motivations, the objectives of the power brokers in the developed countries of the world, the giant MNCs (like Exxon for instance) and international finance capital (the bankers, the 'fund managers', the very substantial 'brokers', the Rothschilds of this world). It is they who dictate both political and economic policies. It is they who are interested in arms sales to garner more profits, for which limited wars (outside west Europe and North America) can and must be kept going; tensions between neighbouring countries—and sometimes within the same country—in Asia, Africa and Latin America must be kept up. Arms sales are important for business. Arms sales also yield large profits. Bribery, corruption, chicanery and duplicity of the worst kind must necessarily be part of the strategy to keep up the arms trade Political theorists understand this, even though they may not quite understand the processes of the functioning of international finance capital.

'Market Access'

That the MNCs and international finance capital dominate economic policy-making around the globe can be seen from two results of their pressures and their operations. One piece of evidence is the humiliating surrender of the pound sterling to the onslaught of George Soros. The same goes for other aspects of policy-making. The seemingly powerful president of the US, William Jefferson Clinton, has less effective power than the combined power of the chief executives of Citicorp, Citibank and Bankamerica. They and their interests dictate US policy.

The second obvious piece of evidence is the final text of the reformed GATT treaty, signed at Marrakesh on April 15, with its focus on Intellectual Property Rights, on trade in services, on international capital flows (which must be permitted freely), on the provision for 'cross retaliation' where a developed country is not satisfied about the adequacy of 'market access' provided to the powerful MNCs by the developing countries.

Mark the words, 'Market access'—and not competition—is the objective of the MNCs today. That is the present capitalist system for you, that is the international economic order being pushed into place, with the 'promise' of $ 200 billion of gain in world trade as a result of the GATT. (Who dreamed up this figure is not known; the basis of the calculations is even more obscure.) The objectives of the MNCs are also well served by the provisions relating to Intellectual Property Rights in the new GATT treaty. The objectives of international finance capital are well served by the provisions relating to free trade in services (banking, for instance), and free flows of capital.

So the new international order ushered in by the GATT will essentially help to serve the interests of the MNCs on the one hand and of international finance capital on the other.

We stated at the outset that the growth of markets led, at a certain point of time, to economic growth. Markets existed even before the 'Industrial Revolution'. But one cannot say that there was large-scale economic growth before the industrial revolution. The industrial revolution led to growth; one can add that the very process of the industrial revolution was greatly facilitated by the growth of markets. But, even in the 19th century, the growth of markets was facilitated by imperial conquests.

In the 20th century, we do not need (nor talk of) imperial conquests. Political control is no longer necessary; economic and financial control is invisible, more insidious, more pervasive. The paeons sung in praise of 'market-led development' and the superiority of the free market system is intended for the brainwashing of the citizenry of developing countries.

Consider the facts again. Without an expanding market in eastern Europe and in the developing countries, what would be outcome of market capitalism in the OECD countries? France has an unemployment rate today of 12 per cent, the UK of 11.5 per cent; united Germany of 10 per cent (One can leave out the likes of Spain with 20 per cent unemployment, and of Poland—now seeking to embrace market capitalism—with 30 per cent unemployment) Of course, the US has a lower rate of unemployment, varying between 6 and 7 per cent, and Japan an even lower one. But Japan has always been an exception to the OECD ethos, with its high rate of saving and high export surplus, for which a market must be found And the US and Japan have now locked horns in regard to better trade balance between the two. Talk of multilateralism in the GATT, but deal directly to secure better bilateral trade balance, that appears to be the practice of developed countries.

Let us try and piece together the diverse threads of the argument Under the capitalist system, historically, supply tends to exceed demand. Quite apart from isolated 'under consumption theorists', Rosa Luxemburg had convincingly argued this point in a critique of Marx. There are diverse reasons for this state of affairs, which we need not go into. But briefly, the very process of capital accumulation necessarily leads to an unequal distribution of income which in turn leads to a gradual slackening of effective demand in relation to supplies This process is inherent in the very system; and the Keynes-Kalecki

revolution of economic thinking was an attempt to 'moderate' the capitalist system and use state intervention to get over this difficulty.

So the capitalist system needs to always search for new markets. In the 19th century, this search for new markets led to political domination by imperial powers. Even so, the system could not quite cope, as the Great Depression of the 30s of this century testifies. In the last decade of the 20th century, we do not need political domination. And, in a unipolar world, economic power can be exercised relentlessly, for greater market access for the products of developed countries, for the protection of Intellectual Property Rights—thereby sealing the production frontiers in developing countries—and for freedom of capital movements so that the acquisition and sale of asserts can give greater short-term gains to international finance capital.

Where Are the Economists?

What earthly chance does Fabian socialism have in this framework? We bemoan the death of Fabian socialism, yet we do not quite appreciate that Fabian socialism just cannot work in a world order in an economic framework where there is unheard of concentration of power over resources. Real resources are, of course, the men, the materials, nature's bounty, and the extent of human control over nature's bounty. But the control over these resources is exercised by money power. This is simple logic which every villager in India can understand; the landlord, the moneylender exercises power over the landless labourer and the perpetual borrower in ways that the intellectual middle classes in metropolitan areas cannot fathom. And what happens in an Indian village gets replicated, though in much greater magnitude in the global village, in the era of satellite television and FAX messages.

Not everyone, unaware of the resource power of MNCs and of international finance capital would, of course, know the *raison d'etre* of recent happenings around the globe. But where have all the economists of yesteryear gone? There is a galaxy of names of Indian economists, many of them more deserving of a Nobel prize than some recent Nobel laureates; and there has been an eerie silence from this group. Some, one is aware, have been co-opted by the system; but certainly, not all of them. Have they just given up? Or is personal well-being so important?

But the above rumination is by way of an aside. We bemoan the death of Fabian socialism. We should equally bemoan the impending death of the 'market system'. Not that the market system is capable of solving the problem of distribution of the steadily growing social product. But, at least in theory, the Walrasian general equilibrium can lead to optimum production, and that optimum would lead to the distribution of the social product among all participants in the production process. The care of the young, the succour of the old may not be covered by an increasingly self-loving self-aggrandising population, but that leads on to diverse other questions of social and moral philosophy. We should concede that under conditions of perfect competition, a Walrasian optimum is possible.

But is that possible under today's conditions of monopoly capital (by way of MNCs) controlling production, and of international finance capital (with its proneness to making speculative short-term gains) ordering even political processes? Market capitalism is dead; what we have is a struggle among (financial) imperial powers to carve out the world market amongst themselves. That is the reality, that is what explains the reformulated GATT, signed by 127 countries on April 15, 1994.

Is there then no hope for the future of mankind? One does not know whether some evil genius would destroy life on earth through some scientific misadventure. But, on the economic front, there is no real reason for pessimism in the long run. Increasingly, one finds that even the most powerful nations cannot always keep the spirit of man subjugated around the world. The saga of the Vietnam war is behind us, but the withdrawal of UN troops from Somalia, the impotence of the UN in Bosnia, the failure of the great powers to bring any semblance of peace in Lebanon or in the Palestinian territories occupied by Israel, are evidence of the indomitable spirit of man to fight for his identity.

It has been relatively easier to co-opt certain vested interests in the economic sphere. But here also, the great powers need local compradors; and compradors, as history has shown time and again, never last very long.

One need not despair; for India is a large agricultural country, with some two-thirds of its workforce still dependent on agriculture. And India possesses a scientific-cum-tech-nical manpower which can again rebuild the industrial economy. Only, every day, it becomes ever more difficult to shake off the after-effects of the policies adopted over the past decade.

Contrary to opt-repeated statements that the economic policies adopted since July 1991 are irreversible, one can verily say that *all* policies are reversible; the after-effects of some policies are not. Nor is it going to be easy to wash off the rampant corruption of the mind that has been positively encouraged for some time.

Fabian socialists always dreamed of orderly change. Robi Dutt was no exception; and he had reason to be optimistic in the 50s and 60s, and perhaps even in the 70s. With the onset of the 80s, both the Indian and the international scenarios have undergone dramatic changes. Perhaps the future may not see the orderly change that Fabian socialists dreamed of. But change is inevitable, change is the law of nature; and the dialectics of change cannot always be forecast. We need not bemoan the death of Fabian socialism because its alternative, market capitalism is also dead.

Education Dilemma

Sadhna Saxena

Between 'education' and 'no education' lies a world Intellectuals seldom delve into this troublesome region, which challenges their beliefs and their position as benevolent educators

LANDLESS and propertyless people in Chattisgarh are called 'sukhvasis'—happy residents, since they have nothing to loose, nothing to protect and hence supposedly no worries So, even migrant workers may be referred to as sukhvasis Most of them own no land, or possess only a small unirrigated piece

Among literate people ('padhe likhe log'), including government circles, migration is called 'palayan' (escape) One senior district level bureaucrat from Bilaspur told one researcher, 'Now it has become their habit They have everything at home but still they migrate Just to make some extra money they leave their homes every year' The irony is that these sukhvasis do palayan to survive They travel long distances along with their small children, leaving their homes to remain away for months every year and sometimes for years together Forced to do physical work beyond human limits they face ruthless economic exploitation and women face sexual exploitation too At sites such as brick kilns they may be imprisoned virtually as slaves, kept behind barbed wires under the strict vigilance of contractors 'goondas' until the end of the job No way can they escape or indulge in palayan from such bondage

Most of the agricultural area in Chattisgarh is single crop area and migration begins immediately after paddy harvesting or during Chattisgarh's rather frequent famines During the last three decades of the 19th century this region was perpetually under famine This coincided with the opening of the rail road linking Chattisgarh, Asansol and Nagpur, starting the process of migration which continues till today So, migration is a fact of life for the workers of Chhatisgarh Whether they migrate in search of illusive 'sukh' (happiness, which they are already supposed to possess) or 'extra money' (which they are supposed to be making through inhumane labour) is an ideological question

In May 1993, a workshop involving about 35 women migrant workers of Chattisgarh was organised in Raipur by Rupantar, a Raipur-based voluntary organisation The participants were middle-aged women who had worked in far-off places like Sambalpur, Haryana, Delhi, Hyderabad, Jammu and Kashmir, Madras, etc Their normal practice is to leave their older children and parents behind for continuing their studies and looking after the house respectively Most of the women had been brick kiln workers However, several of them had also worked on construction sites of buildings, bridges, dams and thermal power stations, etc Rupantar has conducted an intensive study on women migrant workers of Chattisgarh and is planning to start health education programme with them This workshop was their first effort in this direction The workshop aimed to explore in three parts issues of health, education and the law affecting the migrant workers and share information with them on these issues Rupantar had invited outside resource persons for conducting these sessions People who were invited to lead the sessions on women s health and education included three persons who had rich experience of working with village women agricultural workers, school teachers, mine workers, etc However they discussed education with migrant workers for the first time

During the introductory session, each one of the migrant worker talked about her life as a migrant worker They gave vivid accounts of their harsh experiences with contractors, sub-contractors and sardars (who gather and transport workers), their struggle in unknown lands to get the promised wages, of uncompensated accidents and deaths of children and fellow workers, etc

The stark realities of their lives, their brave day-to-day struggle and their unstable life made us imagine how remote a subject like education would be for them My colleague and I decided to ask them to tell us about even their remotest experiences with education Primarily we thought we would hear how their children cannot fit into the existing education system, how their studies get disrupted, or how they are thrown out of schools because of long absences In general, we anticipated a low level of motivation towards formal schooling Since the women were illiterate, we expected a low level of literacy amongst their children also While preparing for the workshop sessions, we had wondered how we might suggest any meaningful and positive solutions to them If children migrate along with their families, how could breaks in their education be taken care of, that is, if they join schools in the first place? We wondered if special schools for migrant workers' children could be a worthwhile and feasible solution All of us know what a farce non-formal education (NFE) type of programmes have become In view of that, are special schools desirable at all? Considering the situation of migrant labourers for the first time, we did not have any answers

Interestingly, of these 35 women about one-third had made efforts to go to school but had dropped out within a few days or weeks due to a variety of reasons including mother's death, brother's death, looking after younger siblings and managing the household At least two women said that they had been denied admission in schools by school authorities since there were no women teachers. One said that she could not continue going to school after the fourth day as it was five villages away and she could not stand staying hungry during long school hours and walking many kilometres everyday For her, school had been a punishment However, others said they wanted to study for a better life One woman had been taught by her father at home, which enables her now to read the *Ramayana* and posters This she stated with pride and confidence, repenting, however, that she had not been able to study up to class IV or V This, she thought, might have got her a job and respite from the drudgery of hard labour Contrary to our expectation their motivation for formal schooling was very high

However, it is when they began talking about their children's education that all our assumptions turned out to be wrong They showed us how little we understood about this set of people who continuously struggle for mere survival, yet still hope for a better life Surprisingly, these women somehow seemed to have had taken care of most of the practical obstacles None of our constructed worries in fact emerged as a problem We were astonished to find that each woman, except for two, had sent one or more of her children, including girls, to schools The motivation to educate them was so strong that they ate less, ate only 'bhaji' (green leafy vegetables) at times but sent their children to schools They left them behind with their neighbours, grand parents or other relatives to continue in school while they made bricks and built roads in far off cities Although not all were so lucky in managing to avoid discontinuity in their children's schooling, their spirit was touching and heartening They were motivated by aversion against seeing their children suffer the way they themselves have been suffering Also, they pinned their hopes on their children getting jobs "When we will no longer be able to walk around, at least they will feed us if they get jobs", Bhuribai said Despite such high motivation and hope children of two women could not get beyond class IV However, children of the other women managed to study up to

class VIII, high school, class XII, and a few women's children were now ITI diploma holders and graduates. One was even a post-graduate! Some younger children are still studying and they are doing well.

We thought it was remarkable that these 'first generation learners' without much academic help had reached such educational levels despite all odds. Their parents spent their hard-earned money for buying books and bribing the teachers for their admissions. Chhedin Bai was particularly very upset about the cut which teachers demand out of their children's scholarships. "Tell us how we should control this", she asked pointedly. It was so unexpected for us that for a while we did not know what to say. It was a kind of success story, and probably secretly we were relieved that at least some people had made it! Little did we realise that this achievement could itself lead to immense disappointment to the migrant workers. Almost all the educated grown-up children are now sitting unemployed. "What should these children do now? They are sitting idle. They are neither fit nor willing to do the hard jobs. We did not prepare them for this either. We nearly starved to educate them. What do we do now", said Sukhvanti Bai. "We survived on bhaji, hoping for better days. Now my children do not want to study further. They say if they have to do hard physical jobs only why should they study?", said Baratin Bai. "Our children's situation is worse than before. They can't bear the heat, can't do hard physical work and there aren't any jobs for them", said Pyari Bai. Anxious about their children's and their own future, they were feeling let down. Every single woman expressed such anguished disappointment.

We were struck speechless, at a loss how to proceed, our neat priorities having been shred apart by their unfolded life experiences. A woman broke the stalemate when she dropped the comment, "even if our children are not getting jobs, at least they have got 'buddhi' (wisdom) through education!" Some people snatched this opportunity to reinforce this with standard messages about how education should create awareness and increase one's knowledge base and how the buddhi it gives can help fight for rights like minimum wages for labour. If these women are educated enough to know about their exact working hours, etc, contractors would not be able to exploit them. We felt uncomfortable with this escape, since memories of these 'illiterate' women's struggle with the sardars and contractors to get their dues were too fresh as yet. And it is well known that workers do not wait for educationists to teach them about their rights. They learn this and earn minimum wages through political struggles. Still, some of us proceeded to suggest that buddhi is of the most importance and education is not just for jobs. A clash of perspectives and needs thus clearly emerged. Persons who literally had starved themselves to educate their children, hoping that their children would not have to starve in turn, were now urged to believe that education is not for jobs but for buddhi!

The problem of educated unemployed was brought further into focus by Motilal, a local resource person, a middle-aged man. Narrating his experience, he said, "I am a graduate. We are eight brothers. One of my brothers is an MA. Both of us are unemployed. During 1985 famine our whole family migrated to Delhi and we worked at Badarpur Thermal Power Station. We were there for two years. My three younger brothers did odd jobs at the construction sites. They met lots of people and began to work with some truck drivers. They managed to learn driving, and now two of them have got regular jobs as truck drivers. They did not study beyond class V. They are self made. The third one of them will also get a similar job while two of us remain unemployed." Then he hastily added that both of them work "sometimes on their own fields and sometime as labourers on others' land, and they do not mind it".

Finally, we asked the women what they have ultimately gained by educating their children. Sukhbara Bai painfully concluded the session, saying, "I am still a migrant worker. During every lean season, my family has to leave home and go out in search of work. We go as far as Jammu and Kashmir. My son is 12th pass. He is jobless, sits idle at home. He cannot do hard work like us. This time I took him with me and pleaded with the sardar that he is educated, he cannot stand the sun's heat, please give him some light work. Probably, he would have been better off without going to school. This is what we have achieved by educating our children."

This aptly sums up the debate on the relevance of the present education system in the existing socio-political and economic matrix. Who is it for? What is it for? Whose quality of life improves? We made feeble gestures to soften the shock by commenting that migrant workers have wide exposure and so even if they do not get jobs, they would manage somehow. However, this does not reduce the significance of clearly articulated questions of these women. The relationships between formal education, wisdom, knowledge and employment are not linear or straight forward and these women at the receiving end are the victims of the disjunction between these variables.

Here the role of intellectuals also comes up for questions. Negative experiences honestly articulated sometimes brings forth questions by some of us—"should there be no laws since they don't get implemented? Should there be no education?" These are irresponsible queries as all of us are aware that between 'education' and 'no education' there lies a whole world. People seldom let themselves sink into this troublesome world which challenges their beliefs and position as benevolent educators, and sometimes even the rationale for a meaningful existence.

Torture, Human Rights, Legal Rights

Gobinda Mukhoty

Despite repeated exposures by journalists and human rights organisations and intervention by courts, torture is pervasive and a daily routine in every one of India's states, irrespective of whether the arrests are made by the police, paramilitary forces or army. It happens regardless of the political persuasion of the party in power. The government's persistent failure to acknowledge it serves to ensure that the established patterns of its practice throughout India will continue.

"THOSE who live by the side of a police lock-up must have heard screams of people held by the police. In the next day's paper, they read that an arrested person in the same lock-up has committed suicide" (APDR). Is it an exception or the routine? Jyoti Basu, chief minister of West Bengal, declared on October 20, 1987: "In a civilised country, there cannot be a murder in a lock-up".

Late Rajiv Gandhi, prime minister of India, in January 1988, gave an interview to Panorama, a British television and declared: "We don't torture anybody. I can be very categorical about that. Wherever we have had complaints of torture, we have had it checked and we have not found it to be true".

APDR in its report mentioned that between 1977-1989, in the state of West Bengal, run by a 'civilised' government, there were 82 deaths by torture in police lock-ups. APDR named the persons concerned and the 'thanas' and also dates of such killings by torture. Therefore, there was all "quiet on the eastern front."

From 1982-1989, in Bombay, there have been torture killings in police lock-ups numbering 8-12 every year. During the same period, Delhi and Andhra Pradesh saw 48 and 118 such murders, respectively.

On June 26, 1989, in Shalimar Bagh, Delhi, children aged between 6-12, were stripped, beaten and burnt with cigarette butts by the police, the allegation against them being that they had committed theft.

A report on human rights violation and state terrorism in Assam during Operation Rhino of September 1991 has brought out the following:

"During house search, all male members were dragged out, some even from bed, and were manhandled and beaten up at home itself. Women folk were abused, some were slapped, some even hit by rifle and even there were many cases of sexual molestation. Most of the male members, specially younger ones (but actually irrespective of age), were rounded up. They were taken to two interrogation camps, one situated in the field of the local school, another at about 2.5 km away from the village inside a reserve forest at the bank of Ghagar river. Most of the men were beaten on way to these camps. In fact, the army jawans forced the men to carry them on their backs over a muddy and swampy area. Even when the jawans were riding their human horses, they did not stop beating the men carrying them. The major in-charge of the operation rode on the back of a respected elderly teacher of the village.

"In the camp areas the people were humiliated and punished in various ways:

— They were made to kneel down facing the sun.

— They were made to run in circles or to do frog jumps till they fell down exhausted.

— They were kept without food or water and even during these degrading punishments, were kicked, beaten, whipped from time to time, especially when they fell down from exhaustion. During interrogation and also during house search the common question was 'Ulfa Kahan Hai?' (where is Ulfa?) During the investigations and from the written submission as well, it became clear that the army conducted the raid not looking for someone or something specifically, but to terrorise and to try their luck in ferreting out some worthwhile information from terrorised villagers.

"During the interrogations of the villagers, one after another they were subjected to merciless beating with lathis, rifle butts and whips, many were kicked, punched and trampled on the ground. A few were stripped and electric shocks were applied to their body including private parts. Hairs were pulled out. A few were crammed into a small cage and kept locked. The villagers describe the interrogation camp at the bank of Ghagar river as a virtual hell, filled with the screams of the damned and shouts and abuses of the tormentors.

"The most interesting point is that in this mass interrogation and raid the army failed to catch a single hardcore insurgent. Most of the people rounded up were released by evening or night.

"Methods of interrogation and torture are grisly. Many of these procedures are adopted not only for interrogation but are done at random—because most of the times people were not interrogated properly but nevertheless tortured. Torture acquires an independent existence—a momentum of its own and a sadistic sinister underpinning. This makes it a tool for creating pure terror.

"The methods used are as follows:

(1)— *Beating* both in public view, at home before family members and also inside the army camps by hands, lathis, rifle butts, whips.
— Punching in face, head and abdomen.
— Kicking in chest, abdomen and back.
— Trampling and kicking a man, made to lie down on ground.
— Beating with lathis on soles of foot.

(2)— *Hanging* the person from ceiling beams by hands.
— Hanging from tree, in upside down position.
— Hanging the person by one hand only, other hand bound behind back.
— After a person is so hanged, he is severely beaten or other forms of torture are carried out.

(3)— *Wet submarine treatment*—immersing the head of the person in a bucket or drum of water till he is nearly drowned.

(4)— *Continuously pouring water* over the mouth and nose of a person after he is bound up and immobilised till he is nearly suffocated.

(5)—*Staking*—a person is made to lie down on ground, either face up or face down position, and his hands and feet are tied in a spread-eagled manner to stakes driven to ground. By this method a person is totally immobilised. Then he is beaten, kicked or trampled under boots or tortured in other ways. Sometimes lathi is rolled forcibly over his back by two soldiers causing blood vomiting and evacuation of bowels in severe pain.

(6)— *Keeping bound up* in an uncomfortable siting position to a stake or tent pole for hours, even days together.

(7)— *Frame treatment*—a person is bound spread-eagled to a vertical rectangular wooden frame, and thus immobilised is tortured.

(8)— *Giving electric shock*—electric shock is given from a 12 volt car battery or directly from domestic mains. Shocks are given to head, eyes, cheeks, ears, neck, shoulders, armpits, back and even to private parts.

(9)— Uprooting hairs by pinchers from head, eyebrow, armpit and even pubic hair.

(10)— Hitting a person on his genitalia and testicles till he becomes unconscious from pain.

(11)— Applying chilli powder to eyes with the hands bound behind his back, and also to anus.

(12)— Forcefully pulling apart the legs by two soldiers, resulting in tear of the

(13)— Pushing a stout lathi, smeared with chilli powder and petrol, through the anus.

(14)— Burning with lighted cigarette butts. Such burns are even given to private parts.

(15)— Sticking pins all over the body

(16)— Burying in ground up to neck and covering the head with a bucket.

(17)— Denying food and water for days together.

(18)— General physical punishment and humiliations. Usually large groups are subjected to these People are lined up in a field or in camps, sometimes in full view of the womenfolk, and are forced to do the following

(a) To kneel facing the sun for hours.

(b) To stand naked in sun and rain.

(c) To stand in waist-deep or neck-deep water for hours

(d) To perform frog jumps till the person is exhausted.

(e) To run in circles.

(f) To carry army jawans on back over long distances

(g) To perform sit-ups holding the ears.

(h) Forcing to eat sand, earth or to drink alcohol and filthy water.

"During all these the army uses filthy and abusive language. Most of the times, specifically during night time, the army jawans are drunk.

"During raids and searches army jawans usually misbehave with the women. At the slightest pretext, they lay hands on women, pull them by hand, pull away clothes, sometimes actually strip them naked. Molestation and attempted molestation are occurring everyday. Passing obscene remarks has become so common that this is not even complained of by the women. Incidents of rape have occurred. A few girls have been gang raped to death A lot of rape incidents have not yet come to light because of social sanctions and humiliations that the victims have to face afterwards. A heinous incident of confining two women to their homes and repeatedly raping them every night by army jawans has also come to light. Even young boys have not escaped from perverted sexual assaults.

"All the blood-curdling modalities of torture listed above are tabulated from actual interviews and signed statements of the victims. Many other methods of torture that have been used are not tabulated here because such statements are not at hand. This list alone is sufficient to show what is actually happening after illegal detention and interrogation carried out by the armed forces.

"During such interrogation the victims are almost always tightly blindfolded so that afterwards they cannot identify their tormentors. The most disturbing features of the widespread inhuman torture are as follows:

(1) Persons tortured are losing their mental balance, suffering from severe insomnia and are becoming paranoid.

(2) Those given electric shocks to the head are suffering from intense headache, memory lapses, incoordination of thought and action, visual disturbances and are having various weird symptoms.

(3) Those who are physically tortured, specially those who are kicked, trampled upon or beaten with blunt lathis are having severe muscle and joint pains; blood vomiting; passage of black-coloured stool or melaena; passage of blood in urine; inability to use one or more arms, forearms, fingers, legs, etc; and damaged reflexes and other neurological features.

(4) Those who have been tortured in genitalia are developing loss of libido, impotence and other sexual abnormalities.

"The greatest tragedy possibly is that all these tortures are interrogations of innocent people and are mainly pointless and fruitless. They have not helped the armed forces either to make any spectacular arrests or achieve a major breakthrough but have served to make the population sullen, rebellious and more alienated—a perfect recipe for future violence".

Over 300 names have been mentioned and description has been given of the method of torture.

According to the Amnesty International report called 'Torture, Rape and Deaths in Custody' of 1992:

"Torture is pervasive and a daily routine in every one of India's 25 states, irrespective of whether arrests are made by the police, the paramilitary forces or the army. It happens regardless of the political persuasion of the party in power. Many hundreds, if not thousands, have died because of torture during the last decade.

"Many torture victims are arrested in connection with criminal investigations and tortured to extract information and confessions. Others are arrested because of a relative or friend sought by the police or because false charges are brought against them at the behest of powerful local interests, members of state ruling parties, businessmen or landowners. This is particularly commmon in states in which there is organised opposition to economic exploitation such as Bihar, where the police appear often to act as instrument of repression on behalf of local ruling groups.

"Torture is also widespread in areas where the government faces armed opposition—Jammu and Kashmir, Punjab, Assam and the north-eastern states and the regions of central India where the Naxals are active. Here, torture is the means of obtaining confessions and gathering intelligence but it has an extra dimension: it is also used as deterrent and in reprisal for attacks by armed groups.

"The most common torture methods are severe beatings, sometimes while the victim is lying upside down, and electric shocks. People have also been crushed with heavy rollers, burned, stabbed with sharp instruments, and had objects such as chillies or thick sticks forced into their rectums. Sexual mutilation has been reported.

"Rape is a common form of torture. It is so routine that a 1988 newspaper headline read: 'Another mass rape by Bihar cops'. In September 1989, the Rajasthan state government admitted that the police had been involved in over 50 rapes in the past few years. According to the Delhi police, 14 cases of rape were reported involving 20 police officers at 12 police stations between January 1 and February 11, 1990. Rape of women appears to be used by the police and the security forces to deter opposition and also as a means of indirectly punishing the men from a particular village or area. As an editorial in *The Statesman* commented: 'The police abuse women to carry out a proxy war against what their menfolk stand for'.

"Successive Indian governments have persistently refused to investigate the abuses documented in such reports and have frequently sought to discredit their authors. Some civil liberties activists have been detained because of their work.

"Journalists who expose human rights violations have also been detained and ill-treated. Threats against journalists and assaults on them are frequently reported. In July 1989, Bramhadeo Singh Sharma, 84-year-old editor of *Awaaz-a-Hind* newspaper in Bihar, was dragged from his house by police and forced to remain standing for several hours. This occurred after he wrote an editorial condemning the police administration for failing to punish officers who had publicly stripped and beaten unconscious Malati Manjhiyan, a tribal teenage girl. He was released following protests by journalists and others. The seven police officers responsible, including the senior officer, were suspended but no further action is known to have been taken against them.

"The government's persistent failure to acknowledge that torture is routine serves to ensure that the established pattern of its practice throughout India will continue.

"At the end of 1970s, police in Bihar, faced with a steep rise in armed robbery carried out by gangs of young men, decided to blind suspects as a deterrent to others. Over 30 men and boys were deliberately blinded with thick needles and acid between October 1979 and November 1980. The youngest victim was 16 years old.

"The man who had been instrumental in exposing the blindings was the superintendent of Bhagalpur jail. He was suspended without pay in December 1980.

"The first inquiry was carried out by the deputy inspector general of the Bihar Criminal Investigation Department (CID). He was ordered to go to Bhagalpur to establish whether the police had carried out the blindings. He later said: 'I was given the

job because they knew that I had a great weakness for the police force and they expected me to cover up. I went thinking that the police could never be guilty of such brutality, but after examining the victims for two days I got 32 cases instituted against 10 police officers'. When his superiors received his first report, he alleged, his inquiries were promptly blocked. Nevertheless, he submitted a 70-page report to the Bihar government in December 1980, followed in January 1981 by separate reports on each case. In February 1981 he was told to vacate his office by the following day and was demoted.

"The police blidings in Bhagalpur illustrate key aspects of the pattern of torture in India: the sanction of torture by state and local judicial authorities, the routine concealment of torture, the failure to conduct proper inquiries, and the inordinate length of judicial proceedings. It was 10 years after the blindings that the Supreme Court quashed the charges against the victims. However, the case is exceptional because a nationwide public outcry resulted in concern at the highest level of government and the prosecution and punishment of at least some of those responsible. Nevertheless, several of the police officers allegedly involved apparently escaped trial and the longest sentence served by a police officer convicted of deliberately blinding a prisoner was three years.

"Criminal suspects form a large proportion of India's torture victims. Many victims of torture are jobless, slum-dwellers or migrant labourers who have come to the cities in search of work. Most victims of police rape in Delhi, for example, are migrant women, who often disappear after the rape because they are too frightened to pursue the matter.

"There is also a pattern of torture and ill-treatment in punitive reprisals for resistance to police or military operations. In many Indian states the police have been accused of detaining and torturing people on false charges at the behest of influential local interests.

"Dalits and adivasis are frequently tortured for political reasons, to deter them or punish them for involvement in organised resistance to economic exploitation. Often adivasi and dalit villages have been raided and their inhabitants tortured and raped by police acting in collusion with local ruling groups, such as landowners. Such abuses are common in Bihar.

"In May 1988, 23 women from Majhua village of Purnea district were raped by police during a raid on the village reportedly instigated by a local contractor as part of an attempt to intimidate villagers who had refused to work for less than the minimum wage. The police were armed and reportedly responded to any resistance with violence. The rape victims were said to include an 80-year old woman, and a baby girl, aged one, was reportedly molested.

"In June 1991, the PUDR published a report of its investigation of police behaviour in the tribal village of Hadmatiya in Udaipur district of Rajasthan. In March 1990, according to this report, a local large landowner had lodged a complaint of trespass and theft against 37 villagers after they attempted to grow crops in a tank bed to which they held traditional rights. The complaint was investigated by 11 police officers who visited the village on March 5, and reportedly provoked a riot by mistreating adivasi women. Several police officers were beaten. The police withdrew and filed charges of assault and attempted murder against the villagers. Some four weeks later, they also took direct reprisals. According to the PUDR, 14 jeeps, four trucks and a bus load of police officers accompanied by some of the landowners' agents, surrounded the village and herded the villagers into a field. They then opened fire on the villagers injuring 35. The women were stripped and beaten.

"Torture is common in those areas where there are political groups actively seeking independence or increased autonomy, especially when such demands are made by armed opposition groups. These groups are active particularly in Jammu and Kashmir, Punjab and the north-eastern states.

"It is impossible to gauge the true extent of torture in Jammu and Kashmir. In July 1991, unofficial sources estimated that 15,000 people wete being detained without trial in the state. Many of those detained since late 1989 have alleged after release that they were tortured and ill-treated in custody. In November 1991, Kazi Massrat, the chief casualty officer at the Medical College Hospital, Srinagar, told a British journalist: 'I must have treated 250 torture victims in the last year'. He said they included men who had been forced to drink large quantities of fluid after having their penises tied tightly. Earlier in June 1990, recently released villagers from the village of Haihama-Payerpora, Kupwara district, told another British journalist how they had been tortured while detained by the Indian army. When interviewed they still bore massive bruises, burns from electrodes and heated rod cuts and rope sores. One man, whose feet were bandaged up to the ankles, said a bed of coal had been covered with corrugated iron and a deep layer of sand which slowed their progress when the prisoners were forced to run across it. All had been released without charge after soldiers reportedly threatened to detain and torture them again if they should support the armed opposition.

"In Jammu and Kashmir, rape is practised as part of a systematic attempt to humiliate and intimidate the local population during the counter-insurgency operations.

"In May 1990, Mubina Gani, a teenage bride, was detained at roadblock and raped by BSF soldiers on her way from the marriage ceremony to her husband's home. Her aunt who was seven months pregnant was also raped. The official explanation was that the wedding party had been caught in crossfire between two paramilitary units. The victims said that soldiers had fired on them without warning at the roadblock, killing one man and wounding several others before raping the two women.

"Mubina Gani told one reporter: 'we were crying bitterly. I told them I had not yet seen my husband. But they did not listen. Four to six persons raped me, I think.

"This incident, when it was reported, captured the attention of both the Indian and international press. As a result an inquiry was instigated by the police, and a report from one senior officer confirmed that the rape had occurred. However, those responsible have not been brought to justice.

"The PUDR also published a report on Assam in May 1991. It concluded: 'Most of the persons detained by the army were tortured... We have interviewed many tortured victims, visited three hospitals, met concerned doctors and gone through a number of court documents

"Beating, stripping and hanging them upside down and then beating on head and chest, thumping on chests with boots, pouring ice cold water, burying them up to chest and then beating on keeping a bucket over the head, squeezing testicles with clamps, dipping in cold water drums, forcibly keeping them awake for days together, denial of food or water, are some of the forms of torture used. But the most common form is electric shocks. Sensitive parts of the body including ears, tongue, armpits, genitals and head were repeatedly given electric shocks sometimes in progressively higher voltages. With electrodes at each temple the brain was subjected to electric waves.

"Rape and ill-treatment of Bodo women by the police and the security forces have also been widely reported. Rape often occurs during the raids on villages in search of tribal militants.

"The use of torture in Punjab has been officially confirmed. A judicial investigation was conducted in February 1989 by justice S S Sodhi in Amritsar jail. He found that many detainees had been tortured by police when kept in illegal detention preceding formal arrest."

In spite of this widespread torture all over India, the government of India never seriously considered as to how to contain this inhuman crime against humanity.

"In response to the 33 specific allegations of torture and deaths in custody, raised by the United Nations Special Rapporteur on Torture between 1988 and the end of 1990, the Indian government either denied them—saying that they were concocted; provided the police version of events; said the allegations were under investigation—or failed to give any response even when the allegation had been confirmed in court. Typical is the response India's representative gave to the

42nd session of the UN sub-commission on prevention of discrimination and protection of minorities on August 27, 1990. "The law in India forbids a police officer to use more than the minimum force required to deal with a particular situation. The government has issued directives to police personnel to desist from such methods during investigation and interrogation which can cause torture. In India an entire network of safeguards within a democratic system are available to prevent the occurrence of human rights violations such as the torture of detainees These safeguards include a completely free press, public awareness and the institutions of a vibrant and healthy democracy. Despite such safeguards, a few isolated cases of torture of detainees can take place as they can elsewhere in the world. Whenever allegations of torture are made even in the press, there is a regular investigation by a judicial magistrate and if anyone is found remiss in his duty, proper action is taken. Police personnel found guilty of torturing detainees are liable to receive exemplary punishment."

Is the torture, then, legal?

Can confessions be extracted by torture and produced before a court of law as evidence?

Are, the courts of law going to accept such confessions as evidence of guilt?

APDR in its report narrated: "It may be noted that causing hurt to the arrested persons under police custody, not to speak of public flogging, is not only impermissible, but also a penal offence under Sections 330 and 331 of IPC. Section 29 of the Police Act of 1881 and Article 20(3) of the Constitution of India clearly forbid such course of action. Rule 3 of the Police Code of Conduct lays down: 'They (the police) should not usurp the functions of judiciary and sit in judgment on cases. Nor should they avenge individuals and punish the accused'. Because Section 101 of Indian Evidence Act clearly stipulates that the arrested person has the right to have the benefit of the presumption of innocence till his guilt is proved. Several Supreme Court judgments have upheld the spirit of this Act."

Under Article 21 of the Constitution, every one in this country has a right to live with dignity. But, unfortunately, Article 22, Clause 2(3) (b) and Clause 2(4) of the Constitution give power to the parliament to pass draconian legislations and successive governments from 1950 have passed anti-people legislations like PD Act, MISA, NSA, ESMA and TADA, with the help of which all the governments without exception have ruthlessly suppressed people's aspirations. This immense power has been misused by the politicians, with the help of the police, on a massive scale The constitutional protection has become, because of these legislations, more illusory than real for the people for whom it was particularly meant, i e, the have-nots, the dalits, the oppressed classes, which comprise nearly one-half of the population of India

In no civilised country, the confession of an accused will be accepted in a court of law—a confession which has been made before a police officer. But, unfortunately, in this country in some cases such confessions are accepted in a court of law. Read in this connection, Section 8 of the Railway Property (Unlawful Possession) Act, 1966. Qua this section the Supreme Court said in 1981: "Officer of Railway Protection Force making inquiry in respect of an offence under Section 3 of the Act is not a 'police officer' within the meaning of Section 25 of the Evidence Act and, therefore, any confessional or incriminating statement recorded by him, in the course of an inquiry under this Act, cannot be excluded from evidence under the said Section".

Under Railway Protection Force Act, 1957, Section 14, such power is there. Taking cue from these two earlier acts, in the Terrorist and Disruptive Activities (Prevention) Act, 1987, Section 15, the power has been given to a police officer not below the rank of an SP to extract confession from an accused and use it in a court of law." TADA is the most atrocious of all the preventive detention legislations and if such power is given to a police officer, then, god help this nation and its citizens. A contemporarian entry in the jail hospital of Tihar jail was brought to the notice of the Supreme Court by a prisoner called Sunil Batra and the jail hospital register reads:

"One prisoner, Prem Chand s/o of Prahlad has developed tear of anus due to forced insertion of stick by someone. He requires surgical repair and his bleeding has not stopped. He has to go to Irwin Hospital immediately.

This entry in the jail hospital register roused the conscience of the Supreme Court and the Supreme Court said in no uncertain terms that the prisoners do not lose their precious fundamental rights guaranteed to them under the Constitution even inside the jail. "Whether inside prison or outside the prison a person shall not be deprived of his guaranteed freedom save by methods right, just and fair. The court has a continuing responsibility to ensure that the constitutional purpose of the deprivation is not denied by the prison administration."

Justice Douglas of American Supreme Court was quoted with approval when he said: "Prisoners are still 'persons' entitled to all constitutional rights unless their liberty has been constitutionally curtailed by procedures that satisfy all the requirements of due process." The Supreme Court said; "Perhaps the most important right of a prisoner is to the integrity of his physical person and mental personality."

In respect of the constitutional and administrative aspects of the prison justice, the Supreme Court gave the following guidelines.

"(1) It is imperative, as implicit in Article 21, that life or liberty, shall not be

kept in suspended animation or congealed into animal existence without the freshening flow of fair procedure. Fair procedure in dealing with the prisoners calls for another dimension of access to law-provision, within easy reach, of the law, which limits liberty to persons who are prevented from moving out of prison gates.

"(2) No prisoner can be personally subjected to deprivations not necessitated by the fact of incarceration and the sentence of court. All other freedoms belong to him—to read and write, to exercise and recreation, to meditation and chant, to creative comforts like protection from extreme cold and heat, to freedom from indignities like compulsory nudity, forced sodomy and other unbearable vulgarity.

"(3) Inflictions may take many protean forms, apart from physical assaults. Pushing the prisoner into a solitary cell, denial of a necessary amenity, and more dreadful sometimes, transfer to a distant prison where visits or society of friends or relations may be snapped, allotment of degrading labour, assigning him to a desperate or tough gang and the like, may be punitive in effect. Every such affication or abridgement is an infraction of liberty or life in its wider sense and cannot be sustained unless Article 21 is satisfied. There must be a corrective legal procedure, fair and reasonable and effective. Such infraction will be arbitrary under Article 14 if it is dependent on unguided discretion; unreasonable, under Article 19 if it is irremediable and unappealable; and unfair, under Article 21 if it violates natural justice.

"Likewise, no personal harm, whether by way of punishment or otherwise shall be suffered by a prisoner without affording a preventive, or in specific cases, *post facto* remedy before an impartial, competent, available agency.

"(4) The prison authority has duty to give effect to the court sentence (Sections 15 and 16 of the Prisoners Act 1900). To give effect to the sentence means that it is illegal to exceed it and so it follows that a prison official who goes beyond mere imprisonment or deprivation of locomotion and assaults or otherwise compels the doing of things not covered by the sentence acts in violation of Article 19. Punishments of rigorous imprisonment oblige the inmates to do hard labour, nor harsh labour. 'Hard Labour' in Section 53 Prisons Act has to receive a humane meaning. So a vindictive officer victimising a prisoner by forcing on him particularly harsh and degrading jobs, violates the law's mandate...

"(5) Violation of provisions of Section 27(2) and (3) regarding separation of prisoners must be visited with judicial correction and punishment of the jail staff. Sex excesses and exploitative labour are the vices adolescents are subjected to by adults. The young inmates must be separated and freed from exploitation by adults. Violation of these imperatives will attract Article 19.

"(6) Any harsh isolation from society by long, lonely, cellular detention is penal and so must be inflicted only consistently with fair procedure, Provisions of Section 29 and connected rules in this regard enunciated in the previous Batra case must be complied with...

"(7) The state shall take steps to keep up to the Standard Minimum Rules for Treatment of Prisoners recommended by the United Nations, especially those relating to work and wages, treatment with dignity, community contact and correctional strategies.

"(8) The Prisons Act needs rehabilitation and the Prison Manual total overhaul, even the Model Manual being out of focus with healing goals. A correctional-cum-orientation course is necessitous for the prison staff inculcating the constitutional values, therapeutic approaches and tension-free management.

"(9) The prisoners' rights shall be protected by the court by its writ jurisdiction plus contempt power."

In Prem Shankar Shukla vs Delhi Administration 1980(3) SCC 526 qua Handcuff, the court pronounced:

"To handcuff is to hoop harshly and to punish humiliatingly. It is necessarily implicit in Articles 14 and 19 that when there is no compulsive need to fetter a persons's limbs, it is sadistic, capricious, despotic and demoralising to humble a man by manacling him. The minimal freedom of movement, which even a detainee is entitled to under Article 19, cannot be cut down by application of handcuffs.

"To be consistent with Articles 14 and 19 handcuffs must be the last refuge as there are other ways for ensuring security. No prisoner shall be handcuffed or fettered routinely or merely for the convenience of the custodian or escort. Functional compulsions of security must reach that dismal degree where no alternative will work except manacles. There must be material sufficiently stringent to satisfy a reasonable mind that there is clear and present danger of escape of the prisoner who is being transported by breaking out of the police control and further that by adding to the escort party or other strategy, he cannot be kept under control. The onus of proof in this regard is on him who puts the person under irons.

"Merely because a person is charged with grave or serious offences the inference of escape proneness or desperate character does not follow and, therefore, on that premise alone he cannot be handcuffed."

Therefore, it is evident that constitutionally and legally there is no scope of torture of a citizen in this country—whether he is within the confines of a prison or not.

The government of India has subscribed to the Charter of the United Nations, 1950, which clearly says:

"Everyone has a right to life, liberty and security of person.

"No one shall be subjected to torture or to cruel, or degrading treatment or punishment.

"No one shall be subjected to arbitrary arrest, detention or exile."

The government of India has entered into a number of international covenants related to the right not to be subjected to torture and cruel, inhuman and degrading treatment or punishment.

In 1979, India ratified the International Covenant on Civil and Political Rights which, under Article 7, prohibits acts of torture and of cruel, inhuman or degrading treatment or punishment, a prohibition which exists even in times of "public emergency which threatens the life of the nation" (Article 4). On June 23, 1979, the government of India deposited with the United Nations a unilateral declaration against torture, in which the government stated it would comply with the rules for the prohibition of torture laid down in the declaration on the protection of all persons from being subjected to torture and other forms of cruel inhuman or degrading treatment, or punishment and implement its provisions through legislative and other effective measures. However, the government stated that it reserved the right not to pay compensation to victims of torture. The text of the Unilateral Declaration reads:

"The government of India hereby declares its intention:

(a) To comply with the Declaration on the protection of all persons from being subjected to torture and other cruel, inhuman or degrading treatment or punishment (General Assembly Resolution 3452 (XXX) annex);

(b) To implement through legislation and other effective measures, the provisions of the said Declarations.

"The government of India further declares that it reserves the right not to apply the principle contained in Article 11 of the Declaration insofar as it concerns the payment of compensation by the state against torture or similar offences committed by or at the instigation of public officials."

India took repeated initiatives urging other member states of the United Nations to make such a Unilateral Declaration on Tortures which its representative to the United Nations described, in 1979, as "a commitment by a government on behalf of its citizens", and "a guarantee for these citizens which they could claim whenever their rights were threatened."

But in spite of India having a wonderful constitution and having officially committed to the Charters and Covenants of the United Nations, violation of human rights in its myriad forms is going on. One cannot even see the dim gray light at the end of tunnel.

But, then, as Will Durant said: "It is time for all good men to come to the aid of their party, whose name is civilisation".

Triple Talaq: Posturing at Women's Expense

Gautam Navlakha

While supporting the recent Tilhari judgment, the left and feminist groups should take care to expose the pseudo-champions of Muslim women's rights who remain silent about the plight of Hindu women

THERE is an apparent similarity between the Supreme Court judgment of 1985 granting maintenance to Shah Bano and justice Tilhari's judgment of April last declaring recitation of 'talaq' thrice at one sitting or during one 'tuhar' (menstruation period) as unconstitutional

The reservation about the Tilhari judgment is not whether a judge under transfer can take up such a case, or that the judge exceeded the jurisdiction by looking into the mode of divorce in a case which had to do with Urban Land Ceiling Act The issue that is of interest is that justice Tilhari who pronounced such a momentous judgment is the same judge who delivered the infamous judgment which allowed darshan at the spot where communal-fascists of the RSS had demolished the Babri masjid and had then gone on to construct a make-shift temple This judgment was based on the specious plea that Ram is a "constitutional entity" since his photograph was there in a copy of the constitution bequeathed to justice Tilhari by his father[1] One is also surprised because justice Tilhari has not shied away from describing himself as a "Hindu nationalist" Thus a judge who declares customary practice of talaq as unconstitutional but had no hesitation in validating a criminal act of demolition as constitutional cannot escape public scrutiny Therefore, if someone is sceptical about the judgment it should not cause surprise, rather it should raise the question whether the judgment was predicated on the assumption that Muslim orthodox leadership would react in a predictable way and the secular lobby would be compelled to support the judgment This is what has happened There is no doubt that Muslim women suffer due to the ease with which Muslim men divorce their wives It is also true that countries such as Pakistan, Syria, Algeria, Libya, etc, have outlawed talaq through one sitting Nevertheless, we cannot help raise the issue whether the support for the judgment is based on ground of women's rights or whether it is based on the communal argument of Muslim obduracy and backwardness Ludicrous as it may sound, this is the crux of the issue since no Indian can remain indifferent to the question of motivation after December 6, 1992 Many who support the need for reform by shedding crocodile tears about the plight of divorced Muslim women are the very same people who sealed their lips when Muslim women were being raped and killed in the name of Hindu resurgence in December 1992 and January 1993 So, to say that this issue is irrelevant is to adopt a convenient posture Convenient because it gives the appearance of being neutral and equi-distance between various forms of communalism and patriarchy without in fact being so Indeed, the appalling ignorance of Indian progressives and reactionaries about the infirmities of the Hindu personal code and its anti-women character compares with their knowledge about the Muslim personal code and its shortcomings

Does this mean that Muslim women should continue to suffer because of the communal-fascist threat? And is one implying that since the motives of several champions of Muslim women's rights are suspect, one should not support any reform lest it further alienate an aggrieved community? Actually, one is merely stressing the need for being consistent and learning from the mistakes made in 1985-86 by supporters of Shah Bano Let us recall that the left and feminist groups then confined their campaigning to Muslim women This skewed their project, since in the name of not diluting the parliamentary and non-parliamentary opposition the protagonists did nothing to project their fundamental differences with the communal-fascists nor did they expose the hypocrisy of the pseudo-champions of Muslim women One would have expected that in the light of developments since then these women's right activists would devote at least some energy to highlighting the weaknesses of other personal codes But events following Tilhari judgment do not reveal them to be much familiar with Indian social reality It is as though they are either too timid to voice the demand for the need to reform the Hindu Code Bill or continue to believe that the Hindu personal code has been reformed to a point that not much by way of protecting women's rights is required On both counts, the situation calls for urgent review Let us not forget that the Hindu Code Bill of 1956 was a much diluted version of the original draft and that even the act has been changed over the years through judicial pronouncements and parliamentary amendments to the detriment of women What is more, there is an in-built bias in the code in favour of Hindu men with clear economic and social benefits accruing to them as against women

It is time that those who support Muslim women's right educate themselves about other personal codes and put forward a concrete set of demands for reform in all personal codes thereby exposing the communal-fascists and their fellow-travellers who are wont to adopt convenient positions This alone is the way in which communal polarisation can be avoided and instead one between protagonists and opponents of women's rights can be brought about Those who gloat at the predicament of the Muslim liberals must be pushed to define their position *vis-a-vis* the plight of the Hindu women, something most Indians very conveniently like to gloss over Or else we are condemned to relive the hypocritical campaign on behalf of Muslim women as it happened in 1986, which became the guise for the appeasement of the communal-fascists through the opening of Babri masjid

The G7: Spectre of Job Destruction

Frederic F Clairmont

Big Capital's policies of labour exterminism reduces the market that capitalists need to realise their profits, even as corporate investment is hamstrung by the prevalence of unused industrial capacity. At the same time, spending by the capitalist state is inhibited by the uncontrolled growth of the national debt. These are three interrelated facets of the global capitalist crisis and the contradictions inherent within it.

THE two-day jamboree on unemployment in Detroit by the world's seven leading capitalist countries is now over. The chairman of the meeting struck the right chord. "We want the unemployed to understand that they must not have high expectations about this meeting. It is nothing more than an exchange of ideas." The ruling class message is very clear.

For a politically beleaguered Clinton harassed by alarming trade imbalances it was a vulgar public relations stunt to exhibit his ostensible compassion for the plight of the unemployed. The G7 talk show coincided, however, with the tragic announcement by Second Harvest, the largest US Food Bank, that one in 10 Americans, or an estimated 26 million people, rely on charitable food agencies to eat. Most of these are desperate families driven into the ranks of the destitute, the hungry and the homeless by joblessness.

That in a country that unceasingly proclaims itself the richest country in the world and leader of the free world; that in a country in which Clinton and his cronies were blasting China for their alleged flouting of human rights. Forget the ballyhoo and the empty moralisms of your irrepressible corrupt administration just for a while.

What we want to know Clinton is where are the human rights of these tens of millions of marginalised working peoples in your country, and those struggling on the poverty line, and even the middle classes, that have been junked by capitalism into the garbage can of history? Could you not have the sense of decency to cut the double-talk about human rights?

It was symbolic that this unemployment bull session was held in Detroit, once the proud capital of America's auto industry; a showcase to the world of US industrial capitalism. Today, Detroit is a smelly and polluted Industrial wasteland, a landscape of unbearable urban desolation, its rotting buildings, its uncollected garbage, where a pervasive mood of utter hopelessness and desperation prevails; Detroit encapsulates the moribund nature of US capitalism in its most pathological manifestations.

Robert Reich, US secretary of labour, hastened to add apologetically that one-third the adults in Detroit are unemployed; indeed, the unofficial figure is much higher. Never mind. What he was too embarrassed to say was that it has by far the highest crime rate in the US, second only, at a world level, to Rio de Janeiro.

Driving Down Price of Labour

What the supreme political spokesmen of Big Capital in Detroit could not say—understandably the very word capitalism was not even mentioned in their palaverings—was that unemployment is not an aberration of the capitalist system, rather it is inherent in the very workings of capitalism whose core is capital accumulation That is savings, investment, profits and the propertied class relations that dominate and determine the system's trajectory.

In the fallacious conception of mainstream economics, unemployment is mandatory so that inflationary pressures are dampened; in the perception of the capitalist in all phases of capitalism's development unemployment is deemed an imperative to maintain 'flexibility' in the labour market. What 'flexibility' demands is the creation of a reserve army of labour; that is not simply a supply of labour to meet a given demand of labour, but rather an oversupply of the commodity labour power. In short, a situation in which labour competes against labour to drive down the price of labour, i e, wages, the income of the working class.

A common theme now heard with increasing clamour by corporate impresarios and their political hatchetmen is the need to break the Welfare System and all its works. That is called injecting the dynamic of flexibility. Dismantling the Welfare State and the gains that flow from it is now one of the prime targets of Big Capital This, of course, has always been the case in capitalism's history, but in certain phases of the business cycle the demands are more muted.

Unemployment has now hit levels unprecedented since the Great Depression. The so-called cyclical upswings or bouts of prosperity have not appreciably reduced the jobless ranks. Around one quarter of the Spanish workforce is unemployed. It matters little whether the hegemonic political force in power is Social Democrat (as was in France), Monetarist or Keynesian. The end result is the same. Capitalism's crisis, of which unemployment is one of its grimmest traits, has not altered the functioning of the system. The idle chatter of People's Capitalism and the Affluent Society have now vanished.

Corporate 'restructuring' or 'downsizing', to use the current jargon, was a major theme of the G7 talk show. The drive 'to restore competitiveness' so vigorously touted in Detroit, and through every media outlet that the bourgeoisie has grabbed, has already wiped out tens of thousands of jobs, with tens of thousands more to follow. Since 1991, 9,00,000 jobs have been eliminated in Germany, in 1994, another 4,50,000 jobs will be liquidated. This will boost German joblessness to around 12 per cent of the workforce. It is in this context that one sees the relentless drive of capitalists and their state machinery to pursue the class struggle everywhere against labour at any costs, and with no holds barred.

Massive Rise in Unemployment

The dogmatists of Big Capital are on the rampage Listen to one of the ideologists of the Economic Gulag, the German ambassador in Rome, Konrad Seitz: "I have no doubt", he pontificates, "that 'restructuring' will work, thus making Europe's industry more competitive". Now the clincher: "the price is clear: big cuts in the labour force and a massive rise in unemployment are called for". He goes on to contend "that for German industry to reach top productivity levels, it would have to consider superfluous something like 38 per cent of the labour force". Obviously not included in this horrendous exterminatory number is his immediate coterie, his family and himself. This ejaculation must not be misconstrued as the rantings of a madman. He is not simply juggling with numbers.

He is a political gauleiter of Big Capital in much the same way as his SS precursors were. In his class, and in the G7 as a whole, that kind of crocodile logic has become commonplace. It ought not to be forgotten that it was precisely the substance and shadow of that logic that drove the German Confederation of Employers to bankroll the likes of Adolf Hitler which ensured the success of his power grab in January 1933.

Likewise, Carlo de Benedetti, chairman of Italy's Olivetti, boasts that he slashed in three years his workforce from 60,000 to 38,000 and "I can assure you that I'am not at the end of my road". His prescription is banal: lower production sites overseas, notably in Bangladesh and Vietnam, whose political leaders advertise themselves as the possessors of the world's cheapest labour power; battling the Welfare State head on. This includes hammering the unions and demolishing or drastically cutting non-wage contributions, that amount to about 30 per cent of total labour costs.

By 1995, the number of jobless Europeans is expected to hit over 20 million, about a quarter of them between 18 and 25 years of age. The chairman of France's employers' confederation, Francois Perogot, now laments: "We are living beyond our means. We have lost our technological edge. We are not prepared for the future, or for international competition". By now this is an old tune that tries to retain its youthfulness by being repeated again and again. In short, the cause of capitalist crisis is the working class.

Even with an elementary knowledge of the conditions of the French working class can one genuinely say that it is 'living beyond its means'? How can one make such a blatantly mendacious statement when the evidence overwhelmingly indicates that the French working class and the youth are victimised by endemic unemployment, wage cuts and collapsing living standards? Trade unionists and other political activists are being hounded out of the factory floors.

Living beyond one's means? And what of the monstrous and exponentially rising social inequalities that have mushroomed in France over the last two decades, specifically under the Mitterrandist 'socialist' regime? Obviously this is not exclusively a French capitalist phenomenon: it is the relentless application of IMF/World Bank structural adjustment policies, uninhibited liberalisation, deregulation, privatisation and the scuttling of the public sector, wedded to the psychology of corporate greed and acquisitiveness.

Capitalist mouthpieces of the above cited breed are surely not oblivious of the horrendous levels of unrestrained capital concentration that is taking place in the world economy? The shallowness, and viciousness, of Big Capital's ideological offensive does not choose to define what 'living beyond one's means' is. A reminder is necessary.

Let us look briefly at the world's top 200 corporations, that is the profile of what we have designated as the 'Global Economic Gulag'. Their total sales have soared from about $3 bn in 1982, to over $5.8 bn in 1992; their share of global GDP climbed from 24.2 to 26.8 per cent. This was occurring at a time when the world capitalist economy was in the doldrums.

The Transnational Corporation (TNC), in particular, has become one of the major job liquidators in capitalism's history. For Big Capital such liquidations are the Grand Celebration. This mass liquidation of working peoples by corporate capital is being done notwithstanding their Himalayan heights of profitability. This is the rationale of the bottom line.

Changing Nature of Work

The golden decade of capitalist growth in the 20th century lasted about two decades: 1955-1975. Since then the world capitalist economy has crawled into a phase of relative stagnation. One of the essential by-products of the current capitalist crisis has been a huge shift in the nature of the work process.

This is marked by the fragmentation of the workforce. Conventional unemployment in manufacturing and service sectors is being replaced at an accelerated tempo by part-time non-unionised labour. For the capitalist, such institutional devices yield prodigious profits: labour costs are no longer part of fixed personnel charges; vacations and health insurance costs are non-existent. Labour can be hired and fired at will. In all OECD economies such labour recruitment strategies have become generalised.

Liquidation of permanent employees not only introduces flexibility and curbs costs, but no less important is that it provides for a higher degree of socio-political control over the labour force. What we are seeing is the coexistence of a rising number of precarious part-time workers and a cutback in permanent employees.

Such labour fragmentation is matched by the practice of keeping wages well below gains in productivity. Gains in labour productivity has never been equitably shared with workers. The system is not engineered for this purpose. Fidel Ramos, Philippine strongman, delivered the message straight on in an address to industrialists: "I don't want to hear talk of wages and productivity gains going hand in hand. What makes sense is that wage costs must be kept in check. Grasp this point well for it is the price of your survival and means for enhancing our international competitive capabilities." That in a poverty-stricken country with one of the lowest industrial wages in the world.

What Ramos as a compradore politico has frankly acknowledged is precisely what has occurred in the OECD group of countries over the last 15 years. The drive to boost productivity means extracting a greater and greater actual economic surplus, that is net profit, from a smaller and smaller defenceless workforce employed at stagnant or falling real wages.

Productivity which is output per worker depends on how much can be produced by the capitalist with a given unit of labour. Productivity is therefore the rate of exploitation of the working class. The classic and oldest way of exploiting labour has been the lengthening of the working day; the second, without lengthening the working day, is to speed up the work tempo; the third, the introduction of labour-saving techniques with automation the highest expression. As Frederick Winslow Taylor, the father of rationalisation at the turn of the century noted, all three are interdependent.

In her significant analysis of labour time in the US [*The Overworked American: The Unexpected Decline of Leisure Time*] Juliet Schor of Harvard indicated that the average US worker in 1987 laboured 163 hours longer per year than in 1969. In less than two decades a full month of labour per year had been added matched by a similar deduction of leisure time.

The world has felt the brunt of Japan's conquest of world markets. Certainly robots and industrial organisation have played their part, but more important has been the savage exploitation of the Japanese worker. There has never been any 'miracle' in Japan. What there has been is a state of sustained super-exploitation. In 1987, Japan's industrial workers sweated out 2,168 hours a year, compared to 1,949 for US workers. The miracle is explicable in terms of blood, sweat and raw muscle toiling for the nation's Big Capital.

Summing up the impact of falling real wages in the US Schor writes:

> In return for a 1970s standard of living, employers are now demanding far more hours. For the production and non-supervisory employees who make up 80 per cent of the labour force, these demands have been substantial. According to our calculations, just to reach their 1973 standard of living, they must work 245 hours more, or six-plus extra weeks a year.

It is palpable to whom the gains of productivity go. What is frequently lost sight of in the current debate on unemployment and productivity is that when total output is stationary any rise in labour productivity boosts unemployment. To claim that boosting productivity is the key to recovery as Clinton did in Detroit is merely to ignore that global industrial output is now around 65-70 per cent of capacity.

Failure to work at full capacity cannot be imputable to a decline in worker productivity. The fundamental of fundamentals facing capitalism, the supreme challenge is not boosting productivity but chronic overproduction. Here the contradiction of the system comes into full play.

Inherent Contradictions

One of the consequences of restructuring has been mass, sustained unemployment and the nosedive in real wages. Under these conditions is it surprising that this has led everywhere to a dramatic fall in labour's share of the gross domestic product, and a parallel rise in the share of profits? The battering of labour by the heavy artillery of Thatcher and Reagan—they are not alone—has yielded a giant bonanza to capital. In the short and medium term that will, however, and indeed already has proved self-destructive.

Do the architects of these strategies believe that the labour holocaust on such a massive and continuing scale will solve the problem of overproduction, or under-consumption which is the other side of the coin? The evidence points to one implacable conclusion: Big Capital's policies of labour exterminism will reduce the market that capitalists need to realise their profits.

This is so because consumption which represents 60-65 per cent of GDP in OECD countries has been slashed by soaring unemployment, chronic indebtedness and collapsing real wages. Likewise, corporate investment is hamstrung not by a shortage of capital (there is no such thing) but by the prevalence of unused industrial capacity. In what manufacturing sectors should capitalists invest? And who is going to buy their goods? Superimposed on these woes is that spending by the capitalist state is also inhibited by the uncontrolled growth of the national debt.

These are three interrelated facets of the global capitalist crisis and the contradictions inherent within it. Distressingly, there are no prospects of any changes on the horizon that would alleviate the sufferings of the victims of capitalist exploitation.

Redirected Anger: 'Loving Thy Enemy'

Peggy Mohan

Redirected anger is anger that brings violence to people for whom this aggression is not specifically intended If we look at the totality of violence around us, we see that most acts of aggression are, ultimately, expressions of redirected anger

You live alone Right now you walk alone in an anonymous night where the happy people sleep safe and sound By day you work hard faceless in a world full of insult and humiliation you are powerless to confront or avenge You swallow it and store it and watch your anger grow big and bright And you wait Wait for now As you walk in darkness you look for someone someone you do not know someone whose weakness and helplessness will make you whole again And now she walks into your sights already scared in the loneliness of the empty street Your anger glows to meet her and your strength becomes infinite You can rape So the anger passes on

VIOLENCE you might say was the earliest form of capital!

Long before there ever existed such a thing as money to distil and store wealth and achievement, man had already discovered that the safest way to deal with impotent rage was to extricate it from its original context and store it to use against an even more helpless victim, a victim incapable of any real retaliation Since forever frustrated individuals have sought out weaker individuals to vent their anger upon, and created complex chains of redirected violence that extend down-down down

The boss is tense and angry with the board of directors, but you cannot shout at them So the boss shouts at the assistant The assistant dare not argue back, and takes out the frustration on the typist And the typist takes it out on the peon The peon goes home and beats his wife And the cowed wife gets her own back by abusing the poor daughter-in-law The chain may end in suicide, the victim-aggressor directing the violence back upon himself, or herself It is not for nothing that the suicide rate drops drastically in times of war, or that societies handle pent-up anger by being either murder prone, or suicide-prone!

Redirected anger is anger that brings violence to people for whom this aggression is not specifically intended If we look at the totality of the violence around us, we see that most acts of aggression are, ultimately, expressions of redirected anger wife-battering, child battering cruelty to daughter in laws rape humiliation of subordinates, cruelty to animals mugging destruction of property communal violence suicide 'Superficial causes are usually referred to when such incidents are being reported riots are related to political protest, rapes to sex muggings to theft but beneath the surface there often lurks the deeper cause—the need to redirect unbearable frustrations that have been weighing on the attackers in their daily lives' (Morris *Manwatching*, Triad Panther Books 1978)

Some anger of course, is not redirected Anger between equals is usually easy to resolve and dispel What is less easy to resolve directly is anger between the unequal Redirected anger is an anger of hierarchy something ultimately very social The point is that complex social structures automatically store and redirect frustration towards those who are weaker The point, also is that the resulting violence is ahistorical being nothing more than a redirection of a very present day frustration it cannot in all honesty, be explained away as any sort of redressal against those who might have done us wrong in a past we never saw

A Suitable Victim

Formal relationships, even formal relationships of redirected violence, tend to want to settle on a single ideal match

So it is not surprising that the list of attributes desirable in a victim-mate reads rather like the list of attributes sought in a mail-order bride The male-female colouration is inescapable An ideal victim-mate should be big enough to do you credit, maybe even to attempt to fight back thereby giving you grounds for attack, but never big enough to seriously threaten you Your wife must do you credit, but never outshine you And she must be different from you physically by dint of being female So, too, a targeted ethnic minority should be large enough to be taken seriously as an opponent but never large enough to actually win in a conflict And you should be able to point to some congenital feature of 'difference between the two of you

The very best victim mate should also be one you find beautiful', for as anyone ever complimented on being beautiful' can tell you to be beautiful is to be 'secretarial' in the male world of power the compliment is actually a dismissal A woman can only be beautiful' when her face is expressionless, dependent and unconcerned with power And a language, and a culture are beautiful' if all that is left to them is the expression of emotional outbursts of poetry, or the 'sweet sounds of the subsistence economy The languages of the men who create high technology and the global economic order are not 'beautiful' at all they are serious

The victim-mate as a beautiful woman' who is a credit to your good taste! The recipient of redirected violence as a 'stranger' to the first conflict that brought the hate! The arranged marriage quality of the relationship is an eerie clue that the thing we are seeing before us is not hate at all but a twisted form of love! The kind of 'love' that makes any independent woman s blood run cold

Emasculation or Extinction

A bare twenty five thousand years ago, during the late Pleistocene Epoch that followed the Ice Age, there lived on this planet two species of human Cro-Magnon man, our ancestor and Neanderthal man By all accounts, both species were highly evolved social creatures with language systems and the rudiments of tool making technology

Twenty-five thousand years later, in the rationalist humanist world of the late 20th century where the last of the tigers and whales are still to be found planet Earth is home to only one species of human us

The problem with Neanderthal man, it seems, was not that he was too much of an animal to share space with us We have tolerated the presence of animals in our midst even to this day The problem with Neanderthal man seems to have been that he was all too human, and our early ancestors must have unleashed upon him the full might of their insecurity, frustration and cruelty And now, they are all gone Gone, like the vanished worlds of the Inca, the Carib, the Mayan, the Aztec, the Algonquin nations To walk the heights of Macchu Picchu is to

look on the graveyard of all those whose presence would have warmed our lives, and the life of planet Earth And to feel immeasurably ashamed, and sad

For those condemned by man there is but one escape The wolf opted for it, and became man's best friend, the faithful dog, and our love for him knew no bounds Domestication The ability to acknowledge man's superiority and to surrender yourself to his protection And man's closest competitor the human female, also accepted terms of truce She was not in quite as much danger of extinction as Neanderthal man, simply because she alone could be mother to mankind's children But even so, woman has always been in a position to pose a real alternative to the regime of power violence-inequality designed and administered by man But, being physically weaker she cannot win in an out and-out contest based on raw power, but neither can she be eliminated So the final arrangement formalises the regime of power-violence-inequality and leaves her secure in a subordinate niche And, the better she adjusts to this niche, the more the conflict will metamorphose into that perversion the poets call love!

The choice before the victim-mate is clear to insist on remaining 'masculine' and adversarial is to invite continuous conflict which could only end in extermination To agree to being 'colonised' 'domesticated' that would bring not just an end to the conflict, but maybe even a secure, constricting marital 'love' Communal aggression from the dominant group met by direct 'masculine'-style retaliation results in 'ethnic cleansing' Threat met by ritualised submission merely establishes a power-hierarchy and strengthens a route for a redirected violence that only serves to perpetuate the superstructure of inequality

'Above' the Battlefield

It stands to reason, if you believe that others are 'less' than you, if you basically accept the idea of inequality, that you simply cannot then exclude the possibility of there being some 'other' to whom you yourself must feel unequal The smug White visa-officer at the American embassy or the British high commission, born to the privilege of dumping on the Browns and the Blacks of this world and making them squirm, becomes all of a sudden a flustered sycophant when faced with a foreign feudal White presence And he in turn squirms embarrassed at his own 'ordinariness' Somewhere somehow, the big bad brute who has so much anger to redirect our way 'knows' that he is 'weak', and that he lives by the grace of some towering other

Our big bad macho is only somebody else's 'little woman'! And this is what makes him so bullishly mad!

So it should come as no surprise, as we look inside the psyche of our own dominant group, here in India, that we find an insecurity bordering on utter despair at life in the shadow of the successful western world—now known as the 'New Global Order'. Not long ago, before our men 'opened up' to the appetites of western man, we lived in a pleasant cocoon, snug in the 'knowledge' of our own importance and independence. And we lived, more or less in peace. Our very first 'pogrom' against an ethnic minority, the Sikhs, coincided exactly with the start of the regime that formalised the flirtation with 'opening up', in end-October 1984. And shortly after, it was found 'necessary' to redirect tension back at another 'beautiful' minority who refused to align with us unequivocally, and Kashmir was 'opened up' as an outlet for mainstream anger. And now we have graduated to a 'suitable victim'—the Indian Muslim. It should give Indian Muslims a grisly satisfaction to consider that they are, as a 'victim', proportional in size and importance to the emasculating threat of the big western world!

The scenario is actually quite nauseating. An Indian trader class forced to agree to a relationship with the west that is merely a more sophisticated, escape-proof means of colonisation. Executives of multinational companies who must agree to salaries one-tenth of those offered to the White boys back home. But both are grateful, and both hide their frustration as they strut before the general public. No one, any more, has the guts to rail against the White man in the west, who has turned our men into 'toy-boys'. Shhh! You will not get your green card! Be 'pragmatic'! In other words, swallow your anger, and go home and 'beat' your 'wife'. And who could be a more creditable, more 'beautiful' 'wife' than the Indian Muslim, the one who actually once brought you to your knees? It is all 'her' fault! And, as any woman can tell you, the most atavistically cruel beast upon the planet, seething with frustration at his own smallness and sense of failure even as he struts about spinning illusion, is the 'toy-boy'.

There are some among us who have expressed surpirse at the quantum of 'comfortable' yuppies who have suddenly turned anti-Muslim, railing against the 'pampering' of a minority group. What, you ask, could poor Muslims possibly be in a position to deprive them of? And how could they—who have the most beautiful women dancing attendance on them without a whisper of the quid pro quo of marriage—how could they object to Muslim man's legal right to acquire the extra woman or so?

Well, the answer is crystal-clear: it is our yuppy, and no-one else, who is close to the source of all the frustration: homo-erectus from the new wild west! 'Manhood' demands that if 'our' Muslims are to be pampered, we must be the ones to do it! Muslims must have no independent access to rights. And God forbid they should insist on projecting, in their man-woman behaviour, a 'masculine' image. Urdu, ghazals, soppy romance, veils, deferential manners: these are all very nice: *Pakeeza* was every bigot's favourite film. But it is only a short while ago that their armies of men made us into vassals, and, what with this new threat from an even further 'North-West', we have not yet recovered our confidence. Like the celebrated Michael Jackson, with his delicate, sculpted face, anorexic adolescent body, pale skin, flowing hair and explosion of provocative movement, minority man becomes acceptable only when he sheds his old sexual image, and tries to become like our women.

World-Without-End

We pause, now, on the terrifying thought that all the redirected misery we see was foreordained from the moment, thirty-five thousand years ago, when our prehistoric ancestors began to compete for the ownership of this planet Competitors in stasis, like Neanderthal man, had lost the inertia and the initiative in the contest, and, too close to 'humanity' for comfort, had to be eliminated. The Inca Empire broke, too, when it would not bend: in the single year that followed its conquest by the Spanish explorers, 90 per cent of its population was exterminated, and absolutely all of its leadership. The few surviving examples of the race are now resolutely Christian, retain no direct memories of the old order, and are resigned to a life of poverty.

It would serve many a puny short-sighted purpose if we simply gave up right now and concluded that this joyless and increasingly tense and exclusive set-up had the power of inevitability on its side. Certainly, for it to change, for tension and inequality to vanish, all our notions of order would have to be hopelessly disrupted.

But there are other natural laws about us, larger, much larger than the patterns of small incremental change within 'closed' systems we know, laws that tell of large systems faced with life-threatening crisis taking 'bifurcations'. Dying. Giving birth to new and different systems. Changing trajectory altogether. That is where the 'outsiders', the 'subordinate' ones, the 'females', in art as in life, have had a major role to play as a gene-bank of the imagination. In the words of one old Quechua Indian of Peru, face to face with two travellers from modern India: "thank you, for still being alive". Alive to offer the softer but more durable options disdained by the world of power-violence-inequality. Alive to talk of strange and wondrous things like nurture, and love, as forces that might make a world go round. Alive to dream of an end to insecurity, frustration and loneliness in a world full of equals.

There is an apocalyptic vision in Hinduism itself, more potent than the shrill sight of hordes of frustrated, excluded men attacking with pickaxes three lime-plaster breasts pointed up serenely into the Ayodhya sky. And it is the vision of the Earth Mother herself, awakening one day in pain and despair at the way her sons have used her bounty. In a flash, she knows what she must do. Taking upon herself the terrible aspect of the Ugra-Chandi, red in tooth and claw, she calls forth her attribute of destructive power, and as the Black Mother strides forth upon her planet to destroy and destroy and destroy until, in the clear light that follows the storm, the Earth itself stands cleansed, cleansed of an old order that had mocked at her journey of change, renewal and love.

What irks our Goddess most sorely is the way men, silly self-serving men, have sought to present her to the world as 'wealth': bland, disassociated, plunderable, accumulated 'capital', severing her living link with the source of all her bounty, the Earth. Because Earth knows, in her infinite and ageless wisdom, that disassociation and abstraction are only a hoax played on man by his conscious mind, and that ultimately, in a larger life-cycle, man lives only by her grace. That debts will ultimately have to be repaid, sins atoned for, and balance restored. And she knows, with grim amusement, that the more frenzied and outrageous man's attempts are to formalise this world of imbalance and inequality, the faster will come the storms and the blessed rains of apocalypse.

An old crone sits beside the scene of unspeakable carnage, at the end of Lorca's pulsatingly beautiful drama-poem, ***Blood Wedding***, where the tension is finally gone, and balance restored. Who did it, this last and final destruction, where the men of 'honour' have all killed each other, and now lie dead? Who performed the grisly sacrifice of appeasement that brought a beautiful city to its knees, and humanity face to face with what it was beginning to become? We must not know, we cannot know. It is better that way.

The 'men' are dead and gone, and it is morning again. It is time to look to the living.

'It is the fault of the Earth', she agrees.

Social Movements: What's 'New'?

Rohini Hensman

New Social Movements in the South edited by Ponna Wignaraja; Sage Publications, New Delhi, 1993; pp 276, Rs 275.

THIS book suffers from a lack of definition of its subject matter. In his introductory essay, Ponna Wignaraja says that "There is a qualitative difference between the new people's struggles and earlier liberation movements against colonialism, the peasant movements for land reform, and trade union movements" (p 6). The chapter does not "presuppose that the new macro and micro social processes in the South are homogeneous and monolithic. But it will attempt to identify several positive elements in the changes in social formations, consciousness and organisations that are beginning to emerge on the ground" (p 5). The implication here is that the new social movements are the modern successors to earlier liberatory movements. However, he points out in a note that "Not all new social movements are positive. Some, like the movements arising from the cruder compulsions of religious fundamentalism, are left out of my analysis" (p 33). There is a chapter on 'Ethnicity and Separatist Movements in South-East Asia' and another on 'The Palestinian Social Movement', both describing attempts to form new nation-states, and it is not at all clear how these are substantially different from earlier liberation movements. Yet another chapter is about Swadhyaya, a modern version of earlier Indian bhakti (devotional) movements, which "is not directed towards modifying or changing social institutional arrangements" (p 184); "the organisational structure of Swadhyaya resembles that of a joint family" (p 193), which in India is a notoriously patriarchal and authoritarian institution. So, what's 'new'?

It is additionally argued that the failure of "the two dominant frameworks of thinking and action—both borrowed", i e, Marxism and neoclassicism, to "set in motion processes of social change in the South" (p 4) requires that "Several fundamental values which existed in traditional societies must be identified and re-examined. Some critical values relate to looking at life in its totality and all its richness; participation of the people in decisions that affected their lives; sharing and caring for the community beyond individual self-interest; trust, innocence, simplicity, thrift; a work ethic with a fine-tuned balance between work and leisure; harmony with nature and a rational use of resources; communal ownership of the commons; and complementarity between men and women" (p 20). While it is certainly necessary to be critical of existing "frameworks of thinking and action", this is not achieved by wrongly identifying Marxism with state capitalism and concluding that it has "basic similarities" with private capitalism and neo-classical theory (p 13). On the other hand, while there are certainly *elements* of traditional culture which could usefully be preserved, nothing is gained by idealising it *as a whole*. Barbaric practices such as untouchability and 'sati' (widow immolation), both of which involve treating whole sections of society as less than human, denying them dignity or control over their own lives, hardly fit in with the idyllic picture of 'traditional societies' described above. (Unless perhaps, 'complementarity between men and women' means 'dominant men, submissive women', 'husband dies, wife must die', etc, and one really believes that the people treated as untouchables participated in the decision which made them into outcasts of society!)

Fortunately—and this is the strength of the book—there is a diversity in the contributions which allows for alternative points of view to emerge. For example, Leilah Landim, in her chapter entitled 'Brazilian Crossroads', describes a more complex relationship with traditional culture, involving tension between "the values of citizens, individualism, autonomy and equality on the one hand, and values of membership, holism, hierarchy and complementarity on the other. Our journey with the grass roots of society has brought us to walk a tightrope that establishes commitments between innovating and conserving, transforming and respecting, overcoming and redeeming" (p 218). Samir Amin, in his chapter on 'Social Movements at the Periphery', describes the relationship thus: "The refusal to accept and to grasp the universal dimension of culture which the real internationalisation initiated by capitalism has already imposed..., this refusal and withdrawal into a negative culturalist nationalism (simply anti-western —and often neurotic) do not constitute the possible yeast for an effective response. At the other extreme, western-type alienation, which definitively separates one from popular reality, is also a dead end" (p 98). These two extremes often feed on each other, the destruction of communities by capitalism and western individualism producing a backlash in the form of oppressive and sectarian religious revivalist and ethnic nationalist movements. An alternative to both—one which respects individual human and democratic rights while simultaneously affirming values of community and solidarity—could perhaps be seen as a legitimate goal of genuinely 'new' social movements.

Another major point of dispute which emerges from the contributions is the role of the state. Despite his plea for cultural universalism, Samir Amin's main line of argument

> is built around the observation that the unequal development immanent in capitalist expansion has placed on the agenda of history another type of revolution, that of the peoples (i e, not specific classes) of the periphery. This revolution is anti-capitalist in the sense that it is against capitalist development as it actually exists because it is intolerable for these peoples. But that does not mean that these anti-capitalist revolutions are socialist. The state here fulfils specific functions. It is the means of national protection and self-assertion, that is, the instrument of what we have called delinking, in the sense of the subordination of external relations to the logic of an internal development (which is not simply capitalist) (pp 83-86).

This argument makes the role of the state central to the progressive social movements which are envisaged for the future. Most of the other contributors, on the contrary, would question whether the state can any longer play such a role, even if it was at one time capable of doing so. For example, Rajni Kothari says,

> It is now clear that expectations of such a role of the state, and the presumed alliance between the state and the masses in such an expectation, have been belied. Today the state is seen to have betrayed the masses, as having become the prisoner of the dominant classes and their transnational patrons, and as having increasingly turned anti-people (pp 62-64).

Here is perhaps where we come to the crux of any useful distinction between 'old' and 'new' social movements, if we are to avoid trivial distinctions, such as defining as 'new' any movements which are currently active, or alternatively defining as 'old' any movements which have been around for a while. The 'old' movements can be identified as those which in one way or another see the achievement of state power as essential to the process of social transformation they seek to bring about; even where they see the *existing* state as the target of attack, their goal is still the creation of their own state. The 'new' movements, on the contrary, have no such goal; even though they might seek to put pressure on the existing state to accede to their demands, or prefer one form of state

over another, the oppressed groups which give rise to these movements would not see the actual control of state power as contributing to their goal of achieving greater control over their own lives and destinies. Their struggles are directed against the *multifarious* relationships of oppression which abound in third world societies, often in a piecemeal and spontaneous fashion, while they might lack the discipline and unity of purpose of the old movements, they are also less likely to fall into the trap of reproducing in a different form the very same unequal power relationships they are fighting against. As Harsh Sethi puts it, "Dominance is exercised by a web of interlocking structures, including many not recognised as political... Rarely is it realised that unless part of the new societal vision is translated into actual reality in the course of the struggle itself, we are likely to end up with a societal formation similar to Khomeini's Iran... Continuing old social practices necessarily gives rise over time to old social relations" (p 250).

Paradoxically, although the focus on the capture of state power is seen by most of the contributors as being a feature of 'Marxist' practice, the new social movements have much in common with the reclaiming of decision-making by working people from the state advocated by Marx in his writings on the Paris Commune. This may be why Daniel Comacho, in perhaps the most relevant chapter entitled 'Latin America: A Society in Motion', says that "When it comes to an analysis of the kingdom on earth, Marxism enriched by concepts and words from different cultures and ideologies has no rival" (p 39). According to him,

> In Latin America today...the ideas of socialism and of working class rule are used less commonly than the ideas of a struggle for revolutionary democracy and for the hegemony of the working people. Revolution is put forward as a simultaneous liberation from both imperialism and the local oligarchic bourgeoisie; but there is no talk of liberation from imperialism without liberation from the local oligarchic bourgeoisie, or of liberation or revolution in order directly to achieve socialism. Democracy with 'people power' is the great objective (pp 36-37).

I feel this defines the agenda of the new social movements very well: neither the nationalist 'people's revolution' that Samir Amin advocates, nor the establishment of a 'socialist' state, but a gradual extension of the democratic space in which ordinary working people can deliberate over, make decisions about, and take action on matters which intimately concern them. Comacho gives examples which illustrate the great diversity of these movements: the indigenous movement in Guatemala, struggling against the expropriation of their land and genocide of their people by the state; the urban popular movements in Mexico, demanding not only "the right to housing and the use of barren land", but also "defence of civil liberties, democratisation of daily life and organisation of production co-operatives" (p 46); the neighbourhood movement in Lima, which organised popular kitchens, the Glass of Milk Programme for children, popular libraries and health teams; and the mothers' clubs in Sao Paulo, which initiated a movement against the high cost of living and "mobilised 20,000 people—in the midst of a dictatorship—in a street demonstration which remained a landmark in the struggle for democracy" (p 47). While the feminist content of the women's movements is not emphasised here, it is clear from other accounts that in Chile, for example, women saw a link between male authoritarianism in private life and state authoritarianism in the form of the Pinochet dictatorship and fought against both simultaneously.

These are only a few examples out of a vast and rich array of movements taking place throughout the third world. A few of these are described elsewhere in the book: for example, the Chipco movement, "a classic example of non-violent resistance and struggle by thousands of ordinary hill folk" fighting to "save the local forest resources from commercial exploitation by outside contractors" (p 127); the movement against the Narmada Valley project, a gigantic scheme consisting of more than 3,000 major and minor dams" which, according to estimates, "will displace nearly one million people on completion" (p 133); and struggles of traditional fisherfolk against over-fishing by trawlers in shallow waters, which not only deprives them of their livelihood but causes the decimation of young fish and disruption of breeding cycles, possibly leading to the ultimate disappearance of the fish. (All these examples are from the chapter on 'Ecological Struggles in India' by Harsh Sethi.) However, it is disappointing that there are so few case studies of actual movements, and large parts of the 'south' are completely missing from the picture (e g, east and south-east Asia, most of Africa).

Comacho includes the workers' movement as an important element in the new social movements, noting that "the involvement of the working classes in popular struggles in Latin America implies that these struggles adopt a more global and radical vision... In Chile, Bolivia and Brazil, the participation of the industrial working classes in the struggles for democracy was unquestionable... In Latin America... the industrial working class does not constitute the entirety of the proletariat. But the development of its organisation in industrial branches increases its range of action to agriculture, the mining industry, services, etc... In Brazil, within a different context and with different origins, we also find a working class which goes further than simple trade union demands" (p 53).

This brings us to the question of whether the trade union or labour movement should be excluded from the definition of 'new social movements'. It is true that some trade unions are affiliated to and controlled by parties in power or aspiring to take power, or may function in a manner which is far from democratic. But I feel this is not a sufficient reason for writing off the entire movement as being incapable of expressing the democratic aspirations of working people. Throughout the third world, not only in urban but even in some rural areas, workers fight—sometimes to the death—to establish unions, because this is the only means they

have to avoid total domination by employers This is not simply a struggle for money but above all for dignity, and trade union rights are correctly considered to be an essential part of democratic rights Moreover, the activities of trade unions in third world countries are not necessarily confined to wage bargaining, but may be quite varied and innovative For example the Self Employed Women's Association (SEWA), which was registered as a trade union in 1972, has fought for higher wages social security, protective legislation and other benefits for women who work as bidi rollers garment workers, tobacco processors, hand cart pullers and contract labourers, it has helped women to form and run artisan land based livestock trading and service co-operatives, and it runs a co-operative bank, community health programme child care centres legal aid service, housing services literacy classes and video workshops The Chhattisgarh Mazdoor Shramik Sangh, formed in 1977 is another union which has taken up a wide variety of issues, including mechanisation health care, children's recreation and education, and even alcoholism There seems to be no logical reason why such organisations should not be seen as part of the new social movements

In fact, when we look at the issue more closely it becomes clear that what is 'new' is not the social movements themselves struggles against multifarious forms of oppression have existed from time immemorial What is new is the *framework* which locates these movements as part of a process of revolutionary social transformation In many of the older frameworks as we noted earlier, capture of state power is the essential element this can be achieved by a neat, centralised movement with an easily identified and glorious climax Even in the non-statist Marxist framework, oppression and liberation are defined solely in class terms and other types of oppression—of women, ethnic and religious minorities, etc—is downplayed less neat and centralised than the statist model, but still relatively simple In the new model on the other hand, *all* struggles seeking to abolish oppressive, authoritarian relationships, whether they are based on class, gender, caste, religion, ethnicity or anything else, are seen as part of a process of revolutionary social transformation It has to be said that these movements often suffer from the same problem of one dimensionality—for example, resistance to racist or religious persecution which ignores gender and class oppression women's liberation struggles which ignore class and communal oppression and so forth Hence a framework which recognises them all as making a necessary contribution towards creating a non oppressive anti authoritarian society would need to bring to each movement a wider vision which encompasses the aspirations of all the others, and at a practical level seek to build links of solidarity and co-operation between different movements, not only within each country but also internationally No doubt the model which results is chaotic, messy, confusing, lacking in a clear, simple focus on an identifiable moment of glory, but is there any other way of changing a reality which is likewise chaotic, messy, complex and multi-dimensional?

Women's Work

Prem Chowdhry

Filling the Rice Bowl: Women in Paddy Cultivation by K Saradamoni, Sangam Books, New Delhi, 1991, pp X + 138, price not stated

SARADAMONI's book would have been highly relevant if published shortly after its data collection was over, which was more than a decade ago Eighties were the years when the proposed aim of the book— the ignored aspects of women's life—their work and contribution to home and society" —was being hotly contested and debated Challenges were being thrown to the officially and popularly perceived definitions of women s work and the male-centric way the census authorities and official data collecting government agencies were operating which refused to take any cognisance of women's economic contribution, specially in the rural sector The questioning of this highly prejudiced criterion led to a series of focused studies on the sexual division of labour, differential wage structures lack of evaluation or devaluation of women's work, etc, all of which have succeeded in turning women more visible' in academia Increasing numbers of studies are now on their way to greater sophisticated analysis and conceptualisation of women's work in myriad of spheres ranging from economic, socio-political and the domestic

The time lapse in publishing this work earlier has therefore eroded the new perspective' which the author claims to offer to its readers in remoulding their understanding of women's role in economy and society For the purposes of this review we therefore wish to highlight certain aspects which, although given minor space and attention by the author still make this work worthwhile reading

Chapter VI (pp 84-106), 'Life and Work Profiles of Women', takes the case studies of 18 women across the three paddy-growing regions of Kerala, Tamil Nadu and West Bengal The respondents are both from the landowning and labour households Some of these case studies are profoundly moving profiles in courage and survival by women against extremely heavy odds A number of these cases may be aptly bracketted under the single women category which encompasses widows deserted divorced and unmarried women of different ages These single women head their households, cater to their immediate or extended families which depend in many cases on their single income in the face of severe unemployment, underemployment and low/discriminatory wages Those with male support of husband or son/sons are hardly better off The primary source of income which sustains the family in an agricultural labour household remains that of the woman The man maintains his own priorities in expenditure which eat away not only his income but depletes that of the woman as well

The inclusion of women from landowning households introduces an interesting dimension to the case studies and throws up certain points of similarities and differences across caste class and community, which may be picked up for further investigation The recent changes in agriculture have meant a greater utilisation of women's work from landowning families within the patriarchal structure, which accepts her changed role, accommodates her in spheres unheard of before, yet affords her no control over decision or income and maintains the same power equations as before The one case which projects different gender equations and stands in isolation, belongs to an agricultural household of Tamil Nadu where an illiterate woman by virtue of her political stand and participation testifies to an entirely different pattern of gender relationship

These thought-provoking studies, all too brief, could well provide the nucleus of an extended indepth work with a set of entirely different questions being posed Also interesting is the perception and observations of women respondents regarding unemployment, alternative employment and avenues of income, education, health, family planning, politicisation of agricultural workers, benefits of organised union activity, etc All these may be further picked up to gain insight into existing rural problems, the hollowness of government claims, the lopsided priorities adopted in poverty alleviation programmes and areas of acute and potential deprivation which require urgent intervention, both private and state In fact what is important in Saradamoni's work is not so much what she says as what she leaves unsaid and unexplored She scores in germinating ideas for future work in women/gender/development and social studies which may be fruitfully taken up by other researchers

Conflict and Compromise

Devolution and Disposal of Property in a Matrilineal Muslim Society

Leela Dube

History provides examples of societies that come to accept two sets of rules simultaneously, both being viewed as sacrosanct: those subsumed in traditional customary law and derived essentially from kinship, and those subsumed in the legal codes of their new faiths. The inhabitants of the Lakshadweep group of coral islands present a fascinating instance of this kind.

The people of Lakshadweep have followed matriliny under the rubric of Islam. As a consequence their conceptions of rights relating to property and its actual distribution have been governed by customary law upholding matrilineal principles along with an application of rules deriving their sanction from Quranic injunctions and the sharia.

Focusing on the process of devolution and disposal of property in Kalpeni, one of the 10 inhabited islands of the Lakshadweep group, this study presents situations in which parts of two legal systems were used at different points in the same disputes or in which there was simultaneous use of elements of both systems.

RIVALRIES and disputes over property within the kinship universe are a ubiquitous feature of human social life. Rules relating to rights over property are rooted in specific kinship systems and are neither unambiguous nor inflexible. Often such rights are negotiable. The ambiguity in rules and the multiplicity of norms that govern choice, as well as the complexities of events and circumstances, leave room for individuals and kin groups to pursue their interests in diverse ways. Rules, norms and behaviour all seem amenable to different interpretations and to reinterpretation. This is especially evident in societies that function under systems of customary law. The situation is further complicated if, along with the rules subsumed under its customary law, a society comes under the influence of another legal system. There have been instances of colonial powers trying to impose their legal systems on the populations under their rule. At other times they have interpreted indigenous systems in the light of concepts and rules derived from their own legal systems.

History also provides examples of societies that come to accept two sets of rules simultaneously, both being viewed as sacrosanct: those subsumed in traditional customary law and derived essentially from kinship, and those subsumed in the legal codes of their new faiths. The inhabitants of the Lakshadweep (Laccadive) group of coral islands in the Arabian Sea off the south-western coast of India present a fascinating instance of this kind. They have followed matriliny under the rubric of Islam. As a consequence their conceptions of rights relating to property and its actual distribution have been governed by customary law upholding matrilineal principles along with an application of rules deriving their sanction from Quranic injunctions and the *sharia*.[1]

In this essay I shall focus my attention on the process of devolution and disposal of property on Kalpeni island. It is based on a scrutiny of documents registered in the Amin's court from 1881 to 1966, detailed accounts of the movement of the property of some *taravads* (matrilineal descent groups), and a study of some court cases. Recent changes in the administrative set up of the island have been ignored.

This study presents situations in which parts of two legal systems were used at different points in the same disputes or in which there was simultaneous use of elements of both systems. Transactions relating to property and disputes arising from them involved persuasion, cajolery, the putting forth of counter claims, manoeuvring, the formation of alignments and realignments, and the play of power in the arena of justice. What is most interesting, however, is the selective invocation of norms and values emanating from two sources: matriliny and Islam.

After a brief ethnographic account of the island of Kalpeni I shall spell out the nature and character of property and also the broad rules and processes that govern transactions in it. This is followed by a presentation of two complex cases of transactions in property and the attendant disputes and their resolution. In the concluding section an attempt is made to analyse the interplay of values and norms, rules and processes, interests and emotions.

II

Kalpeni is one of the 10 inhabited islands of the Lakshadweep group. Its inhabitants are Sunni Muslims who follow the Shafi'i school of Islamic law. They have been included in the list of scheduled tribes by the government of India. Barring the distant island of Minicoy, which is ethnically and culturally closer to the Maldives, the inhabitants of all the islands are descendants of Hindu settlers from the Kerala coast. According to historical and linguistic evidence the major migrations possibly occurred in the 9th and 10th centuries AD.[2] After about four centuries there was an *en masse* conversion to Islam brought about by Arab traders. Hinduism was thus displaced by Islam, but the special form of matriliny which the migrants had brought and which had become entrenched because of favourable ecological conditions has survived to this day [Dube 1969, 1978; Kutty 1972; Ittaman 1976; Saigal 1990].

The islands produced only coconut, fish, some fruits, coarse grains and vegetables. Coir making has been the principal industry and the coconut has been the basis of the economy. The islands have all along sustained themselves through trade with the mainland, from where they have got those necessities that they did not themselves produce. The islanders thus owe to the mainland their cultural heritage, including language, and have always depended on it for their staple food, rice.

The islands seem to have been under the authority of one or other ruler from the mainland, although dependable historical evidence is available only for events after the 15th century. At the beginning of the 16th century these islands were transferred from the Hindu Raja of Chirakkal to the Arakkal rulers of Cannanore, who were Muslims. During Arakkal rule the islands were administered by *karyakars*, agents of the ruler, assisted by a few *mokhyastans*, *karnavars* or important people from the islands. The Amindive group was treated as one unit. It passed into the hands of the

British from Tipu Sultan of Mysore at the end of the 18th century. For the Laccadive group there was a century-long struggle between the Arakkal rulers and the British. From 1875 the islands of this group effectively remained in the hands of the British, being finally taken over by them in 1905. From 1877 each of these four islands had an Amin appointed by the government from among the *karnavars* or elders who represented important *taravads*. The *karnavars* assisted the Amin in the administration of justice. This group of islands was attached to the district of Malabar.

The coir monopoly, introduced in 1764-65 during Arakkal rule, was the main source of revenue for the government. Tree tax was levied on *pandaram* or government land. The coir depots established on the islands around 1922 provided for the supply of rice in exchange for coir at exchange rates fixed by the government from time to time.

Kalpeni, situated about 220 km south-west of Kozhikode (Calicut), is about three miles long and three quarters of a mile broad at its widest. There are five uninhabited islets to its south-west and a larger one to its north. A lagoon encloses this small group within a ring reef and provides excellent facilities for fishing. Kalpeni and adjacent islands are covered with coconut trees, with breadfruit trees forming a distant second as vegetation.

Cultivated edibles included papaya, plantain, yam, sweet potato, ragi, maize and beans. The growing of betel vines was also popular. Coconut trees supplied the raw materials for both coir and copra, the principal industries. From coconut toddy were made vinegar and jaggery, which had a good market on the mainland. Fishing was an important activity on Kalpeni, but the catch was essentially for home consumption.

In 1962 the population of Kalpeni was 2,920.[4] One significant feature of these islands has been the presence of three or four caste-like groups which are interdependent, hierarchically graded, exclusive and exhaustive. Tradition traces their descent to the Nayar, Nambudiri, Mukuvan and Tiya castes of Kerala. Kalpeni's population was divided into three groups: the Koya, who were traditionally landlords and boat owners; the Malmi, navigators; and the Melacheri, coconut pluckers and toddy tappers. The Koya formed over half of the population and the Melacheri over a third. The major economic relationship, that between *keyi* (master) and *tandelan* (servant) was between the Koya and the Melacheri. Particular Koya *taravads* or their segments were linked to Melacheri households in service relationships. Besides plucking coconuts and tapping toddy, the *tandelan* rendered services and assistance in various activities including copra-making, fishing, the building of boats and houses, coir-making, voyages to the mainland, and rituals and ceremonies. Their remuneration was mostly in kind.

Relations between groups were traditionally marked by discrimination, social distance, and various kinds of disabilities which were akin to those traditional in Kerala but without notions of ritual purity and pollution. During British rule, particularly in this century, the Melacheri successfully fought for the removal of disabilities and discrimination. Gradually they also came to acquire some land. The three groups have continued, however, to remain separate and distinct, with endogamous marriage as the norm as well as the practice. Instances of hypergamy could be counted on one's fingers.[5]

The island had 22 mosques and two schools for religious education. A high school and also a primary school for girls had been opened by the government.

The local administration of the island was in the hands of the Amin, who was assisted by members of the island's council of elders. In the 1960s this consisted of the *karnavars* of 24 *taravads*, of whom 16 were traditionally recognised Koya *taravads*.[6] Appellate jurisdiction for Kalpeni lay in the district of Malabar. During the periodic visits of the inspecting officer appeals were heard and cases decided with the help of the elders.

Descent was traced through the mother: female links alone were recognised for membership of a matrilineal group and for a right to its resources. The traditional pattern of marital residence was duolocal, the husband being a nightly visitor to his wife's house. Children lived with their mother and her matrilineal kin.[7] Thus the elementary or nuclear family, either as an independent unit or embedded in a larger kinship unit, was not institutionalised.

Marriage always began with a visiting pattern. In the early 1960s, of 670 married men 515 were visiting husbands; 124 lived uxorilocally; 23 lived neolocally; and the wives of eight had moved to live with them [Kutty 1972]. Uxorilocal residence was adopted only after a marriage had acquired stability. Divorce and remarriage were common.[8]

One's social identity was derived from one's *taravad*, whose name was used as a prefix to one's personal name. A *taravad* was a group of individuals, of both sexes, who could trace their descent in the female line from a common female ancestor. The depth of this matrilineage could vary from three to six generations. It was birth in a *taravad*, a matrilineal exogamous descent group, which gave an individual an inalienable right to a share in its property.

A *taravad* was not always an economic unit that owned property in common and organised production and other economic activities in common. It might form a property group operating as one production and consumption unit, it might be a production unit that comprised more than one consumption unit, or it might have split into a number of property groups, each of which was made up of one or more consumption units (Diagrams 1 to 4).[9] The splits in a *taravad* or a lower level matrilineal unit tended to run along *tavazhi* or branch lines.[10]

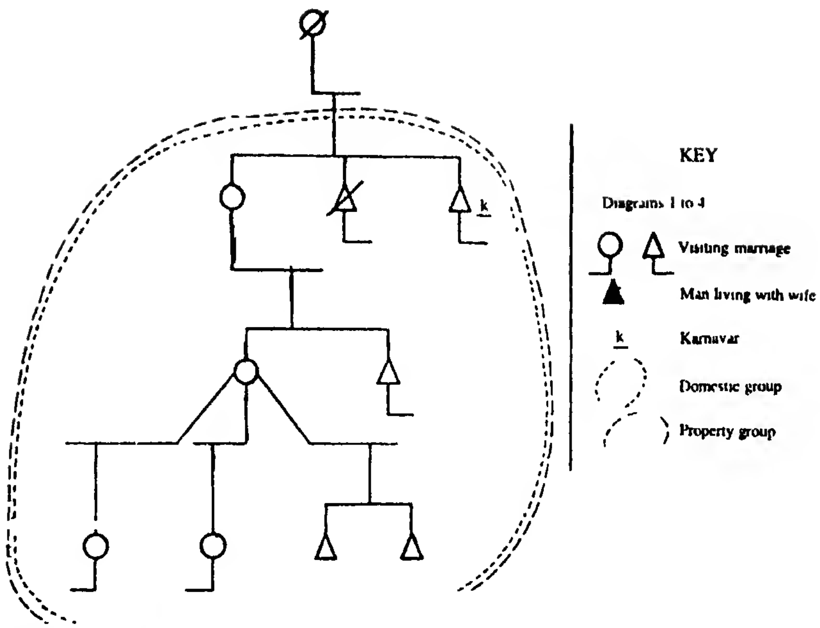
Along with the other islands, Kalpeni had no codified law. It only had customary law, which laid considerable emphasis on precedents. This was referred to as *parampara* (tradition), and in reference to matrilineal property and inter-group and interpersonal relations within the kinship universe was specified as *marumakkatayam*, which is the term used for the matrilineal system among both Hindus and Muslims on the south-western coast of India.

Marriage and divorce were regulated by the *sharia*, specifically by the Shafi'i school of law. The *sharia* also provided guidance for the other crises of life such as birth, circumcision and death. But aspects of marriage, divorce and life-cycle rituals were also governed by tradition. The Kazi (who was usually his *taravad*'s representative on the island council) was expected to deal with all marriages and divorces. In instances of discord and quarrels he often held meetings to negotiate and attempt reconciliation with the help of elders. Issues pertaining to the settlement of dues between husband and wife or other matters relating to property arising out of divorce could be referred to the island council. All matrilineal property disputes and transactions relating to the disposal of individually owned property, which was viewed as being governed by the *sharia*, was either settled through negotiation or dealt with by the council.

In connection with the matrilineal Minangkabau of West Sumatra, Nikki Keddie (1987: 19) speaks of Islam being considered classically to consist of two parts: *ibadat*, worship, which includes the 'five pillars of Islam'; and *mu'amlat*, transactions, which covers the great majority of questions regarding this world that are dealt with in law and jurisprudence.[11] Keddie holds that the Islam of the Minangkabau was primarily one of *ibadat*. The distinction between *ibadat* and *mu'amlat* appears to be relevant for understanding the process in which arguments and counter-arguments are put forth during property transactions, matrilineal values are repeatedly reasserted, and limited use is made of the *sharia* with some flexibility of interpretation.

III

Property on Kalpeni consisted mainly of cultivable land, trees (mostly coconut), houses and house sites, stores and sheds, pits for soaking coconut husk, and fishing channels. It also included movables like *odam* (sailing craft), boats, fishing nets, ornaments and utensils. Many of these items were not difficult to dispose of even when collectively



owned. Much of the land on the island was free of tax. The rest was government land (*pandaram*) taken on lease, on which tax had to be paid on the basis of the number of yielding trees on it. This was known as *cowle* land. Coconut trees were naturally watched very carefully.

Property was of two kinds: *velliarcha* (Friday) property and *thingalarcha* (Monday) property.[12] Friday property belonged to the *taravad* and could not be given away or sold without the consent of all the adult members of the group. Traditionally *taravad* property was impartible in that there was no transfer of absolute right of possession to its branches and division was regarded not as permanent fragmentation but as an expedient for the convenience of the group's members. The principle of division of property in a matrilineal group gave equal shares to all the children of a woman. This stirpital basis of divisions was characteristic of Kalpeni and Androth islands. The other principal islands followed a per capita form of division in which all the members of a *taravad* or its branches were entitled to equal shares irrespective of generation.[13]

If a *taravad* or a *tavazhi* continued to grow, each generation might see one or more divisions of property. Each adult member had the right to ask for partition and his or her share. The simplest device was to divide the coconuts that constituted the produce. Another kind of division that was common was of trees, mainly coconut trees. Houses and storage sheds would also be allotted, as would ornaments and utensils. The use of fishing nets and soaking pits would also be divided. A full-fledged partition generally involved divisions of trees with the help of identifying marks, of land for planting trees, of cultivable land, and of soaking pits, fishing channels, houses and house sites, and movables. *Odams*, sailing craft, generally continued to be in joint possession and use for long periods.

Houses were built and expanded in reference to particular women. Women were looked upon as their constant occupants, for they received their husbands and reared their children there. Property was managed by a male. Generally the oldest man in the oldest generation of the property group had this responsibility, but ability to manage and participation in productive activities were also taken into consideration. In the absence of an adult or responsible male in the group it might also be managed by the husband of one of the women. This was, however, seen as a temporary measure, and such a man would not be called the *karnavar* of the group.

Women had an important role to play in production. The making of coir was their work. They also supervised or were involved in the making of vinegar and jaggery. They had the right to make simple transactions. Trade with the mainland and the general management of property were, however, in the hands of men. Elderly women had considerable power and on the whole women were not ignorant of their shares and possessions. Women's consent was essential in property transactions.

Divisions within a *taravad* or a segment of it were not regarded as fragmentation, because the property still belonged to the *taravad*. It could not be individually disposed of by either male or female members, who had only the right to their shares in it. Even if a male member moved to live with his wife and children and enjoyed his share separately, on his death his share would revert to his mother's *tavazhi*. Matrilineal property was thus supposed to remain with in the *taravad* If one branch became extin its property could go to the next close branch or branches. Even distant matriline relatives—not only those belonging to th same *taravad* but also those belonging t related *taravads* which were supposed t have had common matrilineal ancestry a some time in the past—were regarded a *attaladavakashi*, claimants or 'heirs afte extinction'. Claims of this kind were a com mon source of disputes over property.

A male member was not provided wit shelter on the matrilineal land as a matter c right. A male who wished to leave th production unit often took his share of coco nuts or trees and joined them with those o his wife and worked in their production uni It must be mentioned that uxorilocal resi dence did not automatically change a man' production unit; although it did provide a impetus for men to ask for the division o matrilineal property.

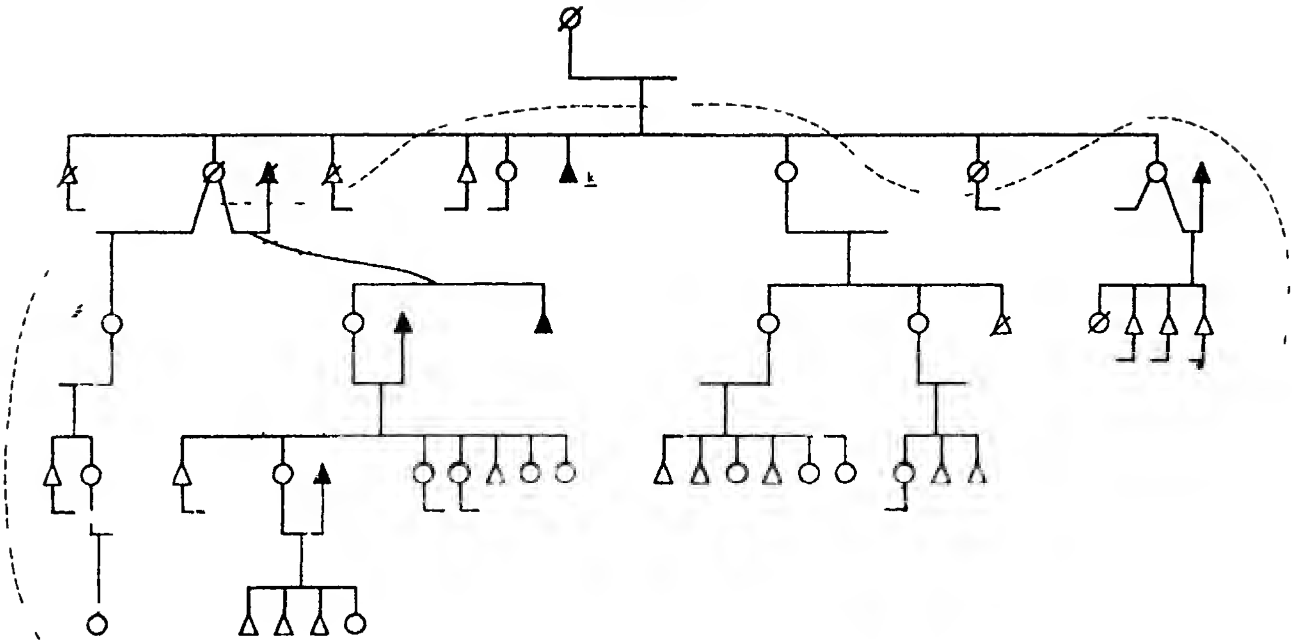
After the splitting of a property group an the division of its property among the branch es, a *tavazhi* might acquire more land an other property. This was referred to as *puthi swottu* or new property. So long as th acquisition of this property could be clearl remembered to be of a date later than th partition or was so entered in the records, i was treated as *tavazhi-taravad* (branc *taravad*) property and other branches had n right to claim in under any circumstances. I was matrilineal property for the members o the particular *tavazhi* that had acquired i and who were collectively recognised t have control over it. *Puthia swottu* owed it increase to the introduction of *cowle* lan during British rule

Ordinary divisions of *taravad* propert were not documented or registered in the court, but the island's people knew about them. Carving marks on coconut trees was the most important mechanism for identifying the shares of various branches and subbranches. Boundaries were often marked with stones or were remembered with reference to known boundaries nearby. Documents were prepared if there had been a dispute over the property, if the shares were proposed to be uneven, if some property had to be put into the full possession of a particular member or branch, and in other unusual circumstances. Documentation did not, however, mean a complete severance of ties.

IV

Thingalarcha or Monday property was known as *swontham* or one's own property and was individually disposable. Such property was acquired through one's own efforts or through a gift deed or inheritance from one's father or from some other non-matrilineal relative such as father's or mother's father or father's sister. An important way of acquiring *thingalarcha* property was the

Diagram 2



conversion of *velliarcha* (Friday) property through informal agreements or formal deeds This often came in direct conflict with the notion of collectively owned *taravad* property and the rights of reversionary heirs after extinction It was one of the most common sources of disputes

Monday property being one's own, its owner had full control over it The distinction drawn by the islanders between *velliarcha swottu* and *thingalarcha swottu* was that the former was inalienable communal property regulated by island custom and tradition (*parampara*), while the latter was one's own, individually owned and hence disposable, its disposal being governed by the *sharia* This meant that the devolution of a person's intestate *swontham* property had to be governed by Islamic law, with sons getting two parts, daughters one part, and the widow eighth share But it was also possible for individuals to gift away *swontham* property during their lifetimes to whomsoever they wished, or to prepare a will specifying the beneficiaries and their respective shares Both these courses were seen as having the sanction of Islamic law, and in the context of the social system of the island were perceived as a provision made by religion to enable a man to bring some material benefits to his children

The history of a number of related *taravads* grouped into *kutumbam* shows that *taravad* tradition was so strong that if there remained only one male in a *taravad*, very often he would have his wife and children come to live with him and flourish as a matrilineal group, combining the names of both *taravads* There was also a tendency among men to convert their Monday property into *tavazhi taravad* property for their children which could not then be individually owned or disposed of at will The principal argument in favour of such a move was that if such property were allowed to be disposed of by males in each generation, it would eventually be scattered across their children's *taravads* in small fragments When Monday property was gifted to individual children, more often than not sons and daughters received equal shares Sometimes daughters' shares might even be larger than sons'

The acquisition and disposal of Monday property were guided by entirely different considerations In his efforts to acquire it a man was motivated by a pull towards his children and his wife It was true that a *taravad* had continuity through its members, its name and its joint property and that men valued this affiliation A strong sense of security stemmed from inalienable rights in resources for living Nonetheless a man was bound by ties of affection to his children and perhaps also by a perceived duty towards them

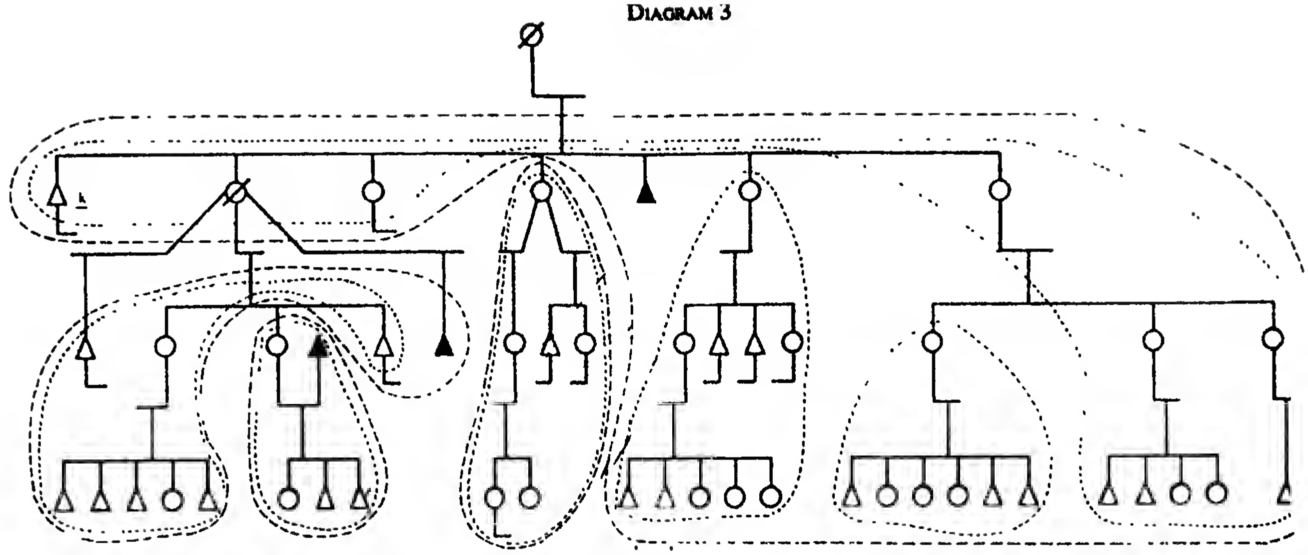
Despite matrilineal groupings and duolocal residence, a father had an important position The socio-religious ceremonies connected with his children's life cycles required his presence and placed some obligations on him [14] A man's affection for his children was clearly recognised In his later years he might settle down with his children, often bringing his share of *taravad* property, which would revert to his matrilineal segment on his death

Depending on his authority and control in his matrilineal property group, a man tried to bring some material benefits to his wife and children He might help them financially in the acquisition of property, his name being kept out of the transaction For gift deeds and bequests, of course, he needed individually owned property There were hardly any avenues for individual earning Whatever gains were made through working on and managing the matrilineal property and through trade were ideally to be used for the collective entity Although this ideal was not followed fully, it did set limits to what an individual male could do towards acquiring disposable property

What was prevalent was changing the nature of property, the conversion of some matrilineal property into one's own Rules were manipulated and circumstances manoeuvred to do this With old *taravad* property this was difficult, particularly if the *taravad* was large or had distant claimants after extinction Attempts to establish control over such property often ended in failure But in the case of *puthia swottu*, newly acquired property, which belonged to a particular segment, a man could often prevail upon other members to execute a deed of consent transferring some of it to him as his individual possession Different means might be employed persuasion, cajolery, secret deeds made with the help of members of the island council, and some kind of bargaining with other members of the *tavazhi* or *taravad*

Careful planning and deft manoeuvring could enable a man to convert some

Diagram 3



matrilineal property into *swontham*, his own and thus disposable. Often the last surviving members of a *taravad* or *tavazhi* had tried to give the matrilineal property in their charge to non-matrilineal relatives—wife and children in the case of men and, less often, brother's or son's wife and children in the case of women.

The analysis of the success or failure of these ventures is revealing. The use of customary law with some mingling of Islamic law as interpreted by those in power, coupled with the paucity of written records accorded ample scope for manipulation and for the interplay of various kinds of interests, values and norms. Decisions lay in the hands of the council of elders, and there were ways of pleasing them. In such circumstances, when both parties were willing to concede a little and thereby gain a little, compromise was regarded as the safest course.

Interestingly, the same actors had opposite roles in different situations and contexts. A father trying to bring some matrilineal property into his individual possession and a *karnavar* or other *taravad* member defending the sanctity of the matrilineal heritage and the rights of 'innocent and helpless *taravad* members' appear to represent contradictory figures—but the same persons might play both roles in different contexts, and both were accepted in the island's culture. Further, at different times a man might have different intentions in relation to a unit of property and might invoke different norms and values.

I present two cases to illustrate concrete situations of devolution and disposal of property. The abbreviated names ending with K or KY stand for 'Koya' and represent males, while those ending with B or BI stand for 'Bi' and represent females.[15]

Case I

PP *taravad* (Diagram 5) was in possession of old *taravad* property as well as a substantial area of *pandaram* land taken on lease (*cowle*) when KMK of generation 1 was the *karnavar*. In 1933 there were two houses of this *taravad* but the property had not yet been divided. In the western house lived an old uncle, KKY, and AMB, the young daughter of his deceased sister KSB, along with her minor son. The eastern house was occupied by the *tavazhi* of AKB, another deceased sister of KKY, consisting of three brothers—ALK, MMK and ARK—their deceased sister SLB's two daughters ATB and BFB, and ATB's minor children. Since KKY was old the property was being managed by ALK. He was an efficient and strong-willed man and managed the affairs of the already prosperous *taravad* well, expanding its resources. He was an important man on Kalpeni.

According to island custom KKY and AMB (through her deceased mother) were entitled to two-thirds of the property of the *taravad*, leaving only a third to all the members of the eastern house. ALK's share was located in the second *tavazhi*. ALK and his brothers discussed the matter with some elders. They emphasised the unfairness of such a division, for their *tavazhi* was much more numerous than the other, and with their sisters they were the real contributors towards the managerial and productive activities of the *taravad*. They wanted to redress this imbalance by separating some property of the *taravad* before the division of the two houses was effected. With this end in view they executed a deed according to which two pieces of *cowle* land (one with 200 coconut trees and the other with 300 coconut trees) were to be retained in the possession of ALK for the general management of the *taravad* properties; some non-taxable (*jenmom*) *taravad* land and another piece of *cowle* land were also brought into ALK's possession as manager of the properties, and some other old *taravad* lands were put in possession of MMK and ARK for management. Although ostensibly all this was being done for the sake of efficient management, this high-handed activity was clearly a prelude to the changing of some *taravad* property into Monday property.

KKY and his niece AMB filed suits (Nos 13/33 and 14/33) in the island court claiming that ALK and his brothers had no right to take any decisions about the undivided *taravad* property without their consent. In January 1934 a compromise was effected and a consent deed was executed with the signatures of all the adult members of the *taravad*. The deed was as follows:

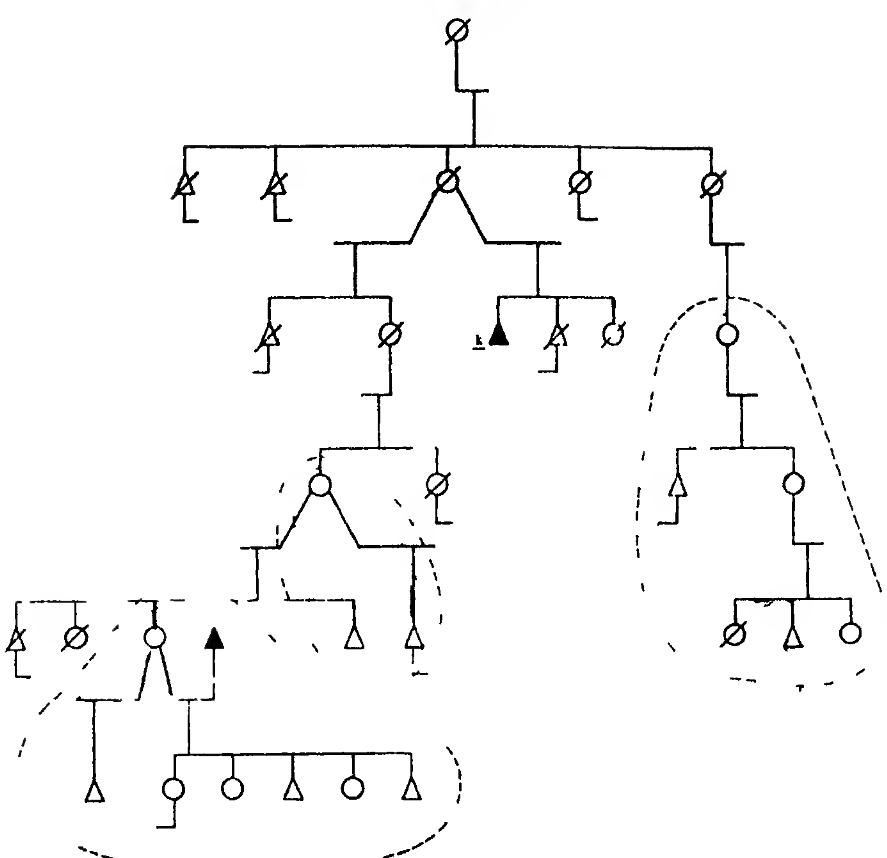
Before the Amin of Kalpeni Island

The following compromise has been arrived at in the presence of the Amin and the Kutchery Karnavars present by the parties and their heirs in PP Taravad:

The three lands, viz, the two Cowle lands to be retained in possession of ALK as per possession deed No 611 of 20.2.1933, executed by ALK (the first Respondent in suit No 13/33 filed by AMB and Respondent in suit No 14/33 filed by KKY) and Kutchery Karnavar MMK (the second Respondent in suit No 13) and ARK (the third Respondent), for the management of PP Taravad properties, and also the Madappally Taravad lands; North Pandaram (S No 1/18) and all trees thereon are to be in the sole possession of ALK and all others have to relinquish their rights;

North Pandaram (S No 1/20) Cowle land is to be in possession of ALK to be enjoyed by him till his death; after ALK's death, it is agreed that the four persons, viz, (1) MMK, (2) ARK, (3) ATB and (4) BFB can divide the above into four parts and look after and enjoy them according to their will; and in the event of the death of any one of the four, the remaining living members among the four

Diagram 4



should relinquish the right of the deceased in favour of his/her children,

Madappally land and trees thereon, after the death of ALK, should be divided into two and looked after by the two houses of PP Taravad The Odam named Puthiya Salamath registered in the name of ALK is to be managed by and as per orders of ALK The annual sailing to the mainland with copra in the month of Kumbham is to be undertaken by MMK and ARK, Respondents 2 and 3 in suit No 13/33

The remaining properties lying in possession of MMK and ARK as per deed No 611/13 (effected by the three brothers) are to be looked after by MMK and younger brother ARK along with members of 'Eastern' PP House, ATB, BFB and others, and the other part to be looked after by the two complainants, AMB and KKY, of 'Western' PP House, and North Pandaram (S No 1/16) belonging to PP Taravad now on lease to PKY of MM Taravad, on expiry of the term of lease, to be divided into two and looked after by both the houses,

In the event of there being any ceremonies, etc it should be celebrated along with ALK and the profits (coconuts) collected from the Taravad so far are to be enjoyed by Respondents 2 and 3 towards clearance of old debts and for pay ment to Government towards leases, and in future in respect of Pandaram leases, tax will be paid to the Government by the concerned people in respect of the land in their possession

Cases 13 and 14 have been settled on the above lines

[Signatures]

10th June 1934

In this transaction ALK got cowle land with 200 trees as his individual possession to be disposed of by him at will The other *cowle* land with 300 trees was to be in his possession until his death, after which it would be divided equally among his brothers MMK and ARK and nieces ATB and BFB as their individual disposable possessions In the event of anyone's death the shares of the deceased would be inherited by his or her children All this thus became Monday property

ALK also got under his control some old *taravad* land and some more *cowle* land, but without the right of disposal after his death it was to be divided equally between the two houses Some more *taravad* land which had been placed in possession of ALK's two brothers according to a previous document had to be divided into two parts, one to be given to each *tavazhi*

Two Kutchery Karnavars were assigned the duty of making an equitable division of all the *taravad* properties including house sites, cultivable lands, old *taravad* land and coconut trees, betel vines, breadfruit trees, *cowle* lands, boat sheds, etc The consent document makes it clear that although members of the western house could not get the two-thirds of the whole property, to which they were entitled according to customary stirpital division, they could save a considerable portion of the property from going into the hands of the other house ALK and his brothers for their part, succeeded in getting sizeable portions of matrilineal property in their individual possession, ALK getting the most out of this bargain In the process the two nieces (ATB and BFB) who had been persuaded to agree to the compromise also got some Monday property This compromise was viewed by all as the best possible solution It has already been mentioned that ALK had considerable clout on the island

Later all three brothers left the eastern house and settled with their respective children, to whom they gave their Monday property through gift deeds Their objective in changing the status of some of the inalienable matrilineal property was thus fulfilled As ruefully emphasised to me by ARK's children, their father's eldest brother ALK had gained the most in the whole transaction

It would be interesting to look at what ALK did with his disposable property In 1945 he executed the following gift deed in favour of his children

No 1189/45 Gift Deed executed by PP ALK to his children in KNK House, namely, CRK, KNK BI and her children at present and in future

I relinquish my own rights over my *swontham* property which is now in my possession Survey No 1/18 North Pandaram including all the buildings and trees and plants as Tavazhi Taravad claims (*avakasha*) not to be partitioned in future My sons CRK and KNK should keep this property in their possession and enjoy the fruits of it The tax payable to the government (on fruit yielding trees) should be paid by them and they should get a receipt for the same

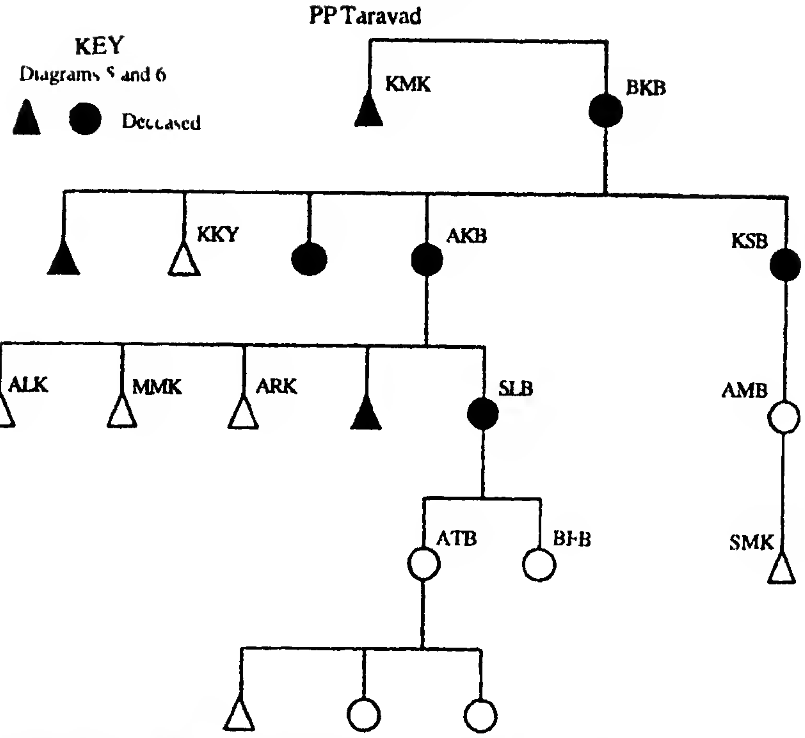
[Signatures]

23 September 1945

As is clear from the deed, ALK had changed his Monday, *swontham* property into the collectively owned *tavazhi-taravad* property of his children However, even his sons and daughter were not aware of this It was looked upon by all as individually disposable (although being managed collectively) Monday property ALK lived for six years after the registration of the gift deed and managed four kinds of property his Monday property which he had already gifted to his children his share of his own *taravad*'s property, which was to revert after his death, his children's matrilineal property (KNK *taravad*), and the Monday property that his daughter and her children had been gifted by her late husband

After ALK's death in 1952 his share of PP *taravad* property reverted to his matrilineal

Diagram 5



kin Responsibility for managing the remaining three categories of property now fell on his two sons While they were doing their best, their sister's 20-year-old son SMK began to suspect them of dishonesty and maintaining incomplete accounts His uncles tried to appease him by giving him charge of the trees gifted by his father, while one of them, CRK, continued to manage the rest of the property

The nephew continued to express his resentment He claimed that of the profits that the production group earned, his mother and her seven children—some of whom had been born after ALK's death—were entitled to eight shares and his two uncles to one share each He was perhaps mixing up the custom of per capita distribution of property followed on some of the other islands with the stirpital division seen on Kalpeni He was also expecting a very large share for his mother from the Monday property of his grandfather ALK Over time he became more and more aggressive and tried to take the management of the property into his own hands He began to give orders to the labourers regarding the plucking of coconuts One of the uncles then re-established control over the labourers and took the plucked coconuts in his charge

SMK filed a suit in the Amin's court and presented his case before the elders of the island council He argued that although his mother and her children together had claims to a much larger portion of the group's property, he was not being allowed to deal with the labourers and get the coconuts plucked The elders and the Amin then perused the gift deed of ALK, which had been registered in the previous Amin's time They found that the nephew's claims were unfounded, for the property was no longer Monday property The two uncles, for their part, now realised that their father had turned his Monday property into *tavazhi taravad* property and that as individuals they had no right of disposal over any part of it

This situation did not suit either party After negotiations with the help of elders a compromise was effected With the consent of all the adult members of the late ALK's deceased wife's *tavazhi*—the two sons KNK and CRK, the daughter, BI, and BI's adult children—the property gifted by ALK was changed from *tavazhi-taravad* to individually disposable Monday property In this compromise the two brothers KNK and CRK had to be satisfied with only one share of ALK's property divided between the two of them, two shares going to their sister According to Islamic law they should have got double the share of their sister But what the brothers got in this division was viewed by matrilineal logic as going out of their mother's *tavazhi*, and the elders therefore thought that their sister, through whom the group would continue, should get the larger share

The nephew, SMK, was agreeable, because in the event of its remaining *tavazhi-taravad* property his uncles would have enjoyed equal shares with his mother until their deaths Further, he himself would have been entitled to only a small share out of his mother's share and that too with only usufructuary rights Now he had only to persuade his mother to distribute her share amongst herself and her children as Monday property

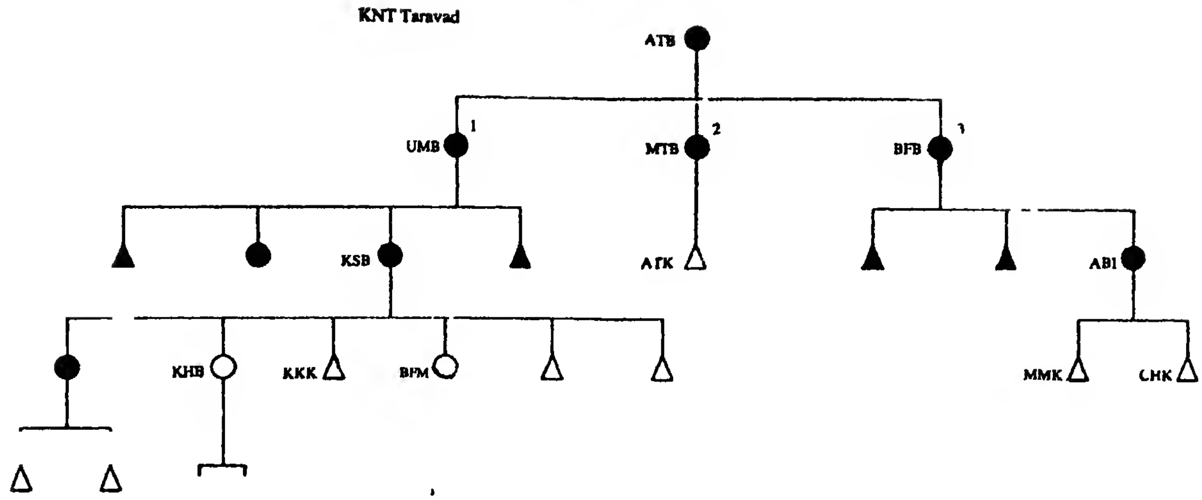
This is what happened After the compromise, with pressure from her children, particularly SMK, BI's share of her Monday property received from her father and that received from her deceased husband were combined and then divided into nine shares Two of these went to BI and the rest were divided among her seven children Although this property was managed as a unit, with all production activities carried on collectively, these shares were clearly recognised as Monday property disposable at the will of the owner

Subsequent events provide instances of the way in which Islamic law was interpreted and applied in the disposal of intestate *swontham* property We shall narrate only one of them Just one year after the compromise had been effected and ALK's Monday property had been divided among his sons and daughter, one of the sons, CRK, died before preparing a gift deed When the question of the disposal of his Monday property came up his brother, KNK, argued that their father had incurred some debts which had remained unpaid and therefore a part of CRK's share should be used for this purpose Thus it was decided that one part of CRK's *swontham* property would be shared between KNK and their sister BI, to be used towards repaying the debts, while the remaining part (about 68 trees) would be distributed, according to the *sharia*, among his widow and five children From oral accounts I gathered that the sons got double the share of their sisters, while the widow got the share stipulated by Islamic law

Thus, as a brother and a sister survived to stake their claims, half of CRK's intestate Monday property could not go to his children It appears that the rule laid down in Islamic law by which debts were the first charge on a person's property, before it could be willed or distributed intestate, was invoked by KNK The correct procedure would have been to take note of ALK's debts at the time of the division of his Monday property among his children a year earlier This is an example of how a somewhat vague understanding of Islamic law was taken advantage of by those who had the power and opportunity Changes in alignments also need to be noted In this deal KNK and his sister, along with her son SMK, who had just a year earlier fought his uncles, joined hands to appropriate half of CRK's *swontham* property

Finally SMK, who had first challenged his uncles and brought about a division and then persuaded his mother to separate from the *tavashi-taravad* property her Monday property obtained from two sources, died unexpectedly On a trading voyage to the mainland his *odam* was caught in a cyclone and sank The devolution of his share of Monday property (20 trees) was broadly guided by Islamic law, his mother (and perhaps his brothers) getting three trees,

DIAGRAM 6



with the remainder going to his wife and children

KNK, the one surviving son of ALK, was over 50 and suffering from tuberculosis when I met him in 1969 Sixteen years previously he had moved to live with his wife and children He had already had prepared a proper gift document pertaining to the devolution of his Monday property to his wife and children

CASE 2

This is the story of divisions, compromises and gift deeds in KNT *taravad*, which provided the Kazis of Kalpeni (Diagram 6) In 1935 the three *tavazhis* of the three sisters UMB MTB and BFB had divided their land, trees and all other property through a written document However, following island custom, this was not to be regarded as a complete severance of matrilineal ties and the end of reversionary claims to property In spite of such an understanding, in 1953 ATK, who was by then old and was the only person left in MTB's *tavazhi*, transferred some of his *taravad* property through a deed to his son PKY and daughter KDB in KNK *taravad* He died before the deed could reach the court The Kazi, MMK, ATK's SiDa's son, filed a case in the Amin's court against ATK's children in KNK *taravad*, to recover the property given to them by their father The Amin at the time—CRK of CG *taravad*—was the husband of KSB of *tavazhi* 1 in KNT *taravad* He did not consider it wise to take up the case and kept the file for disposal by the inspecting officer, who visited Kalpeni in 1954 The inspecting officer referred the case to a special court of *karnavars*

After a hearing everybody concerned was persuaded to work towards a compromise Because of the time that had elapsed since the gift deed was made, the transfer of property to PKY and KDB in KNK *taravad* had already become a reality and could not easily be undone in its entirety The deed that had effected the division of the three *tavazhis* in 1935 was carefully examined and stock was taken of the composition of the two existing *tavazhis* (1 and 3) After prolonged deliberations an agreement was arrived at

It needs to be pointed out that *tavazhi* 3 had some very powerful people in it, particularly MMK who was not only the Kazi of the island but also a Kutchery *karnavar* But *tavazhi* 1 had the support of the Amin, whose wife KSB was by then dead but whose children's and grandchildren's interests were involved Second, only *tavazhi* 1 had female members who could ensure the continuity of KNT *taravad* It is clear that these factors guided the decisions taken regarding the distribution of the *taravad* properties and the conversion of some of them to Monday or disposable property

While PKY and KDB of KNK *taravad* got some of the property which had been in the possession of their father ATK, they could not retain all that had been gifted to them Much of it had to be transferred to MMK, the Kazi, as his Monday property Further, a fair amount of *taravad* property in the possession of CHK, MMK's brother, was made into Monday property which he could dispose of at will Those two were the only surviving members of their *tavazhi* Definitely they used the dispute to their advantage and succeeded in acquiring considerable *swontham* property for themselves by changing the status of matrilineally owned property

At the same time, an effort was made to equitably distribute property between the two surviving *tavazhis* The condition was imposed that the *taravad*'s trees being looked after and enjoyed by members of *tavazhi* 1 and by MMK and CHK in *tavazhi* 3 should not be disposed of through any document, nor should any debts be incurred against them It was further recorded that if money were needed for reasonable purposes, the members of the *taravad* were at liberty to lease the trees—but only to other claimants and not to outsiders It was added that the land on which the *taravad* house earmarked for BFB's *tavazhi* (*tavazhi* 3) stood should be given to *tavazhi* 1 for planting trees and that members of *tavazhi* 3 should plant no more trees on it They could enjoy the trees already planted on this land, but after their deaths the trees would go to the matrilineal claimants that is, members of KNT *taravad*– in effect *tavazhi* 1, which alone would have continuity through female children This condition was clearly included in the document to keep the *taravad* house and the land around it within the taravad by making it difficult for the surviving members of BFB's *tavazhi* to make any claim on these as disposable property

This case effectively illustrates the interlocking and working of various factors the material interests of the various individuals and groups—sibling groups, a mother and her children as a unit a father's concern (the Amin's) for his children's interest in property received through their mother, a sense of morality associated with protecting the name, identity, prosperity and reputation of one's *taravad* the ethics of protecting the rights of *taravad* members to the assets of the matrilineal unit and male members' interest in acquiring some disposable property for their children Besides emphasising morality, it was also considered sensible to keep the properties of a matrilineal unit together and not permit them to be fragmented and frittered away through male members, whose children would be scattered across many *taravads*

Men's concern for their children as expressed through their interest in acquiring some disposable property was not, however, viewed as indicative of a base element in man's nature It was considered a natural expression of a father's sentiments an aspect of his role which, while not being looked upon as obligatory, was considered to have the approval and even commendation of religion At the same

time, obvious misuse of power and the control over property made possible through managerial rights and the use of manipulative strategies that went against the interest of one's matrilineal group were looked upon as violations of traditional values.

In the end we may look at MMK's disposal of the Monday property he had acquired in the process of settling the dispute that arose because of ATK's attempt to benefit his children at the cost of the interests of the *taravad*. His gift deed is reproduced below.

> The gift deed executed by Kalpeni islander Kazi MMK of KNT Taravad, Kutchery Karnavar, in favour of his two wives (1) EP BFB (who has no children), and (2) KNK KNB, and KNB's children (3) AMB, (4) ATB, (5) KDB, and other children to be born through the above two wives
>
> *To look after me till my death* [emphasis added]. If from among the above mentioned wives and children any one dies, the share of property of the deceased should not be divided according to Muslim law of inheritance; the persons mentioned in the deed should divide it equally among themselves.
>
> When I got this property as my own as per consent statement No 90/55 dated 21st May, 1955 I was given the right to dispose of it according to my wish. It consists of Jenmom land, trees and plants and a Shrambi. (As usual the property is enumerated in the government deed.) Today onwards I relinquish my right over the above with my full will.
>
> [Signatures]

Thus the Kazi had taken precautions to ensure that once gifted, his disposable property would not be treated as *thingalarcha* (Monday) property. After her death the share of the childless wife would go to her co-wife's *tavazhi* in KNK *taravad*. Second, the property gifted to the other wife KNB and her children would be treated as *tavazhi-taravad* property that could be disposed of only with the consent of every one of them. Well versed in religious lore and Islamic law, MMK was also firmly rooted in the matrilineal ethos and the values of the island. He was clear about the advantages of keeping together and in continuity, in a *tavazhi* of siblings, even such property as had been acquired by their father with the invocation of Islamic values. The property was no longer vulnerable to fragmentation into insignificant portions. He appeared to be at peace with himself and convinced of the wisdom and correctness of his decision. All this came out clearly during my conversation with him.

VI

In a way two legal systems operated on the island. Marriage and divorce were in the domain of the Kazi, who held meetings (*kootam*) to listen to grievances, to mediate, to provide an opportunity for negotiation and reconciliation, and, if necessary, to pronounce judgment, often in consultation with elders. Issues pertaining to the settlement of dues between divorcing parties and any matters relating to property arising out of divorce could be referred to the island council if they were not settled by the *kootam* or informally.

As regards individually owned property, which was supposed to be governed by Islamic law, disputes over its disposal and inheritance were invariably taken to the island council if no informal settlement could be reached. So also were disputes over matrilineal property governed by customary law. Informal documents with witnesses' signatures and oral declarations were not uncommon, but gift deeds, bequests and consent deeds—mainly among matrilineal kin—and other documents relating to property were registered in the Amin's Kutchery with *karnavars* as witnesses. Further, suits were filed in the Kutchery and the Amin was empowered to deal with them with the assistance of elders.

Matrilineal and *swontham* property were intermeshed and mixed due to several factors: through manipulation and because of the nature of productive activity that required collective endeavour, the concentration of trading operations in a few hands, and the cultural and structural pull towards the matrilineal rationale. This seems to have led to what has been described as a selective use of the two legal systems, each supposed to apply to one type of property.

On Kalpeni a single adjudicatory machinery dealt with matters pertaining to property, the island council. The council could seek the advice of those reputed to be well versed in Islamic learning and in the island's *parampara*, but in the final analysis it was the decision-maker. Within the council itself there were elders conversant with Islamic law. Further, the inspecting officer who visited the island and the appellate court on the mainland were expected to deal with the cases coming before them on the basis of the legal systems prevalent on Kalpeni. This raises the possibility of misinterpretation and inexact application of both customary and Islamic law by colonial officers who were more conversant with the laws operating among the matrilineal Nayar and Mappilla on the mainland and who could not be supposed to know about the intricacies of relationships, interests and power equations involved in particular cases.

A related issue concerns the possibility of modifications being made to their arguments by islanders in the light of the reactions of judges who came from outside the island culture. A number of cases are instances of this. Others throw light on the functioning of the island council. No Kutchery *karnavar* could be regarded as being uniformly impartial. Alignments through the marriages, parenthood and matrilineal links of particular *karnavars* exercised an influence over others and often resulted in the twisting of arguments. Often the material interests of particular *karnavars* were put to use by contending parties.

How was Islamic law used and applied? As Benda-Beckman (1984) argues in the context of the Minangkabau, even when Islamic terms are used the legal reality may be different from what is found in Islamic law. We shall illustrate this with the existence of ancestral property on the island and the making of wills and gift deeds and their execution.[16]

It is well known that the notion of ancestral property does not exist in Islamic law. Whether it was received from ascending generations or acquired by oneself, individuals are supposed to have full control over their property, heirs having no claim upon it during the individual's lifetime. On Kalpeni matrilineal joint property was viewed as a distinct category deriving from and governed by age-old traditions and thus outside the purview of Islamic law. It was believed to have been created by matrilineal ancestors for the benefit of all the members of the matrilineage in perpetuity. *Taravad* property was thus seen as akin to a charitable trust created for the good of the innocent, needy and helpless members of the matrilineage. Its justification lay in *parampara*, which was sacrosanct. As we have noted earlier, some islanders who were conscious of the contradiction between the Islamic legal conception of property and the nature of matrilineal property equated matrilineal property with *waqf* property. It is difficult to assess how widespread this idea was, but without doubt it provided a quasi-religious justification for the existence of matrilineal property.

What was disposable was *swontham* or individual property. In Islamic law there is no limitation on gift deeds executed during a person's lifetime: so long as s/he is in full command of her or his senses s/he can gift away even the whole of her or his property to any person or persons. But in the case of a bequest or will there are limitations: first, only one-third of the property can be bequeathed (after the repayment of debts, which are the first charge on it), and second, it cannot be bequeathed to one's natural heirs, that is, those who are legally entitled to inherit. On Kalpeni, like gift deeds, wills were usually made for the whole of a person's *swontham* property; and in the case of a male, the beneficiaries would invariably be his children and wife, that is, his natural heirs according to Islamic law.

It appears that the first limitation—that only a third could be bequeathed—was irrelevant even for those well versed in Islamic law, for *swontham* property did not constitute the whole of a man's property: he had rights of use over his share of matrilineal property, which provided the main source of his living. It is difficult to say if the common people were even aware of this limitation. The notion was rooted in their consciousness that children's rights over *swontham*

property had religious sanction and that it went against religion to deprive children of their fathers' individual property.

Second, the question of who were a man's natural heirs did not seem to come up formally in any dispute relating to the disposal of *swontham* property. Neither the island council nor the people saw in this any deviation from Islamic law. In keeping with the matrilineal ideology, a man's children were not viewed as his natural heirs: that position was accorded to his matrilineal kin, particularly his sisters' children. In many disputes over matrilineal property in which a man's will or gift deed were challenged, and in documents relating to the division of property, it was a man's sisters' children who were referred to as 'heirs' and rightful claimants. In their absence other segments of the matrilineage, in order of closeness, would become entitled to inherit. This notion of natural heirs followed island *parampara*.

Analysis of cases and discussions with informants showed that there was a distinct preference on the island for gift deeds over wills. The explanations given make it clear that this preference had nothing to do with the two limitations of wills in Islamic law. The main apprehensions that people expressed in relation to wills related to three factors: first, the fear that the status of a particular piece of property as *swontham* might come into dispute through a resurrection of some forgotten fact or through the machinations of matrilineal kin; second, the possibility of delay (or even of refusal) on the part of matrilineal kin in handing over such property to the donor's children; and third, a genuine fear that with the donor gone, his sons might object to sharing equally with their sisters—which was the preferred pattern in wills—on the ground that that would be un-Islamic, or that they might use the same argument to oppose his wish to turn his *swontham* property into their collectively owned and not individually disposable *tavazhi-taravad* property.

With the increasing use of writing, people became keen to have gift deeds registered in the Kutchery. If the property was actually transferred it might become difficult to retrieve, as happened in Case 2 above. One more point concerning gift deeds is that in contrast to much of the Islamic world, parting with one's own property in one's lifetime was not a problem for the islanders, whose main source of livelihood was *taravad* property. People had inalienable shares in this. In any case, what with matrilineal values asserting themselves in the reconversion of *swontham* property to matrilineal property, the island never had a significant proportion of *swontham* property. In 1962-63 only 9 per cent of the coconut trees on the island were *swontham* property [Kutty 1972]. Further, a man who had gifted his own property to his children might already have moved to live with them, pooling his other property with theirs. In such cases the transfer would have become accomplished fact prior to a man's death, thus weakening the claims of his matrilineal kin.

However, recorded cases also show that gifted property was not always transferred when the gift deed was registered. It might still remain under the formal control of the donor along with his share of *tavazhi-taravad* property. This matter of untransferred gifts is significant. In Islamic law a gift necessarily connotes something that has already been transferred: it cannot exist merely as a promise, and it also has to be publicly made. But such nuances were beyond the consideration of the Kalpeni islanders. Generally we find that donors exercised caution in ensuring that the legal formalities were completed although property might not actually change hands. Further, in respect of gifted property whose status was not beyond dispute, where there was some risk that matrilineal kin might create obstacles, special efforts were made to maintain as much secrecy as was possible in the registration of gift deeds.

It is no wonder, then, that in conflicts over property some sort of compromise was considered the best course of action. No party could be certain of a judgment in its favour. More often than not people perceived partial truths and elements of justification in the positions taken and the claims made by both contending parties. More significant were the uncertainties built into the process of adjudication because of the play of interests, emotion and power. We have already noted that no Kutcheri *karnavar* including the Amin could be expected to be impartial in all cases. They were also open to being influenced by material benefits.

This does not give the whole picture but perhaps tells enough to enable us to understand the value of compromise in property transactions and disputes.

One final observation may be made. It appears that what was viewed as sanctioned by Islam was in a way rooted in the developmental cycle of property and domestic groups in the matrilineal system and in male members' destinies in it. While women were firmly rooted in their *taravads* and in their houses in the physical sense of the term, men's links were weaker. A man was sure to be looked after well so long as his mother was alive. He could hope to receive care while his sisters—including MoSiDas of his age group—were alive and physically active. However, when his nieces took over the household and when he became unproductive and surrendered managerial privileges to his nephews, he could expect more care from his wife and children in their *taravad*.

A man's desire to gift some property to his wife and children was considered both appropriate and logical. If he wished to move over to live with his wife and children even while managing the property of his own matrilineal group, the logic of the situation justified his inclination to gift some assets to the household which was looking after him and would continue to care for him. The texts of many gift deeds corroborate this: that executed by MHK of KNT *taravad* is an excellent example. Many documents clearly stated that the anticipation of being looked after in old age was the main justification for gifting property.

The passing of resources from one generation to the next does not seem to have been only a moral issue. The essential inseparability of the ideology and material basis of kinship is clearly demonstrated in the rules and processes relating to kinship in this island society.

Notes

[This paper is to be published in a forthcoming Festschrift volume in honour of M N Srinivas. I chose this subject for this volume because Srinivas' work on disputes has given direction to many of us. I thank S C Dube for his suggestions. Mukul Dube edited and typed the script and drew the diagrams.]

1 Perhaps no social system would appear to be so incompatible with the ideology of Islam and demand so much adjustment and accommodation as a matrilineal one. Although Robertson Smith has spoken of traces of matriliny in Arabia, even a cursory look at the Quran, the Hadith and the legal provisions in Islam reveals a marked patrilineal emphasis. Elsewhere in our analysis of the social system of Kalpeni island [Dube 1969, Kutty 1972] we have attempted to understand the process of accommodation and compromise between the two apparently incompatible system. A R Kutty, to whom I owe my interest in the subject, was my student in the 1960s.

2 A R Kutty's (1972) ethnographic account of Kalpeni, upon which I have drawn here, was based on fieldwork carried out in 1961-63. I did fieldwork on the island some years later, in 1969. This paper essentially relates to the period before the end of the 1960s. Several changes occurred after the formation of a Union Territory of the islands. For instance, the Amin's powers were curtailed and tahsildars and sub-tahsildars were appointed. These changes are ignored here. I have therefore avoided the use of the ethnographic present, although in their basic features the social structure and culture of the islands have not changed radically [Saigal 1990].

The cases relating to property were gathered by the extended case method through documents, genealogies and free-flowing as well as focused interviews. My informants and narrators included some of the main actors or their descendants or opponents, mediators and adjudicators, as well as others who possessed relevant information because of direct or indirect interest in specific cases. Many records of partition, wills, gift deeds and suits were taken from the registers in the Kutchery and then followed up with informants. Over 30 cases were collected.

Among the many scholars whose work influenced me at various times are Benda-Beckman

(1984), Colson (1961 1980), Comaroff and Roberts (1981), Epstein (1967a 1967b) Gluckman (1958) Mitchell (1956), Nader and Todd (eds) (1978) Roberts (1979), Srinivas (1952 1954, 1959) and Turner (1957) In the study of matriliny on Kalpeni I have gained substantially from the work of the late Kathleen Gough (1959 1961) and from discussions with her

3 For a detailed argument regarding the most plausible period of these migrations see Dube (1978) There is, however no uniformity in early accounts See Logan (1877) Ittaman (1976), Mannadiar (1977), Saigal (1990)

4 By 1981 the population had risen to 3 543 These figures include the floating population of government officials and their families

5 See Dube 1978 British officers such as Robinson (1846, 1848), Logan (1877) and Ellis (1924) have written extensively about the caste-like groups on the islands Kutty (1972) has given a detailed account of the confrontations between the Koya and the Melacheri on Kalpeni

6 The positions of *karnavars* elders or jurors were hereditary for particular important *taravads* Each of these *taravads* had a history of how and when the *patta* or authorisation for *karnavar* status was obtained from the Cannanore rulers There were 16 such Koya *taravads* It was only later near the middle of this century that some Malmi and Melacheri *karnavars* were appointed to the council

7 So long as a man continued to visit his wife he was expected to make a customary annual payment of rice and coconuts to her household and to bring garments and fabric for her He was also expected to meet part of her requirements of fancy clothes cosmetics and ornaments It was common for a man to send to his wife s household such things as tea, sugar and spices Gifts were also made to the wife at important festivals their value depending on the husband's means

8 More than half of the men and women on the island had married more than once, and many had married several times Marriage was brittle, divorce was easy Men had a higher rate of remarriage unlike women they could remarry even while an earlier marriage was extant and did not have to wait out a three-month period of *iddat* after a divorce or the death of a spouse It was the irrevocable *talaq* that was practised Although formally the initiative lay with the husband, the pattern of marital residence enabled a woman to express her unwillingness to continue in a marriage

9 These four diagrams represent four actual taravads on the island Diagram 1 shows a *taravad* that was also a property group and a domestic group The *taravad* in Diagram 2 consisted of a single property group made up of several domestic groups The *taravad* in Diagram 3 consisted of four property groups, each of which had in it one or more domestic groups Diagram 4 pictures a *taravad* with three property groups that were also domestic groups

10 The descendants of one woman were set off as a unit from those of her sisters this unit being known as a *tavazhi* Each woman of a *taravad* could thus have a *tavazhi* descending from her It was a somewhat flexible term and was used to denote both an intermediary segment in the context of a larger group and a minimal segment of two-generation depth [Kutty 1972]

11 An emphasis on *ibadat* appears to express very well the practice of Islam in Lakshadweep The number of mosques on Kalpeni was quite disproportionate to the population and the physical space The islanders were very particular about prayer and fasting the giving of alms on specific occasions and discourses by visiting religious dignitaries *Haj* was considered difficult on account of expense but those who had performed the pilgrimage were given special respect Most important activities related to religion were undertaken by matrilineal groups The practice of religion thus appears to have been a reaffirmation of the solidarity of the kinship group a buttressing of the relationships and values of the existing social structure For an account of the following of particular saints such as Mohiddin Sheik and Riffai Sheik and the use of amulets, see Dube (1969) and Kutty (1972)

12 The etymology and significance of Friday and 'Monday are not known Friday property could be interpreted as being collective following the communal prayer characteristic of that day The collective property of the *taravad* was justified by some persons as a form of *waqf* property created for the benefit of a group of matrikin This could not be disposed of but would be used for the livelihood of all the members of the group As is well known only the income of *waqf* property may be used the property may not be disposed of

13 In this division according to stirpes or branches a person who had a number of siblings would have a much smaller share than his mother s brother No comparison has been attempted so far of property disputes on Kalpeni and Androth with those on the other islands nor has there been an investigation of the texture of the MoBr SiSo relationship in the two sets of islands

14 A father contributed to the expenses of child birth and paid the midwife He also paid the barber who shaved the child's head on its 40th day The major part of the expense on this ceremony was borne by the father supported by his matrilineal unit In circumcision and in marriage he had an important part to play giving gifts and bearing part of the expenses A man acted as *wali* (guardian) in the marriage of his daughter gave her ceremonial clothes and spent on the decoration of the bridal chamber He received the *mahr* on behalf of the bride [see Kutty 1972]

15 Most of the cases that I collected relating to property were from among the Koya the traditional owners of land rights Only members of the Koya group were permitted these suffixes

16 I am thankful to Danial Latifi, scholar and senior advocate of the Supreme Court of India, for enlightening discussions on these points

References

Benda-Beckman Keebet von (1984) *The Broken Stairways to Consensus Village Justice and State Courts in Minangkabau* Foris Publications

Colson, Elizabeth (1961) 'Plateau Tonga in D M Schneider and E K Gough (eds) *Matrilineal Kinship* University of California Press Berkeley and Los Angeles

—(1980) 'The Resilience of Matrilineality Gwembe and Plateau Tonga Adaptation' in Linda S Gordon and Steven Bakerman (eds) *The Versatility of Kinship* Academic Press New York

Comaroff John J and Simon Roberts (1981) *Rules and Processes The Cultural Logic of Disputes in an African Context* University of Chicago Press Chicago and London

Dube Leela (1969) *Matriliny and Islam Religion and Society in the Laccadives* National Publishing House Delhi

(1978) Caste Analogues among the Laccadive (Lakshadweep) Muslims' in Imtiaz Ahmad (ed) *Caste and Social Stratification among Muslims in India*, Manohar (first published 1973) Delhi

Ellis R H (1924) *A Short Account of the Laccadives and Minicoy*, Government Press Madras

Epstein A L (ed) (1967a) *The Craft of Social Anthropology*, Tavistock Publications London

(1967b) The Case Method in the Field of Law' in A L Epstein (ed), *The Craft of Social Anthropology* Tavistock Publications London

Gluckman, M (1958) *Analysis of a Social Situation in Modern Zululand* Rhodes Livingstone Paper No 28

Gough E Kathleen (1959) The Nayars and the Definition of Marriage *Journal of the Royal Anthropological Institute* 89

(1961) Nayar Central Kerala Nayar North Kerala Mappila North Kerala Tiyar North Kerala 'Variations in Residence and Interpersonal Kinship Relationships in D M Schneider and E K Gough (eds) *Matrilineal Kinship* University of California Press Berkeley and Los Angeles

Ittaman K P (1976) *Amini Islanders* Abhinav Publications, New Delhi

Keddie Nikki R (1987) 'Islam and Society in Minangkabau and in the Middle East *Sojourn* 2(1)

Kutty A R (1972) *Marriage and Kinship in an Island Society* National Publishing House, Delhi

Logan William (1877) *Malabar* 2 Vols, Government Press, Madras

Mannadiar N S (ed) (1977) *Gazetteer of India Lakshadweep* Government of India Press Coimbatore

Mitchell C (1956) *The Yao Village*, Manchester University Press for the Rhodes Livingstone Institute Manchester

Nader Laura and Harry F Todd (eds) (1978) *The Disputing Process Law in Ten Societies*, Columbia University Press, New York

Roberts Simon (1979) *Order and Dispute An Introduction to Legal Anthropology*, Martin Robertson, Oxford

Robinson, W (1846) *Report on the Amindivi Island*, Revenue Department, Government of Madras

—(1848) *Report on the Laccadive Islands*, Revenue Department, Government of Madras

Saigal, Omesh (1990) *Lakshadweep*, National Book Trust, New Delhi

Srinivas M N (1952) A Joint Family Dispute in a Mysore Village *Journal of the University of Baroda*, 1(1)

—(1954) A Caste Dispute among the Washermen of Mysore', *Eastern Anthropologist*, 7 (3 and 4)

—(1959) 'The Potter and the Priest' *Man in India* 39 (3)

Turner Victor (1957) *Schism and Continuity in an African Society*, Manchester University Press for the Rhodes-Livingstone Institute, Manchester

Rural Non-Agricultural Employment in Kerala

Some Emerging Tendencies

Mridul Eapen

An attempt is made in this paper to review in detail changes in the structure of rural employment in Kerala, in particular non-agricultural employment, focusing on the weaknesses of the emerging structure. Section I of the paper discusses the relevant characteristics of Kerala's rural economy. Section II presents the empirical evidence. Section III attempts to explain the changes observed by identifying some broad causal factors and Section IV presents the author's conclusions.

WHILE the near constancy of the occupational structure in India has been a major cause for concern, Kerala has drawn considerable attention for its apparently 'developed' occupational pattern characterised as it is by a very low share of agriculture. Historically too, the share of agriculture has been much lower in Kerala—65.7 per cent for the male working force in 1911 as compared to almost 74 per cent for India, largely because a high proportion of the rural workforce was engaged in sectors other than agriculture. And it is one of the few states in which the share has steadily declined; it was 55 per cent in 1961 while for India it remained around 72 per cent [Krishnamurty 1970]. It was only since the early 70s that a noticeable shift occurred towards non-agricultural activities in rural India affecting the overall employment pattern in the country. The picture is slightly different with the inclusion of females and with the use of the National Sample Survey data; however the overall trends broadly remain the same. And this, despite the fact that Kerala was one of the states which received relatively little attention in the overall industrialisation strategy pursued in the post-independence period. Its share in public sector investment remained low and in fact declined over time [Subramanian 1990].

That experiences of some nations (and presumably sub-regions) could diverge from the common or universal path of long-run development based on industrialisation, was recognised and sources of diversity were stated to be no less important than those of uniformity [Kuznets 1959; Chenery 1960]. However these were expected to operate at a lower level of aggregation, while there were uniformities at an aggregate or macro-level of analysis. The transition from an agricultural to a non-agricultural economy in the process of growth could be regarded as the broad, universal tendency at the aggregate level, while differences could exist in other dimensions, viz, in industrial composition or sequencing of changes during the process, or in sources of financing capital accumulation. Or as argued by some other contributors to the thesis of structural transformation, even the path of transition could be different [Syrquin 1988]. In the context of India's development experience, as also of certain other agriculture-dominated Asian economies, the interesting question was why the macro-level change failed to occur even after a considerable lag, despite the similarity of paths, viz, industrialisation at the lower level.

The failure of the path of industrialisation adopted in these economies to absorb 'surplus' labour from rural areas into the urban modern sector at the pace envisaged in the early development literature [Lewis 1954] resulted in the continued dependence of more or less the same percentage of population on agriculture as a means of precarious livelihood. The larger proportion of those who did migrate into cities tended to be absorbed in the urban informal sector. Initially, the adverse impact of this regional imbalance was sought to be muted by a policy of relocating or strengthening industry in peripheral or rural areas in an attempt to provide new avenues of employment and improve levels of living in these regions without a rural-urban transfer of labour. However, the policies evolved to achieve industrial deconcentration, which assigned a special role to small-scale industries, failed to produce the desired results. This was primarily due to non-development of spread effects via linkages as envisaged, while the emerging linkages in some cases were stronger to the bigger cities rather than to the local, rural areas [Uribe-Echevarria 1991]. The focus of policy then shifted from the spatial to a sectoral approach, viz, the need to develop agriculture which had been relatively neglected given the overwhelming emphasis on industrialisation. Priority was given to integrated rural development. However, the limitations of too sectoral an approach, neglecting the rural-urban linkages and the immense difficulty in creating productive employment within agriculture for a rapidly growing rural labour force, despite large increases in agricultural investment, focused attention on the need to generate non-agricultural employment in rural areas. The emphasis was once again on rural small-scale industries, but with a difference: the latter were to be stimulated endogenously via consumption and production linkages generated through a sustained process of agricultural growth, unlike the earlier exogenously implanted rural industrialisation policies. This of course was tantamount to an agriculture-led growth strategy as had been advocated by some economists [Johnston and Mellor 1961; Mellor 1976; etc).

The fact that there was indeed a perceptible shift in the rural occupational structure towards non-agricultural activities since the early 70s, and towards the manufacturing sector (according to the census), further strengthened this policy thrust. Coming after a long period of constancy, this shift in the occupational structure stimulated a substantial amount of research, both at the national and regional levels, on the significance of non-agricultural employment in rural areas, its pattern and determinants, focusing on the factors behind the recent shift [Vaidyanathan 1986]. Though not always explicitly stated, the primary concern was to determine the implications of this shift to the process of growth: was it primarily a short-term phenomenon for propping up the levels of living of the rural poor or could it be viewed as more sustainable, given the generation of appropriate stimuli, the most important being production and consumption linkages associated with rising agricultural growth. While studies did find a positive association between rural non-agricultural employment and agricultural growth/productivity, in particular unleashed by the Green Revolution strategy, it offered only a partial explanation; factors external to the rural sector also appeared important as also the possibility of the non-agricultural sector acting as a 'sponge', given the tremendous 'push' out of agriculture. Moreover, the impact of agricultural growth on the creation of small-scale industries as a response to increased rural consumption of manufactured products was not strong; though the demand inducing effects of higher agricultural productivity were greater than the local raw material supply effect [Papola 1987].

The thrust over time has increasingly veered around to the view that the growth of rural non-agricultural employment needs to be perceived as a sustainable process. Hence attempts have continued to be made, at the all-India level and for individual states to

capture the various stimuli to diversification of the rural economy both positive and negative as also internal/external to the rural sector [Sankaranarayanan 1980 Unni 1990, Dev 1990 Basant and Parthasarathy 1991, Shukla 1991, Jayaraj 1992 Kundu 1993 Chandrashekhar 1993 Basu and Kashyap 1993] It has become an important policy instrument for improving levels of living of the rural poor However, given the past failure of the process of growth to 'trickle down' to the village level, planning for rural diversification appears possible now only with some form of decentralised development and the newly enacted Panchayat Raj Bill, if implemented judiciously should go a long way towards achieving this end It is within such a framework that we study Kerala's experience, which has a longer history and is in some ways unique

While its distinct occupational pattern has drawn considerable attention, no indepth study has been undertaken to examine the pattern and determinants of rural non-agricultural employment in Kerala particularly in recent years, except as part of all-India studies Given the consistently high share of non-agricultural employment in rural areas in Kerala the shift in the late 70s is not as significant as at the all-India level, in fact there appears to be a 'retrogression' in its occupational structure between 1972 73 and 1977 78 However, in the 80s the growth in rural non agricultural employment is sharper in the case of Kerala

This study focuses on rural non agricultural employment in Kerala since the early 70s, a period which marks a turning point in Kerala's economy One, the process of commercialisation was intensified since the mid-70s with an accelerated shift towards the major cash crops such as coconut and rubber due to sharp changes in relative prices Two there was an unprecedented outflow of workers from rural areas also primarily to West Asia (the Gulf Boom), resulting in a large inflow of remittances That the net result of these changes (despite the relative decline in paddy prices) appears to have been some improvement in rural well being even among the lowest deciles is reflected in the consumption data Three, there was a reversal of the higher (than all India) rates of population growth due to the dramatic decline in fertility since the early 70s Coupled with the mortality declines in the early period this resulted in a shift in the age structure of the population towards the prime working age groups adding significantly to the numbers seeking employment Hence while employment opportunities in agriculture were shrinking given the lower labour use in commercial crops, and its gender bias demographic pressure on the employment market was severe and the opening up of work opportunities in the Gulf offered some relief There was of course the demand-inducing effect of the improved level of rural well-being which was a major stimulant to the growth of a number of activities in rural areas increasing the demand for labour since the late 70s However, despite a potential increase in productive capacity by way of savings generated largely from the remittances, the state could not take full advantage of this growth in demand Most of the increases in investment that occurred was in housing While this did open up a major avenue of non-agricultural employment in rural areas, viz, construction, it failed to generate any backward linkages in terms of manufacture of building materials Hence most of the gains from the accretion of incomes mentioned earlier leaked out to other states from which manufactured goods were imported. Kerala gained primarily from the increase in demand for services and a diversified food demand whose linkages however were few

It is interesting to capture the strategies for survival which had to be worked out in the wake of these major changes in the rural economy An attempt is made in this paper to review in detail changes in the structure of rural employment, in particular non agricultural, focusing on the weaknesses of the emerging structure despite a major impetus to the growth of non agricultural employment during this period, viz, consumer demand The paper is divided into four sections besides the introduction In Section I we discuss the relevant characteristics of Kerala's rural economy In Section II we give the empirical evidence at the state level We make an attempt to identify as far as possible the linkages between various processes and the changes that have occurred in the rural employment structure in Section III and conclude with Section IV

Kerala is a state in which the process of economic diversification was initiated much earlier and has been relatively endogenous though not strictly within the 'Kuznets-Lewisian' framework Certain specific features of Kerala's economy which have historically had an important bearing on rural diversification are (1) the pattern of agricultural development with its preponderance of commercial crops, (2) the much higher than all-India rates of population growth in the first half of the century with a rapid decline in land-man ratios from a very early period and high population densities, (3) the peculiar settlement pattern in the state confounding rural-urban boundaries and (4) the nature of its SDP growth which derives largely from the growth in the plantation sector in agriculture and the social sectors The share of manufacturing in the state's SDP is still relatively small and its growth rate has been much below the all-India average [Subramanian 1990]

That the pattern of agricultural development was a major determinant of its distinct occupational structure compared to the rest of India has been noted as far back as the beginning of this century This can be discerned from some of the secondary historical sources [Aiya 1906, Velu Pillai 1940 Menon 1967] and was brought out succinctly by the Census of Cochin 1911 as the following extract reveals

> This comparative preponderance of industrial population in these two states (Travancore and Cochin) is due not to the infertility of the soil but to certain natural advantages possessed by them which have directed a larger proportion of people from agriculture to industrial occupations Among these must be mentioned the backwaters and canals teeming with fish life of valuable forests and of the facilities for cultivation of coconut palm the raw produce of which

Table 1 Percentage of Non Agricultural Workers in the Rural Workforce—Kerala and All India

Year	1971			1972 73		1977 78			1983			1987 88		
	M	F	P	M	F	M	F	P	M	F	P	M	F	P
Kerala														
UPSS	–	–	–	44 3	41 4	40 8	30 9	36 5	42 4	29 6	37 2	45 9	34 3	41 5
UPS	38 9	35 4	38 0	–	–	43 5	44 9	43 9	44 6	43 5	44 3	47 8	46 3	47 3
India														
UPSS	–		–	16 8	10 3	19 4	12 0	16 7	22 4	12 5	18 6	25 5	15 3	20 4
UPS						19 6	13 2	17 6	22 8	13 8	19 6	26 1	17 5	21 8

Source NSS data for various rounds

Census Estimates of Rural Non Agricultural Employment Kerala

1971			1981			1991		
M	F	P	M	F	P	M	F	P
34 4	35 4	34 7	41 7	37 9	40 7	44 0	43 7	43 9

Source Census of India Kerala General Economic Tables for 1971 1981 and 1991.

affords scope for extensive industries... (Census of Cochin 1911 as cited in Krishnamurty 1970).

Both topographical and economic factors in terms of a favourable export market encouraged the growth of commercial crops some of which were processed further, even while the state was deficit in food, demand for which was met through imports [Panikar et al 1977]. This resulted in relatively high levels of rural employment in agro processing (predominantly labour-intensive, low productivity industries such as coir and cashew) trade and commerce, transport and other services. The area under commercial crops increased continually since at least the 1920s with some variations given the behaviour of relative prices of food (mainly paddy) and non-food crops (primarily coconut and rubber) [Panikar et al 1977]. A recent study on the performance of the agricultural sector in Kerala suggests that there was a sharp shift further away from paddy since the mid-70s. While area under paddy grew at an annual rate of 0.8 per cent during 1962-63 to 1974-75, there was an absolute decline in area subsequently registering a negative growth rate of 2.1 per cent per annum. The gains were taken up primarily by coconut and rubber [Kannan and Pushpangadan 1988].

Hence it was a process of commercialisation (linked significantly to the external market) which explained the relatively high level of rural non-agricultural employment [Krishnamurty 1970; Sankarnarayanan 1980] rather than rapid industrialisation/urbanisation. While this did play a positive role in generating a large quantum of rural non-agricultural employment, the much higher (than all-India) rates of population growth in the first half of the century resulted in a rapid decline in land-man ratios with a proliferation of small uneconomic holdings and high population density [Krishnaji 1979]. The declining land-man ratios coupled with the low labour use in commercial crops acted as a powerful 'push' out of agriculture making the population mobile both across space and occupations. Hence the 'proletarianisation' of the workforce not totally dispossessed of land started much earlier in Kerala. However, to the extent the incidence of commercial cropping with its high valued crops was more widespread in Kerala involving a larger proportion of small landholders, the higher average productivity of land partially compensated for its small size.

The extreme pressure of population on land in the early decades is evident from the efforts of the state to settle people in sparse regions not only inside but also outside the state. Large-scale migration occurred to sparsely populated regions in the highland division within Travancore in search of cultivable land which accelerated between 1921 and 1931 and to Malabar which continued into the 60s [Tharakan 1976]. The rapid spread of literacy and growing levels of education added to the pressures for generating non-agricultural employment. The more literate persons migrated to other parts of India into non-agricultural occupations primarily in the service sector. Overseas migration did exist but the quantum jump came only in the 70s. However since both spatial and occupational diversification could not keep pace with the numbers seeking work, unemployment tended to rise primarily since the social and economic mechanisms for maintaining 'surplus' labour disintegrated much faster in this region in rural areas.

Given the peculiar settlement pattern in the state with a diffused spatial ordering of houses confounding rural-urban boundaries, rural-urban migration was relatively muted; coupled with a high population density the average size of a village was much larger in Kerala. These large villages were themselves in the nature of small towns but for the constraint regarding non-agricultural employment which were upgraded into towns with a change in their economic structure. The emergence of small and medium towns has played a much more important role in the process of urbanisation in Kerala, than in the rest of India [Sreekumar 1990]. While in the 70s almost 22 per cent of the urban population was on account of this 'extensional' component in the 80s it had increased to 32 per cent and almost 92 new towns were added in 1991 [Census 1991]. Given the relatively high degree of commercialisation, coupled with the peculiar settlement pattern in the state characterised by a rural-urban economic continuum, rural non-agricultural employment acquired sectoral-cum-spatial linkages in a very special way in Kerala.

However, the growth in the share of non-agricultural employment did not imply rapid increases in per capita incomes since product per worker was not very much higher in the non-agricultural sectors, due to low productivity especially in manufacturing [CDS 1975]. The relative under-industrialisation of the Kerala economy reflected the nature of its SDP growth which derived largely from the growth in the services sector. Nonetheless, as is well known, given the performance of the state it

TABLE 2: PERCENTAGE OF UNEMPLOYED TO TOTAL PERSONS OF AGE 5+ ACCORDING TO ALL THREE NSS STATUTES IN KERALA AND ALL-INDIA

Year	1972-73		1977-78		1983		1987-88	
	M	F	M	F	M	F	M	F
Kerala								
UPSS	3 1	1 3	2.8	3.4	4 2	2.7	5.8	5.
UPS			7 7	8.7	6.0	4.0	7.5	6.
			(14.4)	(48 8)	(7 4)	(43.8)	(7.4)	(38.
CWS	6 0	4.1	6.8	3.6	7 5	4.3	8.5	5
CDS	12 8	5.4	13.2	6.2	13 0	6.2	9.8	6
India								
UPSS	0 8	0.2	0.8	0 8	1 0	0 3	1 1	0
UPS			1.4	1 7	1 4	0 5	1.8	1
			(2 8)	(25.1)			(4.1)	(24.
CWS	2 2	2.3	2 3	1.4	2 6	1.6	2.5	1
CDS	4 8	3.7	4.4	2.4	4 5	2 5	2.8	1

Notes: Figures in brackets refer to proportion of subsidiary workers to total rural workers CWS - Curr Weekly Status. CDS-Current Daily Status
Source: Same as Table 1.

TABLE 3: PATTERN OF AGRICULTURAL EMPLOYMENT IN KERALA—BY UPS

Year/Category	1977-78			1983			1987-88		
	M	F	P	M	F	P	M	F	
Agriculture and related activities	56.0	56.5	55.1	55 4	56 5	55 7	52 2	53.8	5
				(87 6)	(87 0)	(84 6)	(83 7)	(78 8)	(8
a Crop production	29.6	38 7	32 4	21 5	30 6	24 1	16.3	26.0	1
				(20.4)	(11.6)	(20 4)	(37.8)	(20.0)	(2
b Plantations	21.0	11.8	18.1	29 7	22 6	27.8	30.9	21.3	2
				(37.8)	(9 7)	(15.1)	(31.7)	(17.2)	(2
c Livestock production	2.5	3.9	3 0	1.1	2 9	1.6	0.9	5.0	
				(24 2)	(66 2)	(58 0)	(5.5)	(46.2)	(3
d Forestry	1.0	0.3	0 8	0 6	0 2	0 5	0.8	0.8	
				neg	neg	neg	(1.0)	(1.0)	(
e Fishing	2.1	0.2	1 5	2 4	0 1	1.7	3 2	0 5	
				(0 3)	(0 6)	(2 0)	(2 8)	(0 3)	(

Note: Figures in brackets relate to proportion of subsidiary workers
Source: Same as Table 1.

the spheres of literacy, health and population control, land reforms and public distribution system, the 'quality' of life of its people has been much above the average for the country as a whole and the growth process was relatively more egalitarian [Franke 1991] However the constraints on such a process of growth have become very evident as reflected in the larger and more frequent fiscal crises in the state [George 1993] and high levels of unemployment

II

The specificities of the agrarian set up in Kerala suggest a higher level of diversification of the rural economy compared to the rest of the country as is borne out by the evidence estimates for 1987 88 show that over 45 per cent of the males and 34 per cent of the females in rural Kerala were engaged in non agricultural activities the highest among the major states of India The all India average was 25 5 per cent for males and 15 3 per cent for females However, rural participation rates were lower in Kerala, coupled with the highest rural unemployment rates In this section we examine the size and pattern of rural non agricultural employment in the 70s and 80s based primarily on estimates from the quinquennial labour force surveys of the National Sample Survey Organisation (NSSO) as also the decennial censuses We define as non agricultural workers, all workers other than those engaged in agriculture and related activities, the latter including besides crop production plantations, forestry fishing and animal husbandry It could be argued that the products of dairying and animal husbandry are highly income-elastic and, not being particularly land-intensive, could qualify as non-agricultural activities In terms of policy too it might be more practical to view these activities as non agricultural, being part of programmes for supplementing agricultural incomes However we continue to include animal husbandry as an agriculture-related activity since it is still largely organised on a household basis primarily using female labour [George and Nair 1990]

I Data Base

The problems of inter-censal comparability due to definitional/conceptual changes in respect of worker are well known, impacting significantly on female workers, for whom work and non work can be indistinguishable, especially in rural areas Until the estimates thrown up by the NSS surveys are by and large comparable, these are not entirely free of problems (as we discuss later) and considerable research has gone into delineating comparable long-term series for each of these sources as also the possibilities of combining the two [Krishnamurty 1984 Bhalla 1985, Unni 1989 Chandrashekhar 1993] It is generally accepted that the NSS methodology and concepts ensure a better enumeration of the workforce, in particular of females and through its various other correlates, enriches our understanding of the employment/unemployment situation in the country The NSS provides three alternative estimates of employed/unemployed, varying with the reference period adopted the usual status, current week and current day status [NSSO 1990] However some of the limitations of the NSS data are well known the first of which is very pertinent to Kerala

(a) The adoption of a relatively more restrictive definition of usual status worker in the 2nd quinquennial round (viz, 32nd round), introduced a comparability problem with the 27th Round estimates However, since the subsidiary activity of those usually not working (including the unemployed) was also recorded the clubbing of subsidiary with usual principal status workers, produced an estimate closely corresponding with the 27th round estimates But it is essential to point out that while this was true at the all India level, by sex and residence, and for certain states, with respect to a few, including Kerala, the inclusion of subsidiary workers, particularly females in rural areas, resulted in large variations in the proportion of workers over time [Sundaram 1989] And to the extent that the subsidiary workers are specific to certain sectors, their inclusion or exclusion would tend to introduce some ambiguity in the inter-sectoral shifts in employment over time The question is Are these changes real or can they be dismissed as largely illusory given the arbitrariness involved in distinguishing work from non-work for females

(b) A disaggregation of the workforce by industrial activity, which is our main focus is not available for 1972-73 at the state level nor is the industrial distribution of subsidiary workers available for 1977-78

(c) NSS surveys do not provide any disaggregated estimates below the level of the state except for 56 regions into which the major 15 states were divided Districtwise analysis has to be based on the census data

With these limitations in mind, what sort of compromises can we make on quality of data to obtain a comparable series since the early 70s on level of employment and its pattern

First, overall trends in aggregate level of employment by sex and residence and its break up broadly into agriculture and non agriculture can be examined in terms of the usual principal and subsidiary status (hereafter UPSS) workers based on the NSS surveys of 1972-73 (27th Round), 1977-78 (32nd Round), 1983 (38th Round) and 1987-88 (43rd Round) However, given the large variations in the level of employment with the inclusion of subsidiary workers specific to agriculture, we analyse trends in aggregate level of employment and the more detailed pattern of

Table 4 Percentage Distribution of Persons Usually Working (Age 5+) by Industry Group —Kerala

Year/Category		1971		1977 78		1983		1987 88	
		M	F	M	F	M	F	M	F
Agriculture	R	61 1	64 6	56 7	54 8	55 7	56 5	52 4	53 9
	U	18 6	20 2	18 8	26 8	18 9	18 7	15 6	20 6
Non Agriculture	R	38 9	35 4	43 3	45 2	44 3	43 5	47 6	46 1
of which	U	81 4	79 8	81 2	73 2	81 1	81 3	84 4	79 4
1 Mining and quarrying	R	0 6	0 1	1 3	0 3	1 6	1 3	1 8	0 6
	U	0 3	0 3	0 4	–	1 1	0 8	0 7	–
2 Manufacturing (2+3)	R	12 8	20 1	14 4	25 8	12 5	23 8	10 7	23 5
	U	22 3	23 2	21 7	27 8	21 5	25 7	20 8	20 4
Div 2	R			12 1	24 4	9 4	21 6	7 4	21 7
	U			15 4	26 7	14 3	23 3	12 7	16 7
Div 3	R			2 3	1 4	3 1	2 2	3 3	1 8
	U			6 3	1 1	7 2	2 4	8 1	3 7
3 Electricity gas and	R	0 4	0 1	0 2	neg	0 5	–	0 4	0 2
water	U			0 4	0 7	1 0	1 4	0 9	1 6
4 Construction	R	2 0	0 2	3 1	1 0	4 2	1 1	6 5	1 2
	U	2 8	0 8	4 7	2 4	8 2	2 6	7 0	2 4
I Secondary	R	15 5	20 4	19 0	27 1	18 8	26 2	19 4	25 5
	U	25 4	24 3	27 2	30 9	31 8	30 5	29 4	24 4
5 Trade commerce	R	9 3	1 4	10 6	4 1	10 8	2 8	13 2	4 8
and hotels	U	21 6	5 8	21 0	6 8	18 5	7 2	21 0	8 6
6 Transport and	R	3 5	0 8	4 3	0 5	4 9	1 0	5 9	1 0
communication	U	11 7	2 3	14 4	1 2	12 4	3 6	12 2	2 7
7 Banking and finance	R	0 7	0 1	1 0	0 1	1 5	0 4	1 3	0 9
	U			3 6	0 9	3 5	2 0	7 3	4 5
8 Social and personal	R	10 6	12 7	8 4	13 4	8 3	13 1	7 8	13 9
service	U	22 6	47 3	15 0	33 4	14 9	38 0	14 5	39 2
II Tertiary sector	R	23 4	15 0	24 3	18 1	25 5	17 3	28 2	20 6
	U	56 0	55 4	54 0	42 3	49 3	50 8	55 0	55 0

Source Same as Table 1

employment in non-agricultural activities based on usual principal status (hereafter UPS) alone starting with 1977-78 This means that some comparable (to UPS) estimates of the workforce and its industrial distribution is necessary for the early 70s We broadly fill this gap by using the 1971 census estimates The latter had used a restrictive definition of worker which appears to match fairly well with the UPS estimates of 1977-78 with the usual caveat regarding female workers Hence our analysis of the level of employment and its pattern is based on both UPSS and UPS, the latter starting with 1971 This paper analyses trends in the size and composition of rural non-agricultural employment for the state as a whole

State Level Analysis

While the share of non agricultural employment in rural areas has historically been higher in Kerala, there was in fact a decline in the early 70s unlike at the all India level, followed by a substantial increase by the latter half of 80s However, if the subsidiary workers, or those who are only partially employed, are excluded the share of non agricultural employment rises sharply in the early 70s and increased steadily since then (Table 1) The proportion of subsidiary workers was very high in 1977 78 particularly in respect of females most of whom tended to be concentrated in agriculture-related activities, primarily livestock production Subsequently there was a sharp decline which continued into the 80s Hence the sharp variations in extent of subsidiary work affects the inter sectoral shifts in employment The question is Are these large variations in the proportion of subsidiary workers real or illusory?

That a large increase in female employment in this activity was warranted during this period is supported by other evidence at the state level An intensive study on the Livestock Economy of Kerala revealed that the early 70s marked a spectacular increase in demand for milk in Kerala which gave a big boost to the diffusion of cross-breeding technology as part of the Intensive Cattle Development Project in the country Returns from milk production were high as price movements were in favour of milk *vis a vis* cattle feed prices Cattle keeping became more broad-based in the 80s with participation of small holdings and females constituted almost 62 per cent of the labour used, spending on average four hours per day per animal There was a substantial increase in the female bovine population between 1972 and 1987 [George and Nair 1990] Hence an increase in female participation in this activity was warranted, however the increase in female workers was much higher than the rate of growth of female bovine population between 1972-73 and 1987 Nor was this increase in female subsidiary employment sustained in the two subsequent rounds and by the late 80s there was a shift in its composition towards self employed in non-agriculture

The high proportion of subsidiary workers in Kerala is not entirely unexpected in a rural economy characterised by high rates of open unemployment (highest among the major states of India) Perhaps this is one of the reasons why subsidiary work varies in tune with variations in the unemployment rates over time (See Table 2 All three rates of unemployment corresponding with the employment rates are given in the table) An analysis of the UPS rates shows that unemployment was indeed very high in 1977 78 when the proportion of subsidiary activity was very high particularly for females The unemployment rates fell in 1983 and the extent of subsidiary activity also declined however, in 1987-88 when unemployment rates increased for both males and females the participation of women in subsidiary economic activity declined further To some extent the decline could be on account of the changing scenario on the livestock front with sharp increases in concentrate feed prices and decline in the profitability of milk production since the mid-80s [Tara Nair 1990], inducing some withdrawal of males and females However, another interesting feature of the estimates is the sharp decline in male current daily status (CDS) unemployment rate in Kerala in 1987 88 which could have induced some withdrawal of females from subsidiary economic participation This of course, would depend upon whether the increase in the number of days of work for males added sufficiently to the household income The relationship between unemployment and participation in subsidiary economic activity therefore is more complex than a simple linear relationship However that it is a specificity of the Kerala employment situation cannot be denied Hence while there is an element of arbitrariness in the enumeration of female subsidiary workers, the erratic behaviour is not entirely irrational and the large variations cannot be dismissed as illusory

However to the extent that such a large proportion of subsidiary workers are engaged in agriculture their inclusion/exclusion makes a significant difference to

Table 5 Percentage Distribution of Increments to Workforce by Industry Group

Year/Category	1977 78 to 1983 M	F	P	1983 to 1987 88 M	F	P	1977 78 to 1987 88 M	F	P
				Rural					
All workers	100	100	100	100	100	100	100	100	100
Agriculture and related activities	42 25	30 65	51 22	34 62	–42 55	35 97	12 48	59 76	9 22
Forestry and fishing	1 95	9 44	1 03	21 79	27 73	22 85	9 63	54 18	11 54
Mining and quarrying	5 05	44 41	11 13	5 75	17 90	0 39	5 32	20 43	5 96
Manufacturing	9 34	115 22	24 66	24 88	21 06	14 29	15 36	115 10	19 67
Electricity gas and water	3 95		4 43	1 58	5 49	0 02	1 81		2 31
Construction	16 85	3 47	19 34	51 96	3 84	40 55	30 45	14 42	29 56
Wholesale and retail trade rest	13 10	–62 23	7 06	60 64	57 66	59 23	31 51	51 07	32 19
Transport storage and communication	11 80	21 86	15 94	25 67	1 00	19 83	17 17	34 05	17 81
Finance insurance real estate	7 25	13 31	9 78	–2 65	14 12	1 13	3 41	53 78	5 61
Social and personal services	7 15	26 81	4 73	2 08	35 05	6 25	3 57	46 95	5 47
				Urban					
All workers	100	100	100	100	100	100	100	100	100
Agriculture and related activities	18 15	34 07	9 92	2 77	22 62	6 95	9 10	3 96	8 13
Forestry and fishing	1 10	5 03	1 72	2 55	4 41	2 94	1 95	4 61	2 46
Mining and quarrying	3 51	5 52	3 83	–0 55	2 71	1 00	1 13		0 91
Manufacturing	20 81	13 32	19 63	18 62	2 47	15 22	19 52	6 04	16 97
Electricity gas and water	3 07	5 53	3 46	0 59	2 28	0 94	1 61	3 35	1 94
Construction	20 26	3 78	17 67	3 26	1 72	2 94	10 26	2 40	8 77
Wholesale and retail trade rest	9 88	9 56	9 83	28 78	13 34	25 53	21 00	12 09	19 31
Transport storage and communication	5 51	17 75	7 44	11 58	0 34	9 07	9 08	5 61	8 42
Finance insurance real estate	3 16	8 48	3 99	19 13	12 96	17 83	12 55	11 48	12 35
Social and personal services	14 56	65 11	22 52	13 25	43 26	19 58	13 79	50 45	20 74

Source Same as Table 1

the trends in non-agricultural employment since the early 70s as indicated earlier While the UPSS estimates of the proportion of rural non-agricultural employment show a decline for both males and females between 1972-73 and 1977-78, from 44 3 per cent for males and 41 4 per cent for females in 1972-73 to 40 8 per cent and 30 9 per cent respectively in 1977-78, the UPS estimates suggest a consistent increase in its share since the early 70s for both males and females (though the increase for females between 1971 and 1977 78 could to some extent be on account of underestimation of female workers in agriculture in 1971) There is a marginal increase in the share of non-agricultural employment both in terms of UPSS as also UPS between 1977-78 and 1983, which is muted primarily on account of females The increase in the 80s is evident for both UPSS and UPS It may be noted that in respect of all-India, the share of non agricultural employment in rural areas rose steadily between 1972 73 and 1987 88 However, both for Kerala and India the intersectoral shift was sharper in the 80s than in the 70s

The census estimates of the non agricultural workforce are higher primarily on account of an undercount of female workers in agriculture and show a steady increase since 1961 from 34 7 per cent to 42 71 per cent in 1991 (for both males and females) in Kerala

It may be noted here that growth in rural non-agricultural employment is understated to the extent that over time some rural areas get included in urban areas which is more pronounced in Kerala given the nature of its settlement pattern and the urbanisation process In Kerala the increase in urban population due to the emergence of new towns has played a relatively more important role [Sreekumar 1990] Hence if one were to standardise the rural occupational structure for the changes in level of urbanisation on account of the upgradation of rural areas, the proportion of non-agricultural employment would be much higher At the same time the data would overstate rural non-agricultural employment, more so than at the all-India level since a larger proportion of the rural workforce could be employed in non-agricultural activities in nearby urban/commercial areas given the ease in commutation This also means, as pointed out elsewhere [Chaddha 1994], that inferences on the changing pattern of rural production base cannot be gauged from the changing pattern of rural employment

The question is are these changes in the pattern of employment, in particular the increase in female subsidiary workers and the shift towards non-agriculture, demand induced or simply a reflection of the tremendous push out of agriculture which started much earlier in Kerala and is more severe The answer to this question would have been simple if corresponding data on levels of earnings in each of these activities was available However, available data on earnings are rather limited and before we use these data to evaluate the situation with some confidence we have to probe further into (a) the pattern of agricultural and non-agricultural employment in greater detail (b) status of employment, and (c) education and employment

(a) Pattern of Employment

Given the substantial changes in employment pattern within agriculture itself and related activities in Kerala, reflecting to some extent the cropping pattern changes in the 70s and 80s and the tremendous thrust to livestock development, we briefly examine first the changes in the pattern of agricultural employment using UPS estimates, the proportion of subsidiary workers in these activities is also given (Table 3)

It is interesting to note the sharp decline in employment in crop production for males since 1977-78 while for females the decline becomes very sharp later The proportion of male workforce engaged in crop production is now vey low viz only 16 per cent compared to the proportion in plantations which is almost double at 31 per cent Crop production appears more as a subsidiary activity for males There is an equally sharp increase of employment in plantations primarily in rubber and coconut for men and fruits orchards and tea for women While employment in livestock on UPS is relatively small and has declined an overwhelming proportion of persons particularly females are engaged in it as a subsidiary occupation However, this proportion declined rather sharply for males in 1987-88

Turning now to the pattern of non-agricultural employment, we examine the changes at the broad (one digit) industry level using the UPS estimates (Table 4)

Table 6 Percentage Distribution of Persons of Age 5+ by Usual Principal Subsidiary Status Activity—Kerala

Year/Category		Males				Females				Persons			
		1972 73	1977 78	1983	1987 88	1972 73	1977 78	1983	1987 88	1972 73	1977 78	1983	1987 88
I Self employment	UPSS	45 74	48 71	44 30	44 56	38 79	55 50	58 71	57 64	43 28	51 67	50 17	49 51
	UPS		46 59	41 76	41 68		33 95	32 51	36 80		42 65	39 08	40 27
(i) Agriculture	UPSS		30 76	27 65	26 50		40 42	50 63	42 93		34 96	37 01	32 72
	UPS		27 55	23 62	23 04		14 96	17 98	19 85		23 63	21 98	22 12
(ii) Non agriculture	UPSS		17 95	16 66	18 06		15 08	8 08	14 71		16 71	13 16	16 79
	UPS		19 04	18 14	18 63		18 99	14 54	16 95		19 02	17 10	18 15
II Employee													
1 Casual	UPSS	39 13	37 44	40 19	43 23	47 66	36 13	31 43	33 02	42 15	37 13	36 63	39 36
	UPS		37 70	41 71	45 19		50 79	50 00	48 09		41 77	44 13	46 03
(i) Agriculture	UPSS		25 73	28 22	26 71		26 77	22 67	21 82		26 18	25 97	24 86
	UPS		26 14	28 92	28 06		37 71	34 40	32 32		29 74	30 52	29 29
(ii) Non agriculture	UPSS		11 71	11 96	16 52		9 36	8 68	11 20		10 95	10 66	14 50
	UPS		11 89	12 79	17 13		13 08	15 60	15 77		12 03	13 61	16 74
2 Regular	UPSS	15 12	13 56	15 41	12 20	13 55	8 12	9 86	9 32	14 57	11 20	13 14	11 11
	UPS		15 38	16 46	13 14		14 90	17 43	15 12		15 23	16 74	13 71
(i) Agriculture	UPSS		2 66	2 95	0 89		1 87	2 88	1 07		2 32	2 93	0 96
	UPS		3 08	3 12	0 94		3 78	5 08	1 75		3 30	3 69	1 17
(ii) Non agriculture	UPSS		10 90	12 45	11 31		6 25	6 97	8 25		8 88	10 21	10 15
	UPS		12 30	13 34	12 20		11 12	12 35	13 37		11 93	13 05	12 54
III Total													
(i) Agriculture	UPSS		59 16	58 58	54 10		69 06	76 21	65 82		63 46	65 91	58 54
	UPS		56 52	55 66	52 04		56 45	57 46	53 92		56 67	56 19	52 58
(ii) Non agriculture	UPSS		40 84	41 41	45 90		30 69	23 76	34 16		36 54	34 03	41 46
	UPS		43 25	44 27	47 96		43 19	42 49	46 09		42 98	43 76	47 42

Notes UPSS Usual Principal and Subsidiary Status Workers UPS Usual Principal Status Workers
Source Same as Table 1

What strikes one immediately is (a) the shift towards non-agricultural employment in urban areas has been negligible at least up to the early 80s; and (b) in rural areas the sectors which contributed the largest shares in non-agricultural employment have grown the slowest (growth rates not given in the table). Manufacturing which constituted the single largest rural non-agricultural sector grew modestly for males in the early 70s (the female data not being very reliable for 1971) but since 1977-78 its rate of growth has been negative. It accounts for about 10 per cent of total rural employment in 1987-88. The decline has been overwhelmingly on account of the major traditional industries in Kerala, such as coir and cashew, impacting on female workers, while growth in industries based on intermediate products (Div 3) has been fairly high, around 5 per cent per annum (starting of course from a small base). Its share in the manufacturing sector has increased in the 10-year period 1977-78 to 1987-88. In the 80s the share of manufacturing for females has steadied at around 24 per cent primarily due to expansion in employment opportunities in other primary resource-based industries such as food products and ready made garments.

Services (community, personal and social) which is the next largest sector had a growth of less than 1 per cent per annum, and its share is now about 8 per cent of total employment though for females the growth was higher. On disaggregation (data not given here) a striking feature is the sharp increase of female employment in public administration, education and health. Most of the other groups in the tertiary sector recorded fairly high rates of growth—transport and communication, a growth rate of 4.7 per cent and trade and commerce even higher at 5 per cent per annum; the latter now contributes the largest share in total rural and non-agricultural employment, 13.2 per cent and 28 per cent respectively. Most of the growth in trade is due to a phenomenal growth in retail trade of a large range of manufactured goods such as textiles, household durables, medicines, books, and intermediate products, the production of which is hardly reflected in the structure of manufacturing. Almost the entire requirements are brought in from other states.

The highest growth was recorded in the construction sector, employment in which grew at a rate of over 8 per cent per annum, which is largely attributed to the housing boom in Kerala consequent upon the gulf boom since the mid-70s. Employment growth in electricity, and finance has been high too, between 6 and 8 per cent, however, their shares are relatively small. However, the impact of growth in construction activity on manufacture of building materials is negligible.

The changes in the rural employment pattern are more revealing if we examine the percentage distribution of the increments to the workforce between 1977-78 and 1987-88 divided into the two sub-periods 1977-78 to 1983 and 1983 to 1987-88 (Table 5). These data have been given for both rural and urban areas which also

Table 7: Percentage Distribution of Households by Household Type by size class of Land Cultivated for Rural Areas, Employment in Agriculture, Non-Agriculture and Status of Employment

Size Class of Land Cultivated (Hectares)	Percentage of Households	Percentage of Non-Agriculture Employment	Status of Employment: Agriculture: Self Employed	Agriculture: Wage Labour	Non-Agriculture: Self Employed	Non-Agriculture: Wage Labour	Non-Agriculture: Others
0.00	19.6	61.1	6.2	93.8	25.8	40.7	33.4
0.01 - 0.40	61.1	47.7	34.0	66.0	36.8	42.1	21.0
0.41 - 1.00	12.2	30.6	81.6	18.4	32.7	13.7	53.6
1.01 - 2.00	5.2	17.2	94.1	5.9	34.9	7.5	57.6
2.01 - 4.00	1.4	11.6	97.5	2.5	46.6	0.0	53.4
4.01 and above	0.4	14.3	91.6	8.4	83.9	0.0	16.1

Source: *Sarvekshana*, Results of the Fourth Quinqennial Survey on Employment and Unemployment, NSS, 43rd Round, January, 1992.

Table 8: Distribution of Rural Persons of Age 15 by General Education Category for Principal Activity, 1977-78 and 1987-88

Education Level/ Activity	Agriculture: Self Employed	Agriculture: Regular Labour	Agriculture: Casual Labour	Agriculture: Total	Non-Agriculture: Self Employed	Non-Agriculture: Regular Labour	Non-Agriculture: Casual Labour	Non-Agriculture: Total	All Rural Workers
Males				*1977-78*					
Not literates	9.9	22.8	26.7	18.3	8.4	3.2	11.6	7.8	13.7
Literate up to Primary	62.8	57.2	62.8	62.5	66.7	39 3	69.5	59.7	61.3
Middle	20.7	16.1	9 5	15.3	18.3	20.4	15.5	18.1	16.5
Secondary	6.1	4.0	1.0	3.6	6.2	29.0	3.4	11.9	7.2
Graduate and above	0.5	0.0	0.1	0.3	0.4	8.2	0.0	2.5	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Females									
Not literates	30.6	64.2	53.1	47.8	35.6	16.8	31.5	29.4	39.6
Literate up to Primary	55.4	27.1	41.8	44.5	51.4	31.7	61.4	49.3	46.6
Middle	9.7	7.4	4.6	5.1	10.9	5.7	6.5	8.2	7.1
Secondary	4.3	1.2	0.5	1.6	2.1	36.1	0.7	10.6	5.6
Graduate and above	0.0	0.0	0.0	0.0	0.0	9.7	0.0	2.5	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Males				*1987-88*					
Not literates	8.2	17.2	19.2	14.3	8.3	2 0	7.8	6.5	10.6
Literate up to Primary	51.9	53.9	63.0	57.9	49.2	20.6	53.5	43.4	50.9
Middle	26.2	23.5	15.4	20.3	29.5	26.3	33.2	30.0	25.0
Secondary	11.9	4.5	2.4	6.7	11.0	34.8	5.2	15.0	10.7
Graduate and above	1.8	0.9	0.0	0.8	2.0	16.3	0.3	5.1	2.9
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Females									
Not literates	23.2	19.5	38.1	32.0	27.3	8.0	32.2	23.4	28.0
Literate up to Primary	42.7	59.3	52.1	48.9	49.5	17 3	51.2	40.7	45.1
Middle	25.4	10.1	8.5	14.8	16.9	13.1	15.3	15.2	15.0
Secondary	8.4	11.1	1.3	4.2	6.3	39.8	1.3	14.3	8.9
Graduate and above	0.4	0.0	0.0	0.1	0.0	21.8	0.0	6.4	3.0
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: For 1977-78 Estimates relate to persons of age 5+.

Sources: NSS, 32nd Round, Report of the Second Quinquennial Survey on Employment, No 298/10, July 1983. *Sarvekshana*, Results of the Fourth Quinquennial Survey on Employment for nine major states, NSS 43rd Round, Vol XVI, No 2, October-December 1992.

enables us to identify the fast growing areas of employment. It is interesting to note from the table that while in the first sub-period agriculture absorbed the largest proportion of the additions to the workforce, subsequently, there was an absolute decline in the numbers engaged in agriculture for both males and females. Hence the increase in rural non-agricultural employment in the 80s is composed of the new entrants into the workforce during that period as also some who moved away from agriculture. This certainly did not occur at the all-India level except for women, to a lesser extent in the 80s [Chadha 1994]. What needs to be underlined is that the share of manufacturing in the incremental workforce was negative for males in both the sub-periods in rural areas and positive and almost similar in urban areas. However female employment in rural manufacturing which declined very sharply in the first sub-period gained in the second sub-period while in the urban areas the increase was marginal. Other interesting recent changes were a high absorption of females in agriculture-related activities in urban areas and in social, personal services in rural areas. Hence we find that within the non-agricultural sector growth was higher in the tertiary sector and accelerated in the 80s. Though these trends are broadly similar to the all-India pattern there is a striking difference, viz, at the all-India level the share of manufacturing in rural employment has increased since the early 70s even while the larger gain was made by the tertiary sector [Papola 1992]. The ratio of tertiary sector employment to the other two sectors—primary and secondary—for males increased from about 0.30 in 1971 to 0.32 in 1977-78, to 0.35 in 1983 and sharply to almost 0.40 in 1987-88 in Kerala. At the all-India level the ratio was much lower and its growth was gradual, it increased from 0.10 to 0.12, 0.14 and 0.16 respectively over the same period.

While the long-term tendency of a shift towards non-agricultural employment in rural areas (despite a decline in the early 70s) does imply a qualitative improvement in the rural employment situation, the overwhelming growth in the tertiary sector and the marginal contribution of manufacturing even in urban areas has generated a lopsided occupational structure. Moreover, changes in the mode of employment do not prima facie suggest a qualitative improvement in the employment situation.

(b) Status of Employment

Table 6 brings out the changes in employment status UPSS, since 1972-73 and in terms of UPS since 1977-78. Given the relative increase in the share of agriculture related activities in Kerala between 1972-73 and 1977-78, there was an increase in the share of self-employment initially. While it declined subsequently for males, and a little later for females, it was primarily in agriculture. The proportion of self-employed in non-agriculture increased between 1983 and 1987-88 both for males and females more sharply for the latter. Hence the decline in self-employment has been much more gradual in Kerala. There was a clear upward trend in male casual employment though not so for females. The former was primarily on account of non-agricultural work; in respect of females the decline in agricultural work was rather sharp. While regular employment reveals a downward tendency for males, it is mildly upwards for females in non-agriculture. Hence for males casual employment in non-agriculture steadily rose in the 70s at the expense of self-employment, while in the 80s it was at the cost of regular employment in non-agriculture. For females the broad trend was an increase in the share of self-employment and regular work up to the early 80s. However in the 80s there appears to be a tendency towards casualisation of the female workforce in non-agricultural activities with little change in the proportion engaged in regular work. Hence the 80s mark a pronounced casualisation of rural labour, both for males and females.

Since the decision to engage in non-agricultural activity in rural areas is to a large extent determined by land ownership besides changing job aspirations with increasing levels of education, it would be interesting to examine the mix of activity—agricultural or non-agricultural—by size distribution of land (Table 7). These data also enable us to capture the varying involvement of rural households in wage labour *vis-a-vis*, self-employment depending on the size of land cultivated.

Some striking features of this table need to be emphasised (a) As the farm size increases, the incidence of non-agricultural employment declines from about 61 per cent to 11 per cent, but rises to 14 per cent in the highest farm size; (b) Within agriculture, as farm size increases the proportion of self-

Table 9: Average Daily Wage of Rural Workers and Index of Real Wages

Category/Year	Agricultural Sector				Skilled Construction Workers				Unskilled Construction Labours			
	Wage Rate		Index of Real Wage		Wage Rate		Index of Real Wage		Wage Rate		Index of Real Wage	
	Males	Females	Males	Females	Carpenter	Mason	Carpenter	Mason	Males	Females	Males	Females
1970-71	5.09	3 02	100.00	100.00	8.19	8.20	100.00	100.00	5.40	3.68	100.00	100.00
1972-73	5.78	3.91	102.21	116.53	9.10	9.32	100.01	102.30	5.78	3.90	96.34	95.39
1977-78	8.67	6.06	101 94	120.09	14.81	14.88	108.22	108.60	9.38	7.00	103.95	113.83
1980-81	11.13	7.91	95.47	114.36	18.66	18.75	99.48	99.84	12.30	9.62	99.45	114.14
1983-84	15.86	11 02	110.26	129.12	33.43	33.29	144.44	143.66	20.29	14.81	132.96	142.41
1987-88	30.39	17.68	147.24	144.37	49 30	49.32	148.45	148.33	31.31	23.26	142.99	155.87

	Kerala						All India					
	1977-78		1987-88		Ratio of 1987-88/ 1977-78		1977-78		1987-88		Ratio of 1987-88/ 1977-78	
	M		M		M	F	M		M		M	F
Casual labour												
1 Agriculture	6 7	4.2	22.6	14.0	3.5	3.3	3.73	2.58	11.09	7.32	3.0	2.8
2 Non-agriculture	6.9	3.2	25.6	13.2	3.7	4.1	5.12	2.74	15.48	8.86	3.0	3.2
3 Plantations	–	–	23.0	17.2								
Ratio of non-agriculture/ agriculture wage	1.01	0.76	1.13	0.94			1.37	1.06	1.40	1.21		

Source: Same as Table 1.

employed households increases Even in a holding size between 0.41 to one hectare, over 80 per cent of the households are self-employed With a farm size above two hectares, very few households engage in wage labour, (c) Within non-agriculture with an increase in land size the proportion of households self-employed in non-agriculture is much smaller and increases only mildly to 46 per cent up to 4.0 hectares, but the share of 'other households' rises quite sharply However in the highest farm size there is a sharp increase to over 80 per cent of self-employed households and an equally sharp fall in 'other households' The proportion of non-agricultural wage labour is more or less the same as the proportion self-employed in the bottom two landholding classes, but falls sharply thereafter and is non-existent in the last two size class holdings

Given such a pattern it would appear that the decline in the proportion of self employed in agriculture implies that the proportion of households in the smaller size classes is increasing throwing the people into wage labour primarily in non agriculture It could also be that the small and marginal cultivators are increasingly resorting to non agricultural wage labour due to better earnings or unwillingness to engage in agricultural work, on own farm or others farm This interesting insight into the rural labour market in Kerala has been captured in some micro-level studies [Shaji 1980 Jose 1991] and assumes importance in the context of the reported high rates of rural unemployment in the state It is attributed primarily to the rising levels of literacy which raises income/job/status aspirations of the younger job-seekers as also the sharp increases in wage rates of certain types of non agricultural work, e g, construction of loading/unloading

(c) Education and Non-Agricultural Employment

Kerala is well known for its historically high and expanding levels of education, in rural areas too resulting in a much higher proportion of population reporting as students While almost 31.6 per cent of males and 26.5 per cent of females in rural areas were recorded as students in Kerala in 1987-88, the proportions were 19.2 per cent and 10.8 per cent respectively for all India [NSSO 1990] This has impacted on the labour market by depressing participation rates to some extent [CDS 1975] and added to the pressures for generating non agricultural employment for the new entrants into the workforce In Table 8 we examine the educational background of rural workers

The most striking feature of the table is the low level of illiteracy among rural workers in Kerala unlike for India, even in agricultural work While almost 54 per cent of the male workers in agriculture were illiterate at the all India level the proportion was 14 per cent in rural Kerala [NSSO 1990] Female illiteracy is almost double of males more so in non agriculture but much lower than the country as a whole As is to be expected the proportion of illiterate workers in non agriculture is much lower and the proportion of educated workers, viz, secondary level and above is overwhelmingly higher in non agriculture While almost one fifth of the male agricultural casual workers are illiterate (38 per cent for females) the proportion is less than 10 per cent in non agriculture for males though not much less for females Those with middle level constitute about 33 per cent of casual workers in non agriculture which is more than double that in agriculture The difference is striking in regular employment over 50 per cent of males are secondary and above in non-agriculture compared to about 5 per cent in agriculture. In respect of females the agriculture, non-agriculture difference in higher education is even sharper almost two-thirds in non-agriculture regular employment compared to 11 per cent in agriculture Hence education not only facilitates but also enables a shift from agriculture to non agriculture An idea of the change that has occurred in the educational levels of different occupations is provided with similar data for 1977-78 though such a comparison is to some extent vitiated due to the inclusion of persons of age 5 14 years in the 1977-78 However, since only 2 per cent of males and 3 per cent of females are workers in this age group, we can make some broad comparisons with the proviso that the incidence of less educated/illiterate workers would have been overstated to some extent in 1977-78 It is interesting to note the changes in the educational background of agricultural and non-agricultural workers from the middle-level onwards For males while the increase in the level of education is most dramatic for self-employed particularly in non-agriculture the differences come out sharply in respect of casual labour the proportion of those with middle level more than doubled in non agriculture and the increase in the share of those with secondary-level was also higher, in non agriculture A small proportion of graduates also are now engaged in non-agricultural work In regular employment the proportion of workers with a secondary-level has not changed in agriculture while in non agriculture the increase is substantial, the share of graduates and above has almost doubled With respect to females too the educational levels have risen faster for non-agricultural work except for a very slow decline in illiteracy among non-agricultural

Table 11 Share of Bottom 30 Per Cent of Population in Consumer Expenditure Kerala and India

Year	1	2	3	4	5	6	7	8	9	10	11	12
Kerala												
1977-78	13.15	15.71	12.79	4.15	9.34	7.81	10.16	11.53	[illegible]	2.70	0.97	9.64
1983	14.38	17.04	21.11	7.70	14.44	13.65	14.96	18.05	[illegible]	3.69	0.59	11.04
1987-88	18.06	21.03	22.29	7.70	16.46	13.86	[illegible]	18.00	13.63	4.84	0.91	14.15
India												
1977-78	14.28	17.36	21.82	5.65	13.31	15.67	8.84	16.71	[illegible]	5.11	1.17	8.48
1983	15.24	17.62	22.29	7.07	11.74	15.82	10.25	[illegible]	[illegible]	4.43	2.08	10.07
1987-88	15.57	17.97	23.90	7.42	12.88	16.61	11.30	17.61	[illegible]	5.01	2.13	10.60

Notes Column 1 Total
Column 2 - Food
Column 3 - Cereals
Column 4 - Milk and products
Column 5 - Meat fish and egg
Column 6 - Vegetable fruits and nuts
Column 7 Beverages and refreshments
Column 8 Pan tobacco and intoxicants
Column 9 Non food
Column 10 Clothing
Column 11 Durable goods
Column 12 Misc goods and services

Source Various Rounds of NSS Consumer Expenditure Surveys

labourers. While overall there is an upgradation of educational levels for all categories of employment in agriculture and non-agriculture the sharper increase in the latter suggests a greater absorption of the more literate new entrants into non-agricultural activities. The sharp rise in the proportion of educated in self employment in non-agriculture is an adjustment mechanism in a situation of sluggish growth in regular employment opportunities which is the desired type of work.

Drawing together the evidence on changes in the pattern, status and educational level of employment it would appear that barring certain categories such as social and community services (public administration, education and health) banking and finance, in which employment is generally regular most of the increases in employment under trade and commerce, construction, private transportation and even manufacturing (given the growing relative preference for males) is of a casual nature or some form of self-employment. While educational levels of both categories has increased particularly in respect of self-employed workers, some idea of a qualitative improvement in the situation can be obtained only by an examination of the relative earnings in the different occupations.

(d) Earnings and Levels of Consumption

Most of the studies on rural wage rates in Kerala emphasise the growth in real wage rates of almost all categories of workers in particular agricultural and construction labour. While the former is attributed to unionisation among agricultural workers the latter is argued to be a consequence of the sharp increase in the demand for construction workers due to the construction boom initiated by remittances from the Gulf migrants, further reinforced by outmigration of a substantial proportion of construction workers.[1] Kerala is the only state in which wage rates doubled between 1960 and 1990 [Krishnan 1991]. It has been convincingly argued by Krishnan that this impacted on other related wage rates of agricultural and unskilled non-agricultural workers through the operation of a 'parity' norm thus causing an all round increase in real wage rates despite a high and rising level of rural unemployment. However, gender wage differentials widened. Table 9 gives data on real wage indices for agricultural labour and skilled, unskilled construction labour since the early 70s. The NSS also brings out some data on earnings for casual agricultural and non-agricultural labour which we examine in Table 10 over the ten-year period 1977-78 to 1987-88. Looking at Table 10 we find that in the initial year daily earnings of male casual non-agricultural worker was not very different from that of an agricultural worker's earnings; but growth in the former was higher; the ratio of non-agricultural/agricultural wage increased from 1.01 in 1977-78 to 1.13 in 1987-88. A striking feature of the table, also seen in the wage data given in Table 9, is the lower (than agriculture) wage rate for females in non-agriculture in 1977-78. However, despite a high growth of earnings in non-agriculture resulting in a sharp narrowing of the differential from 0.76 to 0.94, non-agriculture wage for females remains below the agricultural wage in 1987-88.

It must be remembered that number of days of employment for agricultural labourers and to a lesser extent for non-agricultural labourers too, had been consistently declining as is brought out by the Rural Labour Enquiries of 1964-65, 1974-75 and 1983 (Department of Economics and Statistics 1985) which could to some extent have nullified the increase in daily earnings. However, it is observed that despite the decline in employment there was a significant increase in real incomes of rural labour households, agricultural and non-agricultural, during the period 1964-65 to 1983, though less than the increase in real wage rates. The income of non-agricultural households is higher and the increase was sharper for non-agricultural households between 1974-75 and 1983. Moreover by 1987-88 there was some reversal of the declining trend in days of employment with an increase in the number of working days per day per 100 persons from about 40.6 for males and 13.8 for females in 1983 to almost 49 for males and 17 for females by 1987-88.[2] Hence the above comparison of the level and trends in relative earnings of agricultural and non-agricultural labour suggests an increase in the demand for non-agricultural labour as also its supply. This was not merely an investment demand for construction but derived also from a substantial growth in consumption demand for goods and services since the latter half of the 70s.

An indepth study on consumer expenditure highlights the fact that while per capita consumer expenditure in rural areas in Kerala was lower than for all-India in the early 70s it rose more rapidly and by the late 70s had surpassed the national average. In 1987-88, per capita consumer expenditure was Rs 211.47 in Kerala; the average for the country was Rs 158.10. Indeed it appears that since 1983 per capita expenditure for the state was higher than the estimated per capita domestic product. This would be applicable to rural areas too since there is a growing convergence of rural-urban consumption patterns in Kerala (Sunny 1988). Moreover, there was an increasing trend towards diversification of expenditure with an increase in the share of non-food items in the total from about 29.5 per cent in 1972-73 to 40 per cent by 1987-88. While the average expenditure on services and durable goods in rural areas was about Rs 38.8 and Rs 13.3 in Kerala in the last year under study, in India it was Rs 22.8 and Rs 5.6 respectively. That this increase was not primarily on account of growing inequalities in consumption was borne out by an almost constant Lorenz ratio over this period [Thomas Issac 1993]. What is of interest to us is the considerable diversification of consumer expenditure in Kerala both within food and non-food, in particular the growth in services since the second half of the 70s and that it was reasonably broad-based. Hence we focus on the consumption shares and pattern of expenditure of the bottom 30 per cent of the rural population between 1977-78 and 1987-88 (Tables 11 and 12).

A striking feature of Table 11 is the increase in the share of the bottom 30 per cent of the population in almost all commodity groups, including not only cereals but items such as milk, meat, fish and eggs, as also vegetables in the food

Table 12: Ratio of Consumption of Bottom 30 Per Cent of the Population to Mean Consumption Level—Kerala and India

Year	1	2	3	4	5	6	7	8	9	10	11	12
Kerala												
1977-78	0.38	0.46	0.43	0.11	0.28	0.23	0.32	0.35	0.25	0.07	0.03	0.26
1983	0.48	0.57	0.70	0.26	0.48	0.45	0.50	0.60	0.34	0.12	0.02	0.37
1987-88	0.60	0.70	0.74	0.26	0.55	0.46	0.51	0.60	0.45	0.16	0.03	0.47
India												
1977-78	0.48	0.58	0.73	0.19	0.44	0.52	0.29	0.56	0.29	0.17	0.04	0.28
1983	0.51	0.59	0.74	0.24	0.39	0.53	0.34	0.55	0.36	0.15	0.07	0.34
1987-88	0.52	0.60	0.80	0.25	0.43	0.55	0.38	0.59	0.38	0.17	0.07	0.35

Notes: Same as Table 11.
Source: Various Rounds of NSS Consumer Expenditure Surveys.

category. The share of non-food items has increased faster than at the all-India level, from about 9.1 per cent to almost 14 per cent in Kerala compared to 8.7 per cent and 11.4 per cent for all-India; the share in miscellaneous goods and services grew from 10 per cent to 14 per cent while for all-India the increase was from 8 per cent to 11 per cent. However the share in durables has not grown similarly reflecting perhaps greater inequality in its consumption. Needless to say this implies a substantial growth in average per capita expenditure on each of these items, seen from Table 12. It shows a discernible increase in the ratio of consumption of the bottom 30 per cent of the population to mean consumption for not only cereals but other items of food and non-food. Among the non-food items the growth in consumption of services has been fairly high in Kerala.

III

From the emerging rural employment situation examined above, we attempt to identify some broad causal factors in an attempt to explain the changes observed. There was a distinct growth in derived demand for labour in the secondary and tertiary sectors given the substantial increase in demand for consumer goods and services. That growth in the tertiary sector was higher than in manufacturing not only since expenditure elasticities for the former are generally higher but also because manufacturing has lagged far behind, was evident from an analysis of the changes in the industrial distribution of the workforce. While retail trade in food products such as grain, grocery, vegetables, fruits, fish, poultry, bakery products, and a whole range of non-food items such as textiles, household durables, medicines, books and intermediate products such as building materials, increased substantially, very little was manifested on the production front except for food products and ready made garments. Some marginal diversification into Div 3 industries took place. The impact of the tremendous increase in residential construction in stimulating the manufacture of building materials such as cement, iron rods, electrical and sanitary goods was negligible. And despite the sharp increase in area under rubber and growth in its production its manufacture into industrial products was extremely low (George and Joseph 1992). While some part of the increasing diversification of food demand such as milk, eggs and meat was met from within the state as reflected in the production of these commodities and hence an initial increase in agriculture-related activities with increasing prosperity, it was not sufficient and almost the entire requirement of manufactured non-food items, as also the above food items including vegetables, milk, eggs and edible oil were being imported from outside the state. Hence the import intensity of consumer expenditure rose considerably resulting in a widening of trade deficit for the state from Rs 364 crore to Rs 861 crore between 1975-76 to 1980-81 [Isaac and Reddy 1992]. The import of building materials increased from Rs 85 crore in 1975-76 to Rs 292.3 crore by 1980-81. On the other hand export of raw rubber increased from about Rs 75 crore to Rs 160 crore. This tremendous increase in trading activity generated considerable expansion in trade and commerce and transportation for procuring and distributing the commodities, not to speak of the need for enhanced financial services, strengthening also rural-urban linkages. Hence the process of commercialisation was intensified; while earlier it was geared primarily to the external market, a significant proportion of trade, commerce and transportation was now catering to the needs of increased internal demand. Growth in demand for services such as education and health was also reflected in the employment structure.

Hence growth in consumer demand was a major stimulant to the diversification of rural activities in Kerala; however, most of the impact was on the tertiary sector. While it is true that in most other developing regions of the world too, a large part of the decline in the share of agricultural employment is taken up primarily by the tertiary sector [Syrquin 1988] and linkages through the consumption of manufactured goods tend to be low in rural areas, their absence in the urban areas too in Kerala created a weak employment base. Moreover the continuing increase in the share of the state's working force in the tertiary sector, not readily attributable to any impulse generated in the commodity producing sectors, makes Kerala's occupational structure rather lopsided. Of course, given the fact that man/woman power, both highly educated and otherwise, has itself become a 'commodity' in Kerala, the 'export' of which registered phenomenal increases since the first half of the 70s, the growth in services is not so unrelated. However, the sustainability of such a tertiary sector-led growth in the long run is questionable.

IV

Hence broadly it can be stated that part of the changes in rural employment in the 70s and 80s in Kerala were demand-induced and part a strategy for survival in a situation where an increase in consumer demand could not be translated into a significant expansion of non-agricultural employment opportunities in rural areas even given the advantage of a rural urban continuum in Kerala.

We find then a rather paradoxical situation wherein the employment structure in rural areas does not show any significant overall improvement but rural prosperity has increased, also among casual workers. This is reflected in the higher than all-India levels of per capita consumption which have grown and diversified on average as also for the bottom 30 per cent of the population. While migration to the Gulf still holds out as the best alternative for most people, given the persistence of high rates of unemployment, in particular educated unemployment, it is imperative to hasten the speed with which non-agricultural employment on a regular basis can be generated within the state. It is in this context that the promotion of modern small/medium scale industries assume importance as a policy instrument for a sustained process of economic diversification of rural areas. While a number of studies have questioned the sustainability of rural industries over time with increasing incomes and increasing market integration, there are also instances where initiatives to set up such enterprises have succeeded [Uribe-Echevarria 1991]. Kerala has the advantage of early development of the rural infrastructure including banking,[3] high rural population densities and a more urban-like environment which as empirical evidence reveals, facilitate the growth of small-scale firms. In fact the proportion of small-scale industries in rural areas is much higher in Kerala as compared to the rest of the country [Subramanian and Pillai 1993]. Indeed, the impetus for the growth of these enterprises may not be the immediate local demand; however they would have a crucial link with rural areas in the form of supply of capital and labour. The potential for the former is very high as evident from the phenomenal increases in deposits with the banks while the credit deposit ratio remains very low. The sources of raw material and fina markets may lie outside the rural areas. A field survey we had undertaken does lend credibility to such a scenario—for instance the growth of the diamond cutting industry in certain taluks of Trichur district. In addition with soaring land prices in urban areas or other industrialised regions locations away from such areas would have a relative advantage—for instance large areas being reserved for factory sites in Kanjikode area of Palghat on the Palghat Coimbatore road.

The generation of an appropriat environment for the promotion of small scale industries is not so simple, despit Kerala's advantages, as is evident from th lacklustre success of the high pressure stat efforts to promote small- and medium-scal industries. The problem is aggravated by th education structure biased as it is toward general education with relatively much les emphasis on technical/vocational trainin which has also shaped job aspiration favouring white collar occupations. Th

has to change. Very recent data, collected in the course of our field study show that some amount of industrialisation has occurred in rural areas with the emergence of new pockets of industrial growth as in Trichur, Palghat and Cannanore, besides the older Ernakulam—Alwaye-Kalamassery belt. How this can be strengthened with a greater emphasis on decentralised planning has to be given serious thought.

Notes

[This study is part of a larger project on Rural Non-agricultural Employment in Kerala sponsored by the Indo Dutch Programme on Alternatives in Development (IDPAD). In writing this paper, I have been much influenced by the work of A Vaidyanathan, Praveen Visaria, G K Chadha, Jeemol Unni, Rakesh Basant, D Jayaraj, Ashwini Saith and F U Echevarria and may not acknowledge them sometimes specifically. I have also benefited from useful discussions with my colleagues, D Narayana and S Sharma while writing the paper, and from A Jayakumar for his unstinting research assistance.]

1 In fact workers were brought in from the neighbouring state of Tamil Nadu. See Gopikuttan (1990).
2 As given in the various NSS Rounds
3 Kerala for instance ranks first in a number of infrastructural and basic facilities in villages. See Franke and Chassin (1991)
4 This has been a major cause for concern in Kerala. See for instance Thomas Isaac (1993).

References

Basant, R and B L Kumar (1988) 'Non-Agricultural Employment in Rural Gujarat: A Review of Evidence', W P No 20, Gujarat Institute of Area Planning, Ahmedabad.

Basu, D N and S P Kashyap (1992): 'Rural Non-Agricultural Employment in India: Role of Development Process and Rural-Urban Employment Linkages', *Economic and Political Weekly*, December 19-26

Bhalla, S (1985): 'Workforce Structure 1981: The Turning of the Tide' in G P Mishra (ed), *Regional Structure of Development and Growth in India*, Vol 1.

—(1990): 'Jobs for Rural People', paper presented at Seminar on Agro Climatic Regional Planning, Ahmedabad

Bhat Mari, P N and S Irudaya Rajan (1990): 'Demographic Transition in Kerala Revisited', *Economic and Political Weekly*, September 1-8.

Centre for Development Studies (1975). *Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala*, United Nations, New York.

Chandrasekhar, C P (1993). 'Agrarian Change and Occupational Diversification. Non Agricultural Employment and Rural Development in West Bengal', *The Journal of Peasant Studies*, 20(2)

...nt of Economics and Statistics (1985). *Report of the Survey on Socio-Economic Conditions of Agricultural and Other Rural Labourers in Kerala, 1983-84*, Trivandrum

—(1987): *Report of the Survey on the Utilisation of Gulf Remittance in Kerala*, Trivandrum

... R W and Barbara Chassin (1991). 'Kerala State, India: Radical Reform as Development', *Monthly Review*, New York.

George, K K (1993). *Limits to Kerala Model of Development*, Centre for Development Studies, Trivandrum

George, P S and K Narayanan Nair (1990): *Livestock Economy of Kerala*, Centre for Development Studies, Trivandrum.

George, Tharian and Toms Joseph (1992): 'Rubber-Based Industrialisation in Kerala: An Assessment of Missed Linkages', *Economic and Political Weekly*, January 4-11.

Gopikuttan, G (1990): 'House Construction Boom in Kerala: Impact on Economy and Society', *Economic and Political Weekly*, September 15.

Gulati, I S and A Mody (1983): 'Remittances of Indian Migrants to the Middle East: An Assessment with Special Reference to Migrants from Kerala', Working Paper No 182, Centre for Development Studies, Trivandrum.

Jayaraj, (1992): 'Determinants of Rural Non-Agricultural Employment: A Village Level Analysis of the Data for Tamil Nadu' (forthcoming in an edited volume).

Johnston, B F and J W Mellor (1961): 'The Role of Agriculture in Economic Development', *American Economic Review*, 51(1).

Kannan, K P and K Pushpangadan (1990): 'Dissecting Agricultural Stagnation: An Analysis Across Crops, Seasons and Regions', *Economic and Political Weekly*, September 1-8.

Kundu, A (1991): 'Growth of Non-Agricultural Employment—A Hypothesis on Rural Urban Linkages', *IASSI Quarterly*, 10(2).

Krishnamurthy, J (1970): 'The Industrial Distribution of the Working Force in India: 1901-1961. A Study of Selected Aspects', Ph D Thesis, University of Delhi.

—(1984): 'Changes in the Indian Work Force', *Economic and Political Weekly*, December 15.

Krishnan, T N (1991): 'Wages, Employment and Output in Interrelated Labour Markets in an Agrarian Economy: A Study of Kerala', *Economic and Political Weekly*, June 29.

Mani, S (1992): *Plantations in Kerala State: An Analysis of Their Role, Constraints and Labour Conditions*, report submitted to UPASI, Coonoor.

Mellor, J W (1976): *The New Economics of Growth. A Strategy for India and the Developing World*, Ithaca, New York.

Nair, P R G (1986): *Asian Migration to the Arab World—Migration from Kerala (India)*, Centre for Development Studies, Trivandrum.

Narayana, D (1990): 'Agricultural Economy of Kerala in the Post Seventies: Stagnation or Cycles', W P No 235, Centre for Development Studies, Trivandrum.

Panikar, P G K, T N Krishnan and N Krishnaji (1977): *Population Growth and Agricultural Development: A Case Study of Kerala*, Centre for Development Studies, Trivandrum.

Papola, T S (1987): 'Rural Industrialisation and Growth: A Case Study on India' in R Islam (ed), *Rural Industrialisation and Employment in Asia*, ILO-ARTEP, New Delhi.

—(1991): 'Rural Non-Farm Employment: An Assessment of Recent Trends', presented at National Consultation on Identification of Research Priorities in the Non-Farm Sector, Institute of Economic and Social Change, Bangalore

Prakash, B A (1988): 'Educated Unemployment in Kerala: Some Observations Based on a Field Study', W P No 224, Centre for Development Studies, Trivandrum.

Rajasekhar, D (1991): 'The Rural Non-Farm Sector: Issues and Evidence', paper presented at National Consultation, op cit.

Saith, Ashwini (1987): 'Location Linkage and Leakage: Malaysian Rural Industrialisation Strategies in National Perspectives', W P No 56, ISS, The Hague.

Sankarnarayanan, V (1980): 'Inter-State Variations in Rural Non-Agricultural Employment: Some Tentative Results', W P No 104, Centre for Development Studies, Trivandrum.

Shaji K F (1990): 'Dynamics of Rural Labour Markets: An Analysis of Emerging Labour Strategies in a Kerala Region', M Phil Thesis, JNU, Centre for Development Studies, Trivandrum.

Shukla, V (1991): 'Rural Non-Farm Activity: A Regional Model and Its Empirical Application to Maharashtra', *Economic and Political Weekly*, November 9.

Sreekumar, T T (1990): 'Neither Rural Nor Urban: Spatial Formation and Development Process', *Economic and Political Weekly*, September 1-8.

Subrahmanian, K K (1990): 'Development Paradox in Kerala: Analysis of Industrial Stagnation', *Economic and Political Weekly*, September 15.

Subrahmanian, K K and P Mohanan Pillai (1993): 'Modern Small Industry in Kerala—A Review of Structural Change and Growth Performance', W P No 254, Centre for Development Studies, Trivandrum.

Sundaram, K (1989): 'Inter-State Variations in Work Force Participation Rates of Women in India—An Analysis' in A V Jose (ed), *Limited Options: Women Workers in Rural India*, ILO-ARTEP, New Delhi.

Sunny, Jose (1991): 'Group Farming in Kerala: An Illustrative Study', M Phil Thesis, JNU, Centre for Development Studies, Trivandrum.

Sunny, K P (1988): 'Consumption Behaviour in Kerala—A Study of National Sample Survey Data, 1965-66 to 1983', M Phil Thesis, JNU (unpublished), Centre for Development Studies, Trivandrum.

Syrquin, M (1988): 'Patterns of Structural Change' in H Chanery and T N Srinivasan (eds), *Handbook of Development Economics*, Vol 1, North Holland.

Thomas Isaac, T M (1990): 'Evolution of Organisation of Production in Coir Yarn Spinning Industry', W P No 236, Centre for Development Studies, Trivandrum.

—(1993). 'Economic Consequences of Gulf Crisis—A Study of India with Special Reference to Kerala', Centre for Development Studies, Trivandrum.

Thomas Isaac, T M and Rammanohar Reddy (1992): 'Estimates of External Trade Flows of Kerala 1975-76 and 1980-81', W P No 246, Centre for Development Studies, Trivandrum.

Unni, J (1989): 'Inter-Regional Variations in Non-Agricultural Employment in Rural India: An Explanatory Analysis', W P No 30, Gujarat Institute of Area Planning, Ahmedabad.

Uribe-Echevarria, J F (1991): 'Small Scale Manufacturing and Regional Industrialisation: The Urban and Regional Development Perspectives', ISS, The Hague.

Vaidyanathan, A (1986): 'Labour Use in Rural India: A Study of Spatial and Temporal Variations', *Economic and Political Weekly*, December 27.

Visaria, P (1984): 'The Growth of Population and Labour Force in India: 1961-2000', paper presented at the Workshop on Population Growth and Labour Absorption in the Developing World, 1960-2000, Bellagio.

Calculating the Fiscal Deficit

A Note on Certain Capital Receipts

I S Gulati

It is necessary to be clear about what to include or exclude in the calculation of the fiscal deficit if the concept is to be of use for economic analysis or as a policy tool. This note attempts to clear some doubts about certain capital receipts, particularly proceeds from disinvestment in public enterprises.

AS a concept, the fiscal deficit is too aggregative to be of much use for economic analysis or as a policy tool. However, since it has now started being used extensively and that too as a major yardstick to measure the success or otherwise of the government's macro-economic, including budgetary, operations, it is only right that we should be clear about what to include or exclude in the calculation of the fiscal deficit. This note is an attempt to clear some doubts in regard to certain capital receipts, particularly proceeds from disinvestment in public enterprises.

The concept of fiscal deficit is quite simple in that it is the excess of total government expenditure over the current or revenue receipts of the government. Still, there is a problem in calculating this excess. The problem arises principally because of doubts with regard to the treatment of government's transfer receipts and payments on the one hand and its loans and recoveries on the other, the former on revenue account and the latter on capital account. In both cases the government does not have to engage directly in purchase or sale of goods and services. There is a difference however. In the calculation of the fiscal deficit, revenue account transactions of the above type, be they transfer payments or receipts, get accommodated (either directly by adding them on to each side, i e, payments to current expenditure and receipts to current receipts or indirectly by netting the expenditure on transfer payments by the amount of transfer receipts during a year). But when it comes to capital account, while the loans and advances get reflected in the capital expenditure, the recoveries of past loans and advances can only be accommodated if the expenditure on this score is netted for the amount received by way of recoveries in the calculation of the fiscal deficit. The procedure adopted by the government of India tries to overcome the problem by allowing separately for recoveries of loans and advances in the calculation of the fiscal deficit but without netting the amount given away as loans and advances which appears on the expenditure side as a gross figure. The same procedure is adopted for the amount received as sale proceeds of public sector equity which the government has started unloading since 1991-92 (Table 1).

Strictly interpreted, since fiscal deficit is the excess of total government expenditure, i e, expenditure on revenue and capital accounts taken together, over government's current revenues, no item of receipts on capital account should be allowed for in the calculation of fiscal deficit. The fact remains however that, as stated above, in the actual calculation of the fiscal deficit in the budget papers of the central government some items of capital receipts are taken into account in addition to the receipts on revenue account for being set off against total government expenditure. The items of capital receipts thus taken into account are two: (1) Recoveries of Loans and (2) Other Receipts. It should be added that while the former accommodates recoveries of loans extended by the centre to states, public sector enterprises, etc, the latter accommodates government's realisations from the sale of public sector equity. Indeed that is the only receipt it currently accommodates.

For 1994-95, the amounts provided for in the central budget are Rs 6,700 crore and Rs 4,000 crore respectively as Recoveries of Loans and Other Receipts (Table 1) As a proportion of the anticipated fiscal deficit of Rs 54,915 crore for 1994-95, these sums would work out to 12.2 per cent and 7.3 per cent respectively. In other words, if the strict definition of fiscal deficit were adhered to, the figure would be higher by 14.5 per cent, at Rs 65,615 crore, which as a proportion of GDP would work out to 8.3 per cent (on the assumption that GDP in current prices will grow at the rate of 12 per cent made up of 8 per cent inflation plus 4 per cent real growth during the year). Obviously, the amounts set off against total government expenditure are not small and therefore the questions and doubts being raised in this regard have got to be met.

Interestingly, questions and doubts about the manner of calculating the fiscal deficit have concentrated on the sales realisations of public sector equity to the virtual exclusion of the other item of capital receipts, namely, recoveries of loans, which has

TABLE 1 CENTRAL GOVERNMENT EXPENDITURE, RECEIPTS AND DEFICIT 1990-91 TO 1994-95

(Rs crore)

	1990-91 (Actuals)	1991-92 (Actuals)	1992-93 (Actuals)	1993-94 (Revised Estimates)	1994-95 (Budget Estimates)
I Total expenditure	105316	111430	122618	143872	151699
(i) On revenue account	73516	82308	92702	110224	118811
(ii) On capital account	31800	29122	29916	33648	32888
II Total revenue receipts	54954	66047	74128	76166	86084
III Total capital receipts	39015	38528	36178	58646	59615
(i) Recoveries of loans	5712	6020	6356	6655	6700
	(12.8)	(16.6)	(15.8)	(11.4)	(12.2)
(ii) Other receipts	—	3038	1961	2500	4000
		(8.4)	(4.9)	(4.3)	(7.3)
(iii) Borrowings and other liabilities*	33303	29470	27861	49491	48915
IV Total receipts (II + III)	93969	104575	110306	134812	145699
V Fiscal deficit [I-(II+IIIi+IIIii)]	44650	36325	40173	58551	54915
VI Revenue deficit (Ii - II)	18562	16261	18574	34058	32727
VII Budgetary deficit (I-IV)	11347	6855	12312	9060	6000

Figures in bracket are of Recoveries of Loans and Other Receipts as percentage of fiscal deficit.

* Excludes Net Borrowings from RBI against Treasury Bills as reflected in Budgetary Deficit

Source: Budget at a Glance, 1992-93, 1993-94, 1994-95, Ministry of Finance

been significantly higher not only in 1994-95 but also during the preceding three financial years (Table 1). The possible explanation for not objecting to taking account of the Recoveries of Loans in the calculation of fiscal deficit could be that since the sizeable amount given away by way of loans and advances is shown as expenditure, not to allow for recoveries of past loans, which is an ongoing process, would tantamount to overstating government expenditure on this account.

But then the question cannot be avoided whether the nature of the amount realised by way of public sector equity is so very different as to be treated in a manner other than what the government realises as recoveries of loans. Are not sales realisations of public sector equity in the nature of recoveries of amounts invested by the government in public sector undertakings? Interestingly, even in 1994-95, not only is there a budget provision of Rs 637 crore for loans to public enterprises but also substantial provision is made for what is referred to in the budget documents as 'Investment in public enterprises'. The gross provision made for this purpose according to the central budget for 1994-95 is as large as Rs 50.1 thousand crore, of which an amount of Rs 7.2 thousand crore is provided by way of budget support. The corresponding provision of budget support in 1993-94 (revised estimates) adds up to Rs 7.5 thousand crore as against a gross provision of Rs 43.9 thousand crore (Table 2). Of the budget support of Rs 7.2 thousand crore in 1994-95, contribution to equity is put at Rs 3,664 crore; the balance will be in the form of plan loans to public enterprises. Thus, from the point of consistency, if recoveries of loans are allowed to be set off against total government expenditure for the calculation of fiscal deficit, there should not be any objection to treating sales realisations of public sector equity similarly.

One could also look at the issue from another angle. The fiscal deficit, being the excess of total government expenditure over the current receipts of the government, indicates the total amount the government must borrow in the course of a fiscal year. From this angle, the amounts the government realises by way of recoveries of loans or investments have to be allowed for before arriving at the amount the government has to raise in current borrowing in order to meet its total expenditure in a year. The need for the government to borrow is lower, the larger are its recoveries during a year.

What sort of loans the government raises for the purpose as part of its borrowing programme is a different question. A government may borrow externally as well as internally. The ratio between the two may vary over time. Furthermore, the internal loans a government raises may be of different types, each with its own distinct macro-economic impact.

A question can still be raised whether capital receipts of the type discussed above, namely, recoveries of loans and sales realisation of public sector equity should be allowed for, as at present, in the calculation of the fiscal deficit when such recoveries/realisations in a year exceed the corresponding outgo during the year, even though such an excess would go to reduce the amount the government must formally borrow during the year. In both 1993-94 (revised estimates) and 1994-95 (budget estimates) the recoveries of loans and advances exceed the outgoes on that account, though by small amounts of Rs 571 crore and Rs 536 crore respectively (Table 2). This, as can be seen from Table 2, is not quite so with regard to public sector equity if we take account of the total budgetary support to public enterprises. Budgetary support towards public sector investment exceeds recoveries in the form of sale of public sector equity in 1993-94 and 1994-95. However, if we take note of only the contribution to equity out of the budget provision, then sale proceeds of public sector equity during 1994-95 (Rs 4,000 crore) will exceed the contribution to equity (Rs 3,664 crore). One could even hypothesise an extreme situation when the government is selling off equity in public sector undertakings but not making any new investments in such undertakings. In such a situation, the amount thus realised would legitimately be considered in the nature of government receipt that should be taken to raise and not reduce the fiscal deficit because such receipt itself takes on the nature of borrowing, in the sense that the amount thus received, like other amounts the government borrows, goes towards the financing of current government expenditure.

As far as the concept of fiscal deficit is concerned, being far too aggregate a measure it is unable to help answer the questions one would like to raise for the purposes of the macro-economic analysis of a government budget and those questions would not be answered unless one knows fully how the fiscal deficit is decomposed by the types of borrowing resorted to. Its mere aggregate size would not make us particularly wise either in terms of economic analysis or for policy purposes. That is why I have, as I have explained elsewhere,* expressed my serious reservations to the shift in emphasis, on the part of policy-makers, to fiscal deficit as a tool of fiscal policy rather than traditional measures like revenue deficit and budgetary deficit. In the calculation of the former, no capital receipts can figure and in the calculation of the latter government borrowing from the central bank is made the focus of attention.

TABLE 2: SELECTED CAPITAL ACCOUNT TRANSACTIONS OF CENTRAL GOVERNMENT, 1993-94 AND 1994-95

(Rs crore)

		1993-94 (Revised Estimates)	1994-95 (Budget Estimates)
I	Capital account expenditure *of which*:	33648	32888
	(i) Loans and advances (a)	6084	6167
	(ii) Budgetary support plan for investment in public enterprises (b)	7451	7201
	(c)	(3379)	(3664)
II	Capital account receipts *of which*:	58646	59615
	(i) Recoveries of loans	6655	6700
	(ii) Sale proceeds of public enterprises equity	2500	4000
Memorandum items			
III	Investment in public enterprises (b)	43892	50066
IV	Internal and extra budgetary resource generation to finance above investment (b)	36441	42865

(a) Includes loans to state and union territories, foreign governments, public enterprises and others, non-plan loans. Provisions for loans to public enterprises of Rs 780 crore for 1993-94 and Rs 637 crore for 1994-95 are for non-plan loans.

(b) These figures are of Plan investment in public enterprises and their financing.

(c) Budgetary support for Plan investments in public enterprises is in the form of both equity and loans. The figures in brackets are of equity support.

Source: Budget Documents, 1994-95.

Note

* See I S Gulati, 'Reducing the Fiscal Deficit: Soft and Hard Options', *Economic and Political Weekly*, July 20, 1991.

Roja Revisited

Tejaswini Niranjana

VENKATESH CHAKRAVARTHY and M S S Pandian's response ('More on *Roja*', *EPW*, March 12) to my article ('Integrating Whose Nation? Tourists and Terrorists in *Roja*', *EPW*, January 15) helps open out the debate on contemporary popular cinema in important directions. As both our interventions make evident, the debate is not just about one film but about how to characterise dominant representations of the nation, the state and the Indian middle class today. Chakravarthy and Pandian argue that "the entire narrative of the film is keyed to the disavowal of the state and the proclivities of female subjectivity" and that "the apparent inability of the state" therefore "actually masks its silent and powerful ability", making the "ultimate victors" in the film "the state and the Hindu-patriarchal culture".

Although I admire the finesse with which Chakravarthy and Pandian delineate the elaborate masking in *Roja* of what they call "silences, evasions and erasures", I would like to take issue both with their presentation of my own argument and with their analysis of the film, without necessarily engaging directly with their theoretical procedures which are somewhat different from mine. I did not suggest that the state in *Roja* is "defeated"; I was trying to point out that it is "rejected" (by a newly articulate middle class). In making this argument, I had in mind the post-colonial Nehruvian state and its welfarism, which, it seems to me, is being significantly challenged—and undermined—by the creation of new middle class/upper caste spaces. I would contend that the rejection of *this* form of the state is being repeatedly enacted in a host of TV serials and commercial films and in popular fiction. These cultural practices, among others, are engaged in the fabrication of new subjectivities and the production of new symbolic orders. After Mandal, and after GATT, new 'Indian' selves/subjects, and the new worlds predicated onto these selves, are coming into being. I emphasise the *newness* in order to indicate that a different kind of *nation* is now being imagined, a nation not necessarily congruent with the sovereign state of the 1950s, a nation in which the assertion of true Indianness is not at odds with the erosion of economic/political autonomy.

The anti-colonial nationalism of the earlier part of this century has given way to a nationalism that is not uncomfortable with the aggressive westernisation of our everyday life. We watch Speilberg's *Jurassic Park* and Disney's *Jungle Book*, but now in Hindi (in our own sweet language, as one newspaper advertisement put it). If, as Partha Chatterjee has argued in *The Nation and Its Fragments*, Indian nationalism comes into being through the assertion of *difference* from the coloniser, we need to reflect on what difference means today, or what it means to live *as an Indian*. As I have tried to show in my analysis of *Roja*, certain kinds of ethnic markers (Rishi and Roja's wedding rituals, Roja going to the temple in Kashmir) are presented as normative, while others (the militants' clothes, Liaqat's constant praying) are signs of illegitimate otherness. So while there is an ethnicity that is seamless with modernity, there are other ethnicities that are seen to subvert the project of the modern and must therefore be rendered powerless or invisible. This is what I was getting at in asserting that Rishi's nationalism is not anti-western but anti-Muslim Perhaps I should put it differently: the new nationalism is *pro*-western and is thus, by definition, anti-Muslim.

In my article, I tried to show how Roja and Rishi's Hindu-ness is represented as an integral part both of their modernity and their (authentic) Indianness. Two other terms that should be addressed here are 'secular' and 'human'. I had said in my paper that "the burden of the film [is] to create the convergences between the *human*, the *secular* and the *nationalist*". To this end, *Roja* represents Islamic militancy not only as anti-national and anti-secular but as lacking in humanity. Liaqat's transformation by Rishi at the end of the film is presented as a return to the human that also brings him back into the nation.

In 1990, the word 'secular' was often used in the mainstream press to characterise the participants in the anti-Mandal agitation, who—being interested only in 'merit'—were represented as having transcended caste. In the famous sequence where he throws his body onto a burning Indian flag and stands up all aflame, Rishi Kumar in *Roja* is the very image of the upper-caste anti-Mandalite prepared to die for secularism. The 'secular' is defined against those who declare caste-identity to claim reservations (who thus become the real casteists), just as in *Roja* it is defined against those who against those who assert their Muslim identity (and thereby become fundamentalists).

I have not referred to Chakravarthy and Pandian's argument about *Roja*'s disavowal of female subjectivity and the overlap between state and Hindu patriarchy. I shall only suggest that Roja the protagonist is complicit with the production of Hindu as Indian, and occupies a position structurally dissimilar to that of the militants Wasim Khan and Liaqat. To investigate the contemporary reformulation of patriarchies, and the lineaments of the state which is coming into being, is beyond the scope of this brief response

If we are to be alert to the myriad ways in which subjectivities are being fashioned today, we need to attend to the practices of everyday life, to the politics of civil society. To argue, as Chakravarthy and Pandian do, that the burden of *Roja* is ultimately to assert the strength of the state is to de-emphasise, or so it seems to me, its other, far more powerful seductions, which offer us glamour as well as righteousness, cosmopolitan modernity as well as national pride.

Social Indicators of Development for India—II

Inter-State Disparities

EPW Research Foundation

APART from India's generally low level of social development, there is the acute inter-regional and inter-state disparity in such development that has to be reckoned with. As depicted in Tables 1 to 6 when inter-state comparison is made, a complex scenario emerges. The literature has emphasised various types of linkages between three groups of factors determining social development: demographic factors (crude birth and death rates, child and maternal mortality rates, and family regulation achievements); literacy and educational attainments; and income and other economic indicators. It is interesting that the records of various Indian states in these respects do not provide any clear-cut linkages. Broadly, the inter-state comparison suggests that any stand-alone performance in respect of any one of the above three aspects does not appear sustainable. Thus, it is found that tangible reductions in birth and death rates, for instance, are not possible without a significant improvement in literacy rates. In fact, literacy attainments, particularly amongst women, seem to play a pivotal role in containing population growth (e g, Kerala and Tamil Nadu). Associated with women literacy is also better participation of women in paid labour which recognisedly contributes to a reduction in birth rate[1] (Table 4). A second important lesson thrown up by state-level performances is that initial push to literacy and demographic achievements is a necessary condition for economic improvement but it is not a sufficient condition [e g, Kerala's high social development accompanied by relatively lacklustre economic development; Sen(1993)]; concerted efforts will have to be made to harness physical and material resources to improve overall investment, output and employment opportunities [Gopalan 1985]. The contrary is equally true that substantial economic improvement does not by itself ensure better social indicators (e g, Haryana's high birth rate particularly in rural areas).[2] A third and final lesson relates to the development in these respects in urban India. In all the states, as expected, the urban areas exhibit lower birth and death rates, higher literacy rates and higher per capita earnings as a result of the dominant urban-orientation of India's economic and social development. While these obviously had their mutual influences, the phenomenon of small family size and the success of family planning programmes in some urban areas may as well be poverty-driven (e g, West Bengal) [Bose 1994]. It is also likely that labour-sensitive agriculture in some states like Punjab and Haryana is inducing households to maintain higher birth rates though reductions in crude death rates in these states have been significant.

In demographic trends, the performance of the southern states is noteworthy (Tables 1 and 2). While Kerala's low birth and death rates and population growth rate is widely known, the performance of Tamil Nadu, close to that of Kerala, has been equally commendable. Population growth in Tamil Nadu by 17.5 per cent during the decade 1971-81 and by 14.94 per cent during the decade 1981-91 was lower than or close to that of Kerala (19.24 per cent and 14.06 per cent, respectively), though it must be recognised that Kerala had achieved remarkably low levels of both birth and death rates much earlier during the 1970s and 1980s. As per the three-year averages of birth and death rates revealed by the Sample Registration System (SRS), it is the most rapid decline in the crude birth rate (from 27.9 per 1,000 population during 1981-83 to 21 during 1990-93) as well as death rate (from 11.6 to 8.6 per 1,000 population) in respect of Tamil Nadu since the beginning of the 1980s that stands out (Table 1).

The performances of Andhra Pradesh (with birth and death rates of 25.5 and 9.3, respectively) and Karnataka (27 and 8.5), while they are much better than the national average, have not generally been as good as those of Punjab, Haryana, West Bengal, Maharashtra and Gujarat. Amongst them, again, there are some significant differences. After Kerala and Tamil Nadu, Maharashtra stands third and West Bengal fourth if both their birth (26.3 and 26.6, respectively) and death rates (7.8 and 8.3, respectively) are taken into account, but, as shown in a subsequent paragraph, West Bengal's rural birth rate remains high. Punjab and Haryana have attained reasonably low levels of crude death rates (8.2 and 8.6, respectively, during 1990-92) but their birth rates at 27.5 and 32.3 are higher than all the seven states of the southern and western regions cited above.

At the other extreme, all the six major underdeveloped states, namely, Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Orissa and Assam, continue to experience high levels of crude birth and death rates (ranging from 30.4 to 35.7 and 10 to 13, respectively) during the latest period. Amongst them, some of the states like Madhya Pradesh and Uttar Pradesh, despite experiencing the highest birth and death rates in India, have shown the least progress during the 1980s. Madhya Pradesh's crude birth rate has only declined from 38.2 during 1981-83 to 35.7 during 1990-92 and death rate from 15.4 to 13 and Uttar Pradesh's birth rate fell from 38.9 to 35.8 and death rate from 15.7 to 12.1.

A remarkable aspect of not only Kerala but also that of Tamil Nadu is the unduly narrow dispersion between their rural and urban areas in regard to crude birth and death rates (Table 1). During 1990-92, Kerala's birth rates in rural and urban areas were 18.4 and 18.7, respectively, while those of Tamil Nadu were 21.2 and 20.6, suggesting that there is a fair degree of continuum in these states in regard to socio-economic characteristics as between their rural and urban areas; this is also reflected in somewhat less rural-urban disparities insofar as their health and educational infrastructures are concerned. However, the states next in order of demographic development, namely, Maharashtra and West Bengal, exhibit considerable divergences as between their rural and urban performances. Considering the general impression of better rural development in West Bengal during the 1980s, the disparity within West Bengal seems glaring with birth rates of 30 in rural areas and 17.8 in urban areas and death rates of 8.9 and 6.8 in the two areas, respectively. In Maharashtra, the birth

rates were 28.2 in rural areas and 22.7 in urban areas and death rates 8.9 and 5.7, respectively. To an extent, their metropolitan cities should be contributing to this disparity even though the differences in birth rates of rural and urban areas in West Bengal are too glaring to be explained by that phenomenon alone.

A significant decline in the total fertility rate has occurred in Kerala and Tamil Nadu in particular (Table 2). Having said this, it must be recognised that Kerala's performance in regard to low mortality combined with the persistence of a high incidence of morbidity [Soman and Panikar 1993] is probably reflective of what Gopalan (1985) hypothesised: "Economic development and removal of poverty are basic requisites for better nutrition; 'social development' and even female literacy can be no proxy for this" (p 164). Soman and Panikar report that Kerala experienced the highest reported morbidity, both acute and chronic as late as in 1987; morbidity was more acute amongst the poor households as compared with the rich (Table A). As it is recognised in literature [Soman and Panikar 1993], in situations such as that of Kerala, high morbidity could be the result of better consciousness of ailments and sickness amongst the populace. On the question of morbidity, Murray and Chen (1992) find large discrepancy between self-reported morbidity and observed morbidity based on clinical examination. Field survey data apparently indicate that "self-reported acute morbidity in the United States is much higher than in rural Kerala, where in turn it is several times higher than the Indian national average for rural India. For each of the five chronic conditions, prevalence in the United States is much higher than in any Indian state" [Murray and Chen 1992: 484-85]. Suggesting the possibility of as many as eight patterns of interactions between three components of change in health—self-perceived morbidity, observed morbidity and mortality—Murray and Chen(1992) propose a multi-disciplinary approach to the analysis of the complex and confusing patterns of change.

TABLE A : MORBIDITY RATES, KERALA VS INDIA

	NSSO 1974		KSSP 1987	
	Acute	Chronic	Acute	Chronic
Kerala	71.21	83.68	206 39	138.02
India	22.46	20.98	–	–

Source: Soman and Panikar(1993)

Also, there is no gainsaying that while there has been a remarkable expansion in the infrastructure for health care delivery in Kerala, a wholesome and all round improvement in health required better and more equitable levels of living.

Be that as it may, that demographic performance of the top and the bottom states is closely linked to their achievement or lack of it in literacy rates is self-evident. While Kerala, Tamil Nadu, Maharashtra and West Bengal enjoy amongst the major states the highest women literacy rates interestingly in the same order, the lowest literacy rates are also experienced by Rajasthan, Bihar, Uttar Pradesh, Madhya Pradesh and Assam. Punjab and Haryana fall mid-way in this respect (Table 3).

The social indicators cited above and also others indicated in Tables 1 to 4 do not correspond to the broad indicators of economic development for the respective states. In respect of both per capita state domestic product (SDP) and people below the poverty line, Punjab and Haryana score over other states, or at the other end, Kerala and Tamil Nadu truly represent low levels of economic development (Table 5(a)). Interestingly, Kerala experiences the highest rate of unemployment in the country (Table 4). Nevertheless, when we construct a rough physical quality of life index (PQLI) or a human development index(HDI) for the major Indian states based on the existing literature on the subject by combining social and economic indicators of development as depicted in Tables 5(a) and 5(b), we find that only Kerala retains its top position in these composite indices with the second position being usurped by Punjab, suggesting that the dominance of social indicators in respect of Kerala and that of economic development in Punjab has been overwhelming. A disquieting aspect has been the distinct decline in per capita expenditures across the states on education and medical and public health since the second half of the 1980s (Tables 6(a) and 6(b)).

Notes

1 In fact, it is not just literacy. As Padmini Swaminathan(1994) points out in her report of a seminar session, "The example of Sri Lanka is pertinent at this juncture. The abolition of child labour, compulsory attendance at school of children below 15, reservation of certain jobs for women which dramatically increased employment of women, have had remarkable impact on the birth rates in Sri Lanka. The message is clear allowing women space and scope for personal development has a more direct and lasting impact on reduction in birth rate than any technology driven coercive population control programmes."

2 "But the results of economic growth are not always channelled toward such programmes Many nations—such as Saudi Arabia, Gabon, Brazil and South Africa—have much worse records on education, health and welfare than do other countries (or states) that have much lower GNPs but more public-oriented policy, Sri Lanka, China, Costa Rica and Kerala, among them. The crucial point is that poor countries need not wait to get rich before they can combat mortality and raise life expectancy" [Sen 1993].

References

Antia, N H and Kavita Bhatia (1993): *People's Health in People's Hands*, The Foundation for Research in Community Health, July.

Bose, Ashish (1994): 'North-South Demographic Divide', *Financial Express*, February 16.

Central Statistical Organisation (1992): *Selected Socio-Economic Statistics for India*. Also the 1989, 1990 and 1991 issues of the publication

Gopalan, C (1985): 'The Mother and Child in India', *Economic and Political Weekly*, January 26

Morris, M Davis and Michele B McAlpin: *Measuring the Condition of India's Poor: The Physical Quality of Life Index (PQLI)* (mimeo)

Murray, Christopher J L and Lincoln C Chen (1992): 'Understanding Morbidity Change', *Population and Development Review*, Vol 18, No 3, September.

NSSO (1991): 'Child and Maternity Care', 42nd Round (July 1986-June 1987), *Sarvekshana*, April-June (Issue No 47).

—(1993): 'Results on Participation in Education for Major States', 42nd Round (July 1986-June 1987), *Sarvekshana*, April-June and July-September (Issue Nos 55 and 56).

Prabhu, K Seeta and Somnath Chatterjee (1993): 'Social Sector Expenditures and Human Development: A Study of Indian States', Department of Economic Analysis and Policy, Reserve Bank of India, Bombay.

Registrar General, India (1994) : *Sample Registration Bulletin*, January. Issues of this quarterly bulletin from June 1989 to December 1992.

—(1991): *Sample Registration System 1988*, May.

Registrar General and Census Commissioner (1992). *Census of India, 1991: Final Population Totals—Brief Analysis of Primary Census Abstract* (Part-2 of 1992).

Sen, Amartya (1993): 'The Economics of Life and Death', *Scientific American*, May.

Soman, C R and P G K Panikar (1993): 'Decentralisation in Health Care and The Kerala Experience' in N H Antia and Kavita Bhatia (1993)

Swaminathan, Padmini(1994). 'Why No to Population Policy', *MIDS Bulletin*, Madras Development Seminar Series, April

Tilak, Jandhyala B G (1991). 'Human Development for India', *IASSI Quarterly*, October-December

United Nations Development Programme (UNDP) (1993) *Human Development Report*, 1993.

World Bank: *World Development Report*, various issues.

Table 1: Statewise Birth Rates, Death Rates and Infant Mortality Rates: Rural and Urban

(Per million)

States	Rural and Urban Combined: Birth Rates 1981-83	Birth Rates 1985-87	Birth Rates 1990-92	Death Rates 1981-83	Death Rates 1985-87	Death Rates 1990-92	Infant Mortality Rates 1981-83	Infant Mortality Rates 1985-87	Infant Mortality Rates 1990-92	Rural: Birth Rates 1981-83	Birth Rates 1985-87	Birth Rates 1990-92	Death Rates 1981-83	Death Rates 1985-87	Death Rates 1990-92	Urban: Birth Rates 1981-83	Birth Rates 1985-87	Birth Rates 1990-92	Death Rates 1981-83	Death Rates 1985-87	Death Rates 1990-92	Infant Mortality Rates: Rural 1981-83	Rural 1985-87	Rural 1990-92	Urban 1981-83	Urban 1985-87	Urban 1990-92
1 Andhra Pradesh	31.2	30.6	25.5	10.7	10.0	9.3	81	81	71	32.1	31.0	25.9	11.7	10.8	10.0	28.0	29.0	24.0	6.7	7.2	6.5	87	87	76	52	58	52
2 Arunachal Pradesh		37.3	29.1		14.9	9.3		103	64		38.1	29.9		15.9	12.8		29.4	20.8		4.1	3.3		108	65		39	47
3 Assam	34.0	34.4	30.4	12.4	[illegible]	10.8	100	107	76	34.3	35.1	31.1	12.8	12.8	11.0	23.9	25.2	21.6	7.7	8.1	7.3	102	109	79	73	78	44
4 Bihar	37.9	36.9	31.9	13.7	[illegible]	10.4	110	103	72	38.4	37.7	32.7	14.3	14.5	10.9	32.8	30.3	25.0	7.5	8.6	6.5	114	106	74	61	67	47
5 Goa		17.5	15.7		[illegible]	7.2		27	20		17.5	15.5		8.4	7.8		17.3	16.0		[illegible]	6.0		30	22		20	16
6 Gujarat	34.3	32.0	28.3	11.8	[illegible]	8.8	111	101	69	35.6	32.8	29.2	12.8	11.3	9.3	30.9	30.3	26.3	9.4	8.3	7.8	121	116	74	82	63	55
7 Haryana	36.4	35.2	32.3	9.8	8.9	8.4	95	85	71	38.0	36.3	33.8	10.6	9.4	8.8	29.8	31.3	26.6	6.6	6.9	6.9	102	92	75	60	59	52
8 Himachal Pradesh		30.2	27.9		8.9	8.7		79	70		30.8	28.5		9.2	8.9		22.0	19.5		[illegible]	5.6		81	72		40	37
9 Jammu and Kashmir		31.4			9			70			33.3			8.3			24.1			[illegible]			73			52	
10 Karnataka	28.4	29.2	27.0	9.2	8.7	8.5	68	73	73	29.4	30.2	28.1	10.3	9.6	9.3	25.8	26.4	24.1	6.2	[illegible]	6.3	76	82	83	45	43	42
11 Kerala	25.6	21.5	18.5	6.6	6.2	6.1	34	29	17	25.8	22.3	18.4	6.7	6.2	6.1	24.5	23.1	18.7	6.4	6	5.9	35	30	17	25	25	15
12 Madhya Pradesh	38.2	37.7	35.7	15.4	13.7	13.0	134	120	111	39.6	39.2	37.4	16.7	14.9	14.1	31.9	31.7	28.5	9.2	[illegible]	8.4	114	128	118	78	80	70
13 Maharashtra	29.3	29.3	26.3	9.2	8.4	7.8	76	66	59	31.0	30.6	28.2	10.3	9.6	8.9	25.9	27.1	22.7	7.0	[illegible]	5.7	86	75	67	53	47	41
14 Manipur		24.8	20.2		[illegible]	5.6		33	24		26.7	21.1		6.7	5.5		18.7	17.3		[illegible]	6.1		34	25		27	20
15 Meghalaya		35.1	31.3		10.1	8.4		63	58		38.8	14.6		11.5	9.4		18.1	16.4		3.7	3.4		67	61		23	29
16 Mizoram																											
17 Nagaland		21.2	17.9		4.6	3.7		23	10		22.7	19.3		5.3	4.4		14.4	11.8		1.9	0.8		25	11		5	0
18 Orissa	33.5	31.4	28.9	12.9	13.4	12.1	131	127	120	33.8	31.9	29.6	13.3	13.9	12.6	30.3	26.9	22.3	8.3	[illegible]	7.0	136	131	124	68	78	73
19 Punjab	30.3	28.6	27.5	9.1	8.4	7.9	79	67	57	30.8	28.9	28.4	9.8	9.0	8.6	28.7	[illegible]	25.1	6.9	6.8	6.0	85	71	61	58	57	42
20 Rajasthan	38.5	37.1	34.4	13.3	12.2	10.1	105	106	84	39.7	38.4	35.7	14.5	13.0	10.6	32.9	31.1	28.8	8.5	8.6	7.6	113	12	88	66	72	58
21 Sikkim		32.8	23.2		9.8	6.8		88	46		34.4	25.1		10.9	7.6		25.5	14.5		5.0	3.4		88	49		86	29
22 Tamil Nadu	27.9	24.1	21.0	11.6	9.6	8.6	87	79	58	29.3	24.5	21.2	13.4	10.9	9.4	24.9	23.5	20.6	7.9	7.2	6.9	100	91	67	55	54	40
23 Tripura		26.8	24.1		8.3	7.4		60	51		27.7	25.1		8.6	7.6		18.0	14.9		5.5	5.3		63	52		30	36
24 Uttar Pradesh	38.9	37.7	35.8	15.7	15.0	12.1	151	134	98	40.1	39.1	37.4	16.8	16.2	12.9	32.3	[illegible]	29.1	9.9	9.9	8.7	159	143	103	99	82	73
25 West Bengal	32.5	29.9	26.6	10.6	9.1	8.3	87	72	66	36.6	33.7	30.0	11.9	10.0	8.9	20.7	20.5	17.8	6.7	[illegible]	6.8	95	78	71	50	48	42
India	33.8	32.6	29.5	12.1	11.3	9.8	107	96	80	35.4	34.1	31.1	13.3	12.4	10.7	27.8	27.5	24.0	7.7	7.6	7.0	116	105	86	65	60	52
Union Territories																											
1 Andaman and Nicobar Islands		23.1	20.5		6.1	5.5		43	33		24.6	21.7		6.7	5.9		18.1	16.7		4.0	4.4		45	34		35	27
2 Chandigarh		23.0	15.7		4.2	4.6		34	16		28.3	20.5		6.2	4.2		22.5	15.3		4.0	3.8		50	20		33	16
3 Dadra and Nagar Haveli									68		36.6	35.7		9.9	10.7								79	68			
4 Daman and Diu		27.7	26.7		8.1	8.3		53	57		34.8	33.1		9.0	8.3		17.1	16.4		[illegible]	8.3		59	64		35	35
5 Delhi		28.7	24.8		7.2	6.3		67	44		32.5	29.6		8.2	7.9		28.4	24.4		[illegible]	6.2		77	55		66	43
6 Lakshadweep		28.3	25.7		6.3	4.9		31	36		31.8	28.5		7.2	5.9		24.4	22.5		5.3	3.7		33	47		28	20
7 Pondicherry		22.0	19.7		7.9	6.5		45	30		22.1	20.2		8.6	7.5		21.9	19.3		[illegible]	5.6		58	30		35	29

Note (i) Crude birth and death rates represent number of live births and deaths per 1,000 of mid year (respectively) population
(ii) Infant mortality rate represents number of infant deaths per 1,000 live births

Source *Sample Registration Bulletin* January 1994 (Vol XXVIII No 1)

Table 2: Major Demographic and Other Social Indicators: Statewise

	Sex Ratio	Decadel Population Growth 1971-81	Decadel Population Growth 1981-91	Rural Population 1991	Urban Population 1991	Scheduled Castes 1991	Scheduled Tribes 1991	Couple Protection Rate (1991) (V)	Total Fertility Rates (1988) Rural	Total Fertility Rates (1988) Urban	Total Fertility Rates (1988) Total (VI)	Life Expectancy (1981-88) Male	Life Expectancy (1981-88) Female	Life Expectancy (1981-88) Person	Life Expectancy (1988-91) Male	Life Expectancy (1988-91) Female (VII)	Life Expectancy (1988-91) Person	Literacy Rates by Sex 1981 Male	Literacy Rates by Sex 1981 Female	Literacy Rates by Sex 1981 Person	Literacy Rates by Sex 1991 Male	Literacy Rates by Sex 1991 Female	Literacy Rates by Sex 1991 Person (VIII)	Mean Age at Marriage (Females) (1981) (IX)
South																								
Andhra Pradesh	973	23 1	23 91	48 62 (7 73)	17 89 (8 22)	10 59 (7 66)	4 20 (6 20)	44 30	3 4	2 8	3 3	57 3	60 3	58 4	59 1	62 23	60 64	46 83	24 16	35 66	55 13	32 72	44 09	17 26
Karnataka	961	26 75	20 66	31 07 (4 94)	13 91 (6 39)	7 37 (5 33)	1 92 (2 83)	46 90	3 7	2 7	3 4	59 8	62 4	60 6	62 15	63 31	62 72	58 73	33 17	46 21	67 26	44 34	56 04	19 21
Kerala	1040	19 24	14 06	21 42 (3 41)	7 68 (3 53)	2 89 (2 09)	0 32 (0 47)	55 60	2	2 1	2	65 9	72 2	68 4	67 6	73 80	70 76	87 73	75 65	81 56	93 62	86 13	89 79	21 82
Tamil Nadu	972	17 5	14 94	36 78 (5 85)	19 08 (8 77)	10 71 (7 75)	0 57 (0 84)	57 30	2 7	2 1	2 5	57 4	58 5	56 9	60 85	60 80	60 83	68 05	40 43	54 39	73 75	51 33	62 66	20 25
West																								
Goa	969	26 74	15 96	0 69 (0 11)	0 48 (0 22)	0 02 (0 01)		34			-	-	-	-	-	-	-	76 01	55 17	65 71	81 64	67 09	75 51	
Gujarat	936	27 67	20 8	27 06 (4 30)	14.25 (6 55)	3 06 (2 21)	6 16 (3 09)	57 80	3 6	3 1	3 4	55 9	57 9	57 6	58 34	61 49	59 86	65 14	38 46	52 21	73 13	48 64	61 29	19 52
Maharashtra	935	24 54	25 43	48 40 (7 70)	30 54 (14 03)	8 76 (6 34)	7 32 (10 80)	56 20	3 9	2 8	3 5	60 1	62 8	60 6	62	64 30	63 11	69 65	41 01	55 83	6 56	52 32	64 87	18 77
Central																								
Madhya Pradesh	932	25 27	26 75	50 84 (8 09)	15 34 (7 05)	9 63 (6 97)	15 40 (22 73)	40 30	5 1	3 3	4 7	50 6	51 8	51 6	56 24	54 71	55 5	48 42	19	34 23	42	28 85	44 2	16 56
Uttar Pradesh	881	25 49	25 41	111 51 (17 74)	27 61 (12 69)	29 28 (21 18)	0 29 (0 43)	35 50	5 6	4 2	5 4	60 1	62 8	60 6	54 14	49 64	52 03	47 45	17 19	33 35	5 7	25 31	41 6	16 71
East																								
Bihar	912	24 06	23 49	75 02 (11 93)	11 35 (5 22)	12 57 (9 09)	6 62 (9 77)	26 00	5 5	4 3	5 4	54 9	52 3	52 8	58 21	57 00	57 63	46 6	16 52	32 05	52 9	22 89	38 48	16.55
Orissa	972	20 17	19 52	27 42 (4 36)	4 23 (1 94)	5 13 (3 71)	7 03 (10 37)	41 00	3 9	3	3 8	53 6	53 1	53	57 13	55 15	56 15	56 45	25 14	40 97	63 09	34 68	49 09	19 08
West Bengal	917	23 17	24 55	49 37 (7 85)	18 71 (8 60)	16 08 (11 63)	3 81 (5 52)	33 70	4	2 2	3 5	57 9	59 1	57 4	59 95	59 53	59 75	59 93	36 07	48 65	67 8	46 56	57 7	19 23
North-East																								
Arunachal Pradesh	861	35 15	35 86	0 75 (0 12)	0 11 (0 05)		0 55 (0 81)	10 5	-		-	-						35 12	14 02	25 55	51 45	29 69	41 59	-
Assam	925	23 36	23 58	19 93 (3 17)	2 49 (1 14)	1 66 (1 20)	2 87 (4 24)	28 2	3 9	2 5	3 8	52 4	52 5	51 9	55 74	55 23	55 47				61 9	43	52 9	-
Manipur	961	32 46	28 56	1 33 (0.21)	0 51 (0 23)	0 04 (0 03)	0 63 (0 93)	26 2		-			-		-	-		64 15	34 67	49 66	71 63	47 6	59 89	-
Meghalaya	947	32 04	31 8	1 44 (0 23)	0 33 (0 15)		1 52 (2 24)	5		-	-	-	-			-		46 65	37 17	42 05	53 12	44 85	49 1	-
Mizoram	924	48 55	38 98	0 37 (0 06)	0 32 (0 15)		0 65 (0 96)	41 4	-	-	-	-	-	-	-	-		79 36	68 61	74 26	85 61	78 6	82 27	-
Nagaland	890	50 05	56 86	1 00 (0 16)	0 21 (0 10)		1 06 (1.56)	4 8	-	-	-	-	-	-	-	-		58 58	40 39	50 28	67 62	54 75	61 65	-
Sikkim	878	50 77	28 17	0 37 (0 06)	0 04 (0 02)	0 02 (0 01)	0 09 (0 13)	20 6	-	-	-	-	-	-	-			53	27 38	41 59	65 74	46 69	56 94	-
Tripura	946	31 92	33 69	2 34 (0 37)	0 42 (0 19)	0 45 (0 33)	0 85 (1 25)	17 6	-	-	-	-	-	-	-	-		61 49	34 01	50 11	70 58	49 65	60 44	-

Table 2 Major Demographic and Other Social Indicators Statewise *(Continued)*

	Sex Ratio	Decadal Population Growth 1971-81	Decadal Population Growth 1981-91	Rural Population 1991	Urban Population 1991	Scheduled Castes 1991	Scheduled Tribes 1991	Couple Protection Rate (1991) (V)	Total Fertility Rates (1988) Rural	Total Fertility Rates (1988) Urban	Total Fertility Rates (1988) Total (VI)	Life Expectancy (1981 88) Male	Life Expectancy (1981 88) Female	Life Expectancy (1981 88) Person	Life Expectancy (1988 91) Male	Life Expectancy (1988 91) Female (VII)	Life Expectancy (1988 91) Person	Literacy Rates by Sex 1981 Male	Literacy Rates by Sex 1981 Female	Literacy Rates by Sex 1981 Person	Literacy Rates by Sex 1991 Male	Literacy Rates by Sex 1991 Female	Literacy Rates by Sex 1991 Person (VIII)	Mean Age at Marriage (Females) (1981) (IX)
North																								
Himachal Pradesh	996	23 71	19 39	4 72 (0 75)	0 45 (0 21)	1 31 (0 95)	0 22 (0 32)	52 1	3 7	2 5	3 7	58 5	62 9	60 4				64 27	37 72	51 18	75 36	52 13	63 86	-
Jammu and Kashmir	923	29 69	28 92	5 88 (0 94)	1 84 (0 85)	-	-	21 1	4 9	2 7	4 4	60 2	60 7	60 4			-			-			-	-
Punjab	888	23 89	20 26	14 29 (2 27)	5 99 (2 75)	5 74 (4 15)		75 80	3 5	3 1	3 4	63	64 7	63 1	65 61	65 30	65 46	55 56	39 7	48 17	65 66	50 41	58 51	21 07
Rajasthan	913	32 97	28 07	33 94 (5 40)	10 07 (4 63)	7 61 (5 51)	5 4 (8 07)	29 00	4 8	3 6	4 5	53 5	54 3	53 5	57 8	58 69	58 22	44 77	14	30 11	54 99	20 44	38 55	16 10
Haryana	874	28 75	26 27	12 41 (1 97)	4 05 (1 86)	3 25 (2 35)		56 60	4 5	3 2	4 2	61 5	59 5	60 3	63 41	61 97	62 74	58 51	26 93	43 88	69 1	40 47	55 85	17 84
Union Territory																								
Andaman and Nicobar Islands	820	63 93	47 88	0 21 (0 03)	0 07 (0 03)		0 03 (0 04)	42 3				-	-	-	-	-	-	70 29	53 19	63 19	78 99	65 46	73 02	-
Chandigarh	793	75 55	41 88	0 07 (0 01)	0 58 (0 27)	0 11 (0 08)		41 8			-	-	-	-	-	-	-	78 89	69 31	74 81	82 04	72 34	77 81	-
Dadra and Nagar Haveli	953	39 78	33 49	0 13 (0 02)	0 01 ( )		0 11 (0 16)	47 5					-	-	-			44 64	20 37	32 7	53 56	26 98	40 71	-
Daman and Diu	972	26 07	28 43	0 05 (0 01)	0 05 (0 02)		0 01 (0 01)	30 2				-	-	-	-	-		74 47	46 5	59 91	82 66	59 4	71 2	-
Delhi	830	53	50 64	0 95 (0 15)	8 47 (3 89)	1 79 (1 30)		40 4			-	-	-	-		-	-	79 28	62 6	71 94	82 01	66 99	75 29	-
Lakshadweep	944	26 53	28 4	0 02 ( )	0 03 (0 01)		0 05 (0 07)	8 6	-	-	-	-		-	-	-	-	81 24	55 32	68 42	90 18	72 89	81 78	.
Pondicherry	980	28 15	33 51	0 29 (0 05)	0 52 (0 24)	0 13 (0 09)		60 6						-	-	-	-	77 09	53 03	65 14	83 68	65 63	74 74	.
India	929	24 66	23 56	628 69 (100 00)	217 61 (100 00)	138 22 (100 00)	67 76 (100 00)	44 10	4 3	3 1	4				58 1	59 10	58 58	56 5	29 85	43 67	64 2	39 19	52 19	18 3

Sources 1 Central Statistical Organisation, *Selected Socio-Economic Indicators 1992*
2 Registrar General and Census Commissioner, *Census of India 1991, Series-1, India, Paper-2 of 1992 Final Population Totals Brief Analysis of Primary Census Abstract*

Table 3: Male and Female Literacy by States: Trends over Census Years

States	Literacy Rates Combined				Male Literacy Rates				Female Literacy Rates			
	1961	1971	1981	1991	1961	1971	1981	1991	1961	1971	1981	1991
Andhra Pradesh	21.2	24.57	35.66	45.11	30.2	33.18	46.83	56.24	12	15.75	24.16	33.71
Arunachal Pradesh	*	11.08	25.54	41.22	*	17.82	35.11	51.10	*	3.71	14.01	29.37
Assam	27.4	*		53.42	37.3	*		62.34	16	*		43.70
Bihar	18.4	19.94	32.03	38.54	29.8	30.64	46.58	52.63	0.69	8.72	16.51	23.10
Goa	*	44.75	65.71	76.96	*	54.31	76.01	85.48	*	35.09	55.17	68.20
Gujarat	30.5	35.79	62.21	60.91	41.1	46.11	65.14	72.54	19.1	24.75	38.46	48.50
Haryana	*	26.89	43.85	55.33	*	37.29	58.49	67.85	*	14.89	26.89	40.94
Himachal Pradesh	17.1	31.96	51.17	63.54	27.2	43.19	64.27	74.57	0.62	20.23	37.72	52.46
Jammu and Kashmir	*	*	*	*	*	*	*	*	*	*	*	*
Karnataka	25.4	38.41	46.20	55.98	36.1	48.61	58.72	67.25	14.2	27.83	33.16	44.34
Kerala	46.8	69.17	81.56	90.59	55	74.03	87.74	94.45	38.9	64.48	75.65	86.93
Madhya Pradesh	17.1	22.14	34.22	43.45	27	32.7	48.41	57.43	0.67	10.92	18.99	28.39
Maharashtra	29.8	39.18	55.83	63.05	42	51.04	69.66	74.84	16.8	26.43	41.01	50.51
Manipur	30.4	32.91	49.61	60.96	45.1	46.04	64.12	72.98	15.9	19.53	34.61	48.64
Meghalaya	*	29.49	42.02	48.26	*	34.12	46.62	51.57	*	24.56	37.15	44.78
Mizoram	*	53.79	74.26	81.23	*	60.49	79.37	84.06	*	46.71	68.60	78.09
Nagaland	17.9	27.4	50.20	61.30	24	35.02	58.52	66.09	11.3	18.65	40.28	55.72
Orissa	21.7	26.18	40.96	48.55	24.7	38.29	56.45	62.37	0.86	13.92	25.14	34.40
Punjab	24.2	33.67	48.12	57.14	33	40.38	55.52	63.68	14.1	25.9	39.64	49.72
Rajasthan	15.2	19.07	30.09	38.81	23.7	28.74	44.76	55.07	0.58	8.46	13.99	20.84
Sikkim	12.3	*	41.57	56.53	19.6	*	52.98	64.34	0.43	*	27.35	47.23
Tamil Nadu	31.4	39.46	54.38	63.72	44.5	51.78	68.05	74.88	18.2	26.86	40.43	52.29
Tripura	20.2	30.98	50.10	60.39	29.6	40.2	61.49	70.08	10.2	21.19	38.01	50.01
Uttar Pradesh	17.6	21.7	33.33	41.71	27.3	31.5	47.43	55.35	0.7	10.55	17.18	26.02
West Bengal	29.3	33.2	48.64	57.72	40.1	42.81	59.93	67.24	17	22.42	30.07	47.15
All India**	24	29.45	43.56	52.11	34.4	39.45	56.37	63.86	12.9	18.7	29.75	39.42
Mean	18.16	28.47	45.72	54.58	25.49	36.73	56.34	64.18	8.33	19.66	33.09	44.20
Standard Deviation	12.30	15.55	16.36	16.79	16.32	17.54	16.67	16.95	9.66	14.33	16.63	17.82
Coefficient of Variation (per cent)	67.74	54.62	35.77	30.76	64.03	47.75	29.58	26.40	115.99	72.87	50.26	40.32

Notes ** All India aggregate excluding Union Territories

* Some of the figures for these states are unavailable due to unorganisation of states according to present classifications

Therefore figures for Tamil Nadu, Karnataka Meghalaya, Mizoram Arunachal Pradesh and Haryana are unavailable

They are to be seen as Mysore State for Karnataka, Madras Presidency for Tamil Nadu, Punjab includes present day Haryana, similarly for Assam and the other north-eastern states

The 1971 Census figure for Goa is inclusive of Daman and Diu as Goa had not converted to Statehood at the time under consideration

Source Registrar General of India, various Census reports

Table 4: Workforce Participation, Employment and Unemployment by States and Union Territories

States	Workforce Participation Rates 1987-88 Rural Male	Rural Female	Urban Male	Urban Female	1991 Persons	1991 Male	1991 Female	Employment in Organised Sector Total (lakh)	Per Cent of Women	Unemployed as a Percentage of Labour Force (1987-88) Usual Principal Status	Current Weekly Status	Current Daily Status
Andhra Pradesh	59.5	47	50.3	[illegible]	45 5	55.48	34.32	17.63	12.4	3.9	5.1	7.4
Arunachal Pradesh	52.4	52.4	53.5	[illegible]	46 [illegible]4	53.76	37.49	–	–	0.2	0.3	0.3
Assam	51.4	16.2	51.2	8.4	36 [illegible]9	49.45	21.61	10.47	30.5	5.6	5.0	5.1
Bihar	50	19.3	44.8	7.9	32 [illegible]6	47.92	14.86	16.69	6.6	2.8	3.8	4.0
Goa[1]	52.1	23.9	47.4	14.5	[illegible]	49.56	20.52	0.94	20.1	9.0	9.7	11.3
Gujarat	55.9	38.1	51	11.2	4[illegible] 23	53.57	25.96	17.83	11.8	2.6	4.0	5.8
Haryana	47.5	29.7	55.3	12.3	31	48.51	10.76	6.02	11.4	5.9	6.6	7.6
Himachal Pradesh	53.9	48	46.6	5.6	42.82	50.64	34.82	2.66	12	3.2	3.1	3.1
Jammu and Kashmir	53.5	34.7	53.1	[illegible]4.5	–	–	–	2.16	11.1	2.7	5.4	5.6
Karnataka	56.8	37.7	49.4	19.6	41.99	54.09	29.39	14.48	17.4	2.4	3.3	5.1
Kerala	50.6	28.6	53	[illegible]9.8	31.43	47.58	15.85	11.48	35.8	17.1	17.6	21.2
Madhya Pradesh	54.6	41	48	14.4	42.82	52.26	32.68	16.83	10.3	1.5	2.5	2.9
Maharashtra	54.6	46.2	49.6	15.9	42.96	52.16	33.11	36.87	13.2	2.9	3.6	4.7
Manipur	43.7	19.1	37.5	12.3	42.18	45.27	38.96	0.56	15.6	2.2	2.0	2.1
Meghalaya	58.3	51.2	51.7	3[illegible]2	4[illegible] 67	50.07	34.93	0.69	19.4	0.3	0.3	0.3
Mizoram	59.1	40.9	50.9	35.8	[illegible]8.91	53.87	43.52	0.34	23.1	0.1	0.1	0.2
Nagaland	–	–	58.5	6.5	[illegible] 68	46.86	37.96	0.66	14.1	4.5	4.4	4.4
Orissa	56.6	27.6	49.3	12.5	3[illegible] 53	53.79	20.79	7.74	8.7	4.7	5.2	6.4
Punjab	56	31.7	54	12.3	30.87	54.22	[illegible]4	7.83	11.6	4.0	4.3	5.1
Rajasthan	51.2	45	47.1	19.1	[illegible]8.87	49.3	27.4	11.83	11.8	2.7	4.2	5.7
Sikkim	48.7	29.8	48.7	11.7	[illegible] 51	51.26	30.41	–	–	3.8	2.8	2.9
Tamil Nadu	58.7	46.1	55.8	22.7	43.31	56.39	29.89	22.84	22.3	5.3	7.6	10.4
Tripura	51.9	13.6	46.3	9.1	31.14	47.55	13.76	0.98	19.1	4.4	4.3	4.7
Uttar Pradesh	51.8	21.9	48.9	9.4	32.2	49.68	12.32	25.67	8	1.8	2.8	3.4
West Bengal	55	19.6	53.9	12.5	32.19	51.4	11.25	24.95	10	6.1	6.7	8.1
Union Territories												
Andaman and Nicobar Islands	53.6	19.6	53.9	12.5	35.24	53.32	13.13	0.36	8.8	4.0	4.5	5.8
Chandigarh	61.1	12.2	49.7	19.2	34.94	54.33	10.33	0.75	15.1	8.5	8.9	8.8
Dadra and Nagar Haveli	56.6	49	..		[illegible].25	57.5	48.79	–	–	0.4	0.7	1.0
Daman and Diu	–	–	–	–	37.63	51.63	23.17	–	–	–	–	–
Delhi	42.6	5.1	54.4	9	31.64	51.72	7.36	8.39	13	5.0	4.7	4.8
Lakshadweep	43.7	11	36.3	15.4	26.43	44.17	7.6	–	–	21.4	21.8	22.1
Pondicherry	51.8	34	49.5	18.6	33.08	50.55	15.24	0.53	16.4	6.7	10.7	21.1
India	53.9	32.3	50.6	15.2	37.46	51.55	22.25	268.19	14.1	3.8	4.8	6.1

Notes: .. no urban areas; — means not available; 1 includes Daman and Diu for 1987-88 and employment in organised sector.

Sources: (1) Government of India, *Economic Survey 1992-93*.
(2) Institute of Applied Manpower Research, *Manpower Profile India Year Book 1992-93*.
(3) Central Statistical Organisation, *Selected Socio-Economic Statistics for India, 1992*

Table 5(a): Rural and Urban PQLIs for India and States, 1971 and 1991

States	PQLI (1971) Urban	PQLI (1971) Rural	PQLI (1971) Total	PQLI (1991) Urban	PQLI (1991) Rural	PQLI (1991) Total	Population below Poverty Line Total (lakh)	Population below Poverty Line Per Cent of States Population	Share of Food in Consumption Expenditure per Capita (1989 90) Urban	Share of Food in Consumption Expenditure per Capita (1989 90) Rural
1 Andhra Pradesh	62	39	43	29 41	44 2	42 7	161	26 1	52 5	64 3
2 Assam with Megha	64	35	37	67 88	44 03	44 03	68 7	29 6	—	—
3 Bihar	—	—	—	22 77	22 54	18 17	437	53	59 8	73 1
4 Gujarat	55	34	40	50 47	57 96	58 38	87 6	22	55 9	71
5 Haryana	—	—	—	54 26	54 52	55 68	27	17 3	52 3	60 2
6 Karnataka	65	43	48	39 8	39 7	39 55	168 2	39 5	54 9	68 5
7 Kerala	74	69	70	77 79	91 52	89 11	81 9	28 5	54 1	60 7
8 Madhya Pradesh	60	32	37	24 09	15 79	16 08	282 7	46 2	55 9	59 2
9 Maharashtra	62	42	49	59 95	46 68	53 27	263	35 8	50 6	61 6
10 Orissa	59	35	37	28 12	8 6	6 7	174 9	57 9	59 5	70 9
11 Punjab	65	48	50	61 54	65 1	66 28	27 6	14 3	53 3	56 9
12 Rajasthan	58	28	33	25 68	29 64	28 41	130 7	32	59 2	61 6
13 Tamil Nadu	64	39	46	51 62	44 48	48 09	219 2	40 7	57	67
14 Uttar Pradesh	49	21	25	9 32	17 9	15 39	608 4	47 6	57 2	61 1
15 West Bengal	—	—	—	55 55	45 97	48 31	210 5	33 5	60 5	69 2
Average (Unweighted	61	39	43	43 88	41 91	42 01	*	*	*	*
All India	61	35	40	41 52	34 84	36 14	*	*	55 3	64 5

Notes — means not available * means not relevant

Sources 1 Morris David Morris and Michelle B McAlpin *Measuring the Condition of India s Poor The Physical Quality of Life Index (PQLI)* (mimeo)

2 Computed by us using data on infant mortality literacy rate and percentage of population above the poverty line bas on simple average of these attributes as attempted by Morris and McAlpin

Table 5(b): Human Development Index for Indian States

Rank States	HDI[1]	HDI[2]	HDI[3]	Population Total (million)	Per Cent	Per Capita SDP at Current Prices (Rupees) 1980 81	Per Capita SDP at Current Prices (Rupees) 1991 92
Low Human Development							
1 Jammu and Kashmir	0 109	0 1601		[illegible]	0 9	1776	4051
2 Uttar Pradesh	0 11	0 1095	0 2892	[illegible]	16 4	1278	4012
3 Bihar	0 147	0 1334	0 2118	[illegible]	10 2	919	2904
4 Madhya Pradesh	0 196	0 1863	0 0858	66 14	7 8	1333	4077
5 Orissa	0 224	0 2132	0 2960	31 51	3 7	1231	4068
6 Rajasthan	0 246	0 2294	0 3231	43 88	5 2	1222	4361
7 Assam	0 256	0 2452	0 4441	22 3	2 6	1200	4230
8 Andhra Pradesh	0 361	0 3397	0 3978	[illegible] 31	9	1380	5570
9 Himachal Pradesh	0 425	0 4805	—	5 11	0 6	1704	5355
10 West Bengal	0 436	0 4176	0 5318	67 98	8 1	1611	5383
Medium Human Development							
11 Karnataka	0 502	0 4772	[illegible]	44 82	5 3	1528	5555
12 Tamil Nadu	0 508	0 4873	0 4985	55 64	6 6	1498	5078
13 Gujarat	0 566	0 5453	0 4950	41 17	4 9	1948	6425
14 Haryana	0 624	0 5995	0 6626	16 32	1 9	2370	8690
15 Maharashtra	0 655	0 643	0 6116	78 71	9 3	2427	8180
16 Punjab	0 744	0 7131	0 7215	20 19	2 4	2674	9643
17 Kerala	0 775	0 7749	0 7343	29 01	3 4	1510	4618

Sources 1 Tilak (1991)

2 Computed by us using data on weighted average of male and female life expectancy literacy and net SDP per capita based broadly on the methodology employed by the UNDP on their human development index(HDI) of 1990

3 Prabhu and Chatterjee (1993)

Table 6(a): Real Per Capita Expenditures of Major States at 1982-83 Prices

(Rupees)

States	Total Expenditure 1975-76	Total Expenditure 1990-91	Social Expenditure 1975-76	Social Expenditure 1990-91	Educational Expenditure 1975-76	Educational Expenditure 1990-91	Medical Public Health, etc** 1975-76	Medical Public Health, etc** 1990-91
Andhra Pradesh	247.9	505.71	73.67	175.94	37.7	82.71	18.41	33.68
Assam	229.43	609.86	73.89	184.53	43.88	106.46	17.59	45.96
Bihar	161.3	356.08	41.99	119.02	23.41	72.2	9.79	24.34
Gujarat	320.94	699.89	110.71	215.23	52.96	113.89	22.19	42.53
Haryana	409	755.38	90.79	218.23	49.89	106.56	22.74	43.49
Karnataka	293.56	576.85	82.2	188.33	44.74	94.12	20.83	37.27
Kerala	305.93	594.39	132.71	227.23	85.11	131.77	31.55	49.09
Madhya Pradesh	222.74	447.71	68.09	151.37	33.69	70.95	16.81	34.61
Maharashtra	365.64	702.09	98.42	216.62	51.71	117.08	25.31	45.37
Orissa	212.82	489.54	73.08	156.55	37.73	78.86	16.4	33.74
Punjab	451.96	943.52	132.7	250.27	66.21	144.01	27.57	57.64
Rajasthan	261.93	539.24	82.26	181.59	21.06	94.18	26.32	60.04
Tamil Nadu	267.93	591.83	95.78	234.3	45.11	112.72	22.8	50.29
Uttar Pradesh	206.41	428.53	48.98	125.32	30.78	74.68	10.62	29.39
West Bengal	230.66	430.9	85.44	166.09	38.43	92.05	22.82	36.32
Mean	281.41	578.3	86.05	187.37	45.59	99.45	20.78	41.58

Notes: * Figures relate to three year averages centred on the years shown.
** RMPH includes real per capita medical, public health, family welfare expenditures.
Source: Prabhu and Chatterjee (1993).

Table 6(b): Rates of Growth in Real Per Capita Expenditures

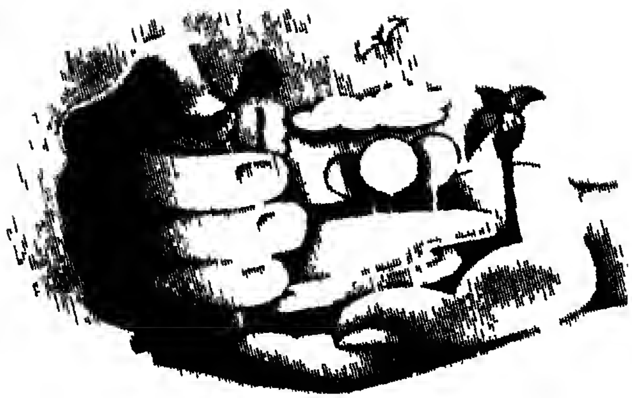
(Per cent)

States	Total Expenditure 1974-75 to 1984-85	Total Expenditure 1985-86 to 1991-92	Social Expenditure 1974-75 to 1984-85	Social Expenditure 1985-86 to 1991-92	Educational Expenditure 1974-75 to 1984-85	Educational Expenditure 1985-86 to 1991-92	Medical Public Health etc ** 1974-75 to 1984-85	Medical Public Health etc ** 1985-86 to 1991-92
Andhra Pradesh	6.22	1.98	8.59	0.73	7.31	3	7.21	-1.84
Assam	8.22	3.88	8.14	1	6.3	2.79	7.62	1.45
Bihar	7.09	3.35	9.49	5.07	9.05	7.9	8.29	2.49
Gujarat	7.17	3.72	6.38	0.8	5.83	3.79	7.3	-2.4
Haryana	6.11	0.99	7.84	4.6	5.33	4.2	10.22	-2.78
Karnataka	6.57	1.37	5.86	2.46	4.67	4.64	4.41	-1.56
Kerala	5.19	1.47	4.65	0.59	3.18	1.11	5.26	1.36
Madhya Pradesh	6.67	2.79	5.79	3.66	4.1	6.57	8.44	-1.69
Maharashtra	5.96	1.88	6.97	2.34	5.36	5.12	7.46	-3.54
Orissa	5.6	4.53	7.48	4.32	4.34	5.82	9.05	1.54
Punjab	6.53	4.56	4.13	3.26	5.19	7.09	5.37	3.28
Rajasthan	5.51	4.25	6.53	4.75	5.07	7.07	8.91	0.75
Tamil Nadu	7.64	3.73	7.49	4.43	5.57	6.1	9.53	2.13
Uttar Pradesh	7.93	1.94	7.82	5.61	4.53	8.29	10.26	2.4
West Bengal	5.74	1.89	6.91	3.65	6.94	5.2	4.97	2.14

Notes: * Figures relate to three year averages centred on the years shown.
** RMPH includes real per capita medical, public health, family welfare expenditures.
Source: Prabhu and Chatterjee (1993).

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay 400 038

Regd No M H-By/South-325



We help Nature keep her true colours.

As reputed manufacturers of vital chemical products, we've been in the forefront of promoting safety and environment protection.

Our commitment to preserve the environment, improve safety and enhance the health and welfare of our employees and the surrounding community manifests itself in every facet of our operations, right from our choice of technology to process selection and engineering design.

Effluent treatment plants at both our factories render liquid wastes harmless. Sophisticated pollution abatement equipment keep emissions within tolerance limits.

Our R&D wing develops products that are environment friendly, searches for ways to recycle waste and constantly evaluates the effectiveness of our own pollution prevention and control efforts.

We've designed education programmes to inform, train and encourage our employees to actively participate in achieving safety and environmental protection goals, safety inspections and safety audits to assure continuous control and, onsite and offsite disaster control plans to aid effective response to a wide range of emergencies.

It's all part of our integrated effort to keep our operations safe and harmless.

And to ensure that we help Nature keep her true colours.

Colour-Chem

A Subsidiary of Hoechst AG

Hoechst

HTA 2886

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs 17.00 Vol XXIX No 22 May 28, 1994

REVIEW OF INDUSTRY AND MANAGEMENT

- CHANGING ROLE OF SMALL INDUSTRY: LESSONS OF INTERNATIONAL EXPERIENCE
- ECONOMIC REFORM, WORKPLACE AND HUMAN DEVELOPMENT
- ASSESSING FIRMS' CAPABILITIES: DRUGS INDUSTRY
- NARASIMHA RAO IN JURASSIC PARK
- ENTREPRENEURSHIP: WHAT DATA REVEAL FOR TAMIL NADU
- BACKWARD COMMUNITIES AND MIGRANT WORKERS IN SURAT RIOTS
- MERCHANT BANKING UNDER SEBI GUIDELINES
- HIGH P/E RATIOS AND FII INVESTMENT

PUBLIC ENTERPRISES AND PRIVATE PURPOSES

ECONOMIC AND

Vol XXIX No 22 May 28, 1994

Public Good and Private Use

An examination of the objectives and priorities with which public enterprises are run reveals several factors which affect their performance, such as sluggish public investment, misutilisation of their capacities and capabilities, etc A basic factor is that public enterprises have been used for private purposes by those who control them. 1338

Big Changes in Small Scale

Small-scale industry all over the world has undergone change in the context of globalisation, technology revolution and structural reforms. What lessons can international experience provide for India? M-46

Losing Ground

While maintaining its position as one of the three leading industrial states of the country, Tamil Nadu has nevertheless over the years lost considerable ground and many opportunities. M-64

Filling the Vacuum

The large-scale participation of migrant communities in the riots following the demolition of the Babri masjid in December 1992 in Surat is explained by the fact that these upwardly mobile Hindu communities were looking for a larger political role, which the BJP and the Hindutva forces could provide 1348

Negative Impact

The growing unemployment consequent upon the implementation of the new economic policy and the threatened exit and downsizing are likely to have a negative impact on workers affecting their self esteem and therefore their skills and innovative capabilities. M-75

Dreams and Reality

In the months preceding and following D-Day 50 years ago, the thrust of the debate was the imperative of social transformation. The traumas of fascism and imperialism would vanish, preparing the earth for a greater share of decency, rectitude and probity. 1332

Hobnobbing with Dinosaurs

The PM's visit to the US has underlined the fact that there is political will behind accepting the new world order being dictated and dominated by the American dinosaurs. 1321

Assessing Performance

Intra-firm strategic performance assessment of the Indian pharmaceutical sector using data envelopment analysis provides precise information on the relative performance of private and public sector undertakings and the underlying factors. M-83

Nagas and Kukis

The violent clashes between Kukis and Nagas in Manipur are a consequence of the nature of the Kuki tribes and the artificial boundaries imposed on them by various rulers 1331

Self-Defeating?

Are the changes being affected by the regulations newly introduced by SEBI consistent with the professed twin goals of capital market development and investor protection? M-90

Taking Stock

The Indian stock market, in spite of the prevailing high price-earnings ratio, may be attractive to foreign investors because of its excellent diversification potential. M-96

Unsuitable Variable

Anchored as it is in a caloric norm, the poverty ratio is at best an indicator of 'food poverty' and is an unsuitable variable for estimating the distribution among states of shareable pool of taxes. 1324

Striking Out

Malaysia's recent assertive stance on international issues is a sign of the coming of age of the country's political elite. 1333

Seeking Solutions

Environmental degradation cannot be dealt with through technological fixes and the legal machinery 1329

The starting point for sustainable development should be the countries of the north which through the present high levels of consumption and polluting technologies damage not only their own environment but even that of the south 1327

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkan House
284 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887 3038/3041
Director
S L Shetty

LETTERS TO EDITOR

Oppose State Violence!

ON the pretext of eradication of naxalism the Andhra Pradesh government has unleashed unprecedented violence on the people of north Telangana districts. Encounter has become a synonym for police murder. Police officials often warn the person who questions their brutalities, "I'll 'encounter' you, if you do not change your attitude of questioning". Every move of the masses against the exploitation and repression by landlords is viewed through the eyes of law and order. Most of the villages in north Telangana have become camps of Andhra Pradesh State Police (APSP), CRPF, BSF and ITBF. These armed forces maintain law and order in the villages under the guidance of landlords. The landlords and police forces unitedly run the administration of the village. Any opposition to their domination leads to encounters. Even workers' organisations and students' unions have been branded as extremists' wings. In fact, these mass organisations have been organising, for the past 20 years, the downtrodden people against cultural and economic hegemony.

In order to make people aware of their constitutional rights, students' and workers' unions such as PDSU, AIFTU, RCS and POW organised a convention last February on 'People's Democratic Movements and State Machinery' in Karimnagar town. Instead of giving permission to hold this convention, the government deployed hundreds of police personnel in and around Karimnagar. All the routes from various areas were blocked. Video cameras were arranged at the doors of the convention hall. Delegates and journalists were harassed and assaulted. Cameras of press persons were snatched and smashed. Ahuja (Delhi), retired judge Suresh (Bombay), N V Kirshnaiah (MLA) and M T Khan (APCLC) were among the victims of the police violence. While the police violence was strongly condemned by the opposition members, the chief minister K Vijaya Bhaskara Reddy reacted by saying that "all the delegates present in the convention were none other than naxalites". In other words, the head of the government encouraged the police to continue their extra constitutional activities.

It is no wonder then that there are hardly any villages in Karimnagar district which have not gone through nightmarish experiences, such as police gang-rapes and third-degree tortures. On April 8 this year at Rajannapet village of Yellareddypet mandal, the police brutally killed six workers of CPI(ML) Janashakti who were campaigning against Dunkel Draft. Soon after the action, the police fabricated an encounter story to misguide the people. On April 15, the police killed two workers of PWG and narrated the same old encounter theory. Another police action in Jagityal area sent tremors of fear among the masses. A person from Chinnaraopet village was tied to a bag of explosives and set on fire. The climax of these fake encounters was seen in the cold-blooded murder of Boda Laxmareddy alias Bhoopathireddy, secretary of CPI(ML), Karimnagar district, who had been working for the people for the last 18 years. The SP of Karimnagar stated several times that B Bhoopathireddy would be shot dead at sight. The police arrested and killed him at Hyderabad and wove a story of an encounter death.

We, the people of north Telangana, are living under the shadow of the state gun. We do not know when we will be branded as extremists and killed in encounters. The general secretary of APCLC, K Balagopal, correctly said that "during the last three years 496 persons have been murdered by the police in the name of encounters". The essence of this statement has also been substantiated in the words of Supreme Court that "police are licensed goondas". We convey our thanks to APCLC and other democratic organisations for submitting a 500-page report of police atrocities to the Human Rights Commission. Can we expect justice from the commission? While I am writing this, there is news from Karimnagar that Bheemanna, organiser of CPI(ML) Janashakti has been arrested and may be another victim of police 'encounter'.

We appeal to all democratic organisations to oppose the genocide being practised by the Andhra Pradesh government and help the people to realise their right to live.

SURYA

Hyderabad

Oppressed Tribals

LANCY LOBO's report on the suppression of Valia tribals (January 15) is well documented on the aspects of oppression by the state as far as land, water and forests are concerned. Now the tribals have become intruders in their own land because of the introduction of forest laws which prevent them from earning from minor forest produce. Tribals as agricultural labourers in the plains, being alienated from their lands and people, are living in deplorable economic conditions. In many parts of India, tribals who were cultivators have become agricultural labourers. As a result, their position is getting eroded. The police, landlords, and the politicians lobby or nexus is creating havoc in the country. It is like the fence eating away the field; the police who are supposed to help the people are unleashing terror on common people not only in Valia of Bharuch district of Gujarat, but in many other parts of the country. This sort of vandalism by the state machinery cannot be accepted and tolerated any more. The brutal attack by the state on tribals like Chhotubhai should be strongly condemned.

It is a pathetic situation that when a sitting MLA has no safety for his life and chooses to go underground, what about an ordinary citizen's life? On the other hand, the government speaks about the human rights commission without any commitment to the human rights protection. It is high time that the government prevented such acts of oppression on the tribals and weaker sections.

P R TADA

Sydney

ECONOMIC AND POLITICAL WEEKLY

All Gloss

THE departmental annual reports presented to parliament every year are meant to provide a backdrop to the concerned public policies under implementation and also contain a succinct assessment of the progress achieved in relevant sectors. The latest annual report of the ministry of industry covering four major departments, namely, those of industrial development, heavy industry, public enterprises, and small-scale, agro and rural industries, does nothing of the sort. While radical changes have been introduced in industrial policy apparently to "accelerate the pace of industrial growth" by providing greater freedom in investment decisions, keeping in view the objectives of efficiency and competitiveness, technological upgradation, maximisation of capacity utilisation and increased exports, the overall industrial production under the impulse of the new economic policy, has nearly stagnated continuously for three years 1991-92 to 1993-94 and is showing no signs of improvement in the fourth year The ministry's report fails even to recognise the deteriorating conditions leave alone make any worthwhile analysis of the persistent stagnation and its possible causes

Supply factors such as steady agricultural growth, reasonably good growth in infrastructure industries, and unfettered freedom for domestic and foreign industrialists to set up industries, have not really helped matters. Apart from the severe demand constraint attributable to the contraction in public expenditure and investment in real terms, a serious structural crisis has been created by the reforms programme. The public sector production and investment programmes, which have been sizeable and in bulk areas of basic and capital goods industries, have suffered a setback and these gaps cannot be filled by the private or even foreign entrepreneurs for some years to come. The overall investment demand will continue to suffer. Likewise, public sector investment had helped to create some economic activity in underdeveloped states and regions—a goal which has obviously received a serious setback. Finally, due to growing unemployment, the effective purchasing power of the average population has been eroded giving rise to reduced demand for industrial goods of common consumption. As a result of these structural factors, the industries showing noticeable negative growth are capital goods and consumer non-durable goods industries. The industry ministry's report shows hardly any awareness of these phenomena.

Nor does the report present any perspective of future industrial development, its structure and content. In the current phase of development, the entrepreneurial proclivities—domestic or foreign—will not necessarily produce an optimum structure. Some industries will have to be specially promoted and others discouraged by public policies. Such a priority in industrial development is particularly required in the context of the acquisition and adaption of new and advanced technology. The office of the directorate general of technical development (DGTD) has been disbanded, though there was a strong case for using that organisation to promote the transfer and absorption of appropriate technology in Indian industry. The report does recognise that a great deal of technology upgradation and modernisation will take place "rapidly leading to some distortion in the existing industrial structure" but this is emphasised only in the context of the need for a national renewal fund(NRF) and for minimising the adverse effects on industrial workers. The direction in which the restructuring process will take place in industries and its technological base has received scant attention in the report. It is significant that the technical development fund (TDF) scheme, which has been in operation since 1976 with the specific purpose of promoting modernisation and upgradation of technology, has been, with the $ 100 million World Bank assistance, converted into a scheme which "is to support liberalisation of technology/capital goods imports". Admittedly, the scheme is now being operated only for the import of technology under the new import-export policy of 1992-97.

Some of the deleterious effects expected from the new industrial policy are glaring and are evident from the basic information provided in the annual report. With the freeing of industries from industrial licensing, industries which do not require licence and other industries which hitherto required to be registered with the concerned authorities, now have to file an industrial entrepreneurs memorandum (IEM). A statewise analysis of such IEMs shows how the regional distribution of new industrial units is sure to be grossly unbalanced. During the post-reform period of 29 months from August 1991 to December 1993, such IEMs numbered 12,400 for a total investment of Rs 2,56,158 crore with the hope of generating employment for 23,95,728 workers. Of these, as much as 34.92 per cent in terms of number, 35.86 per cent in terms of investment amount and 32.34 per cent in terms of employment will be concentrated in the two western region states, Maharashtra and Gujarat. At the other extreme, the shares of Bihar, Orissa and Kerala in new industrial proposals are minuscule. Bihar would account for only 0 98 per cent in terms of number, 1.38 per cent in terms of investment and 0.61 per cent in terms of employment; likewise, Orissa 0.69 per cent, 1.13 per cent and 1.54 per cent, respectively, and Kerala 0.76 per cent, 1.05 per cent and 0.81 per cent respectively. Interestingly, the share of Dadra and Nagar Haveli (population: 1,38,477) in the industrial proposals (1.2 per cent in number of IEMs or 0.65 per cent in terms of their proposed employment) is higher than that of Bihar with a population of 86.37 million (1991 census). The possible deterioration in inter-state disparity may be judged from the fact that as per the latest *Annual Survey of Industries for 1989-90*, Maharashtra and Gujarat together account for only 25.2 per cent in terms of factories, 25.7 per cent in terms of fixed capital and 24.3 per cent in terms of employment in the factory sector. On the other hand, Bihar now possesses a higher share though even that proportion has not helped the state to move out of its acutely underdeveloped

character As per the ASI for 1989-90, Bihar had 10.7 per cent of the factories, 6.8 per cent of fixed capital and 4.9 per cent of factory employment.

A second deleterious effect is in the disappointing performance of major engineering items whose physical output figures in 1992-93 were in many cases less than half of what they were in 1990-91. The worst performance being in the electrical machinery industry The output of ASCR and AAC conductors in 1990-91 was 67,623 tonnes, a capacity utilisation of 45.6 per cent in that year. In 1992-93, its production stood at 24,279 tonnes, a capacity utilisation of just 16.4 per cent. Other important electrical machinery and component industries experiencing drastic reduction in output during the period are: dry cells (12,35,659 in thousand numbers to 11,92,464 in thousand numbers), power capacitors (33,58,629 KVAR to 30,12,163 KVAR), welding electrodes (5,65,506 thousand run mt to 5,13,087 thousand run mt), electric motors (7,90,885 to 2,43,135), alternators/generators (48,82,702 KVA/25,97,879 KVA), transformers (365,87,626 KVA to 345,64,075 KVA), circuit-breaker switchgears (11,24,087 to 9,43,301), transmission line towers (88,391 tonnes to 84,660 tonnes) and cranes (17,184 tonnes to 8,903 tonnes). Amongst non-electricals, the output of commercial vehicles declined from 1,44,556 in 1990-91 to 1,03,000 in 1993-94. In many of these industrial categories, the capacity utilisation has declined rather drastically giving rise to misgivings regarding their long-term viability. The industry ministry's annual report shows no awareness of the damage being inflicted on the capital goods sector.

The disappointing performance of the capital goods sector is reflected in the working results of public sector undertakings (PSUs) under the department of heavy industry. Their production levels have been much below their targets and they have declined even in real terms over the recent period, with the order book position also deteriorating. BHEL's production at current prices was Rs 3,154 crore in 1990-91, Rs 3,331 crore in 1991-92 and Rs 3,508 crore in 1992-93; it is expected to be lower at Rs 3,400 crore each during 1993-94 and 1994-95. Similarly, HMT's output was targeted to be Rs 1,026 crore during 1993-94 but now it is expected to be 23 per cent lower at Rs 792 crore which is to be contrasted with the earlier peak output of Rs 850 crore in 1991-92. Overall, 48 PSUs had a production target of Rs 10,027 crore for 1993-94 but the actual output expected now is Rs 8,782 crore The order books of these PSUs have also steadily fallen from goods worth Rs 12,028 crore as on October 1, 1990 to Rs 9,747 crore as on October 1, 1993 The total employment in 48 PSUs as on March 31, 1991 was 2,49,613 which has dwindled to 2,26,243 as on March 31, 1993—a loss of 23,370 jobs in two years. The implications of all of these on the process of industrialisation in India are lost on the bureaucracy which has indulged in producing a glossy annual report that is hardly illuminating.

BIOTECHNOLOGY

Weak Monitoring

BIOTECHNOLOGY is among the fastest growing disciplines in recent years and so vast is the potential, for harm and good, that as early as 1973 some scientists involved with the emerging field had called for a moratorium on certain types of research because these were associated with unknown risks. But in the intense preoccupation with the development of exciting new techniques and the possibilities of transforming life forms to meet human needs, these cautionary voices have largely been dismissed as emanating from the ethical dilemmas of an older generation of scientists. The special hazards of biotech research is that genetically engineered organisms may, if they are accidentally released, cause grave and irreparable ecological and epidemiological damage. The other even more complicated issue is the fact that it would be impossible to assess the long-term impact of releasing a genetically altered organism into the environment, no matter how 'useful' such a product may be. The biological world is a closely interlinked chain where one small alteration in one link may well cause changes elsewhere. So, unlike in a chemical product, a recall of the product will not right matters in time and the change will be permanent.

There has however grown a body of regulatory mechanisms in countries where biotech first emerged which now make it more difficult for developers to release bioengineered products without them being verified as comparatively safe by constituted authorities. Inevitably, the third world, with poorly developed regulatory mechanisms and a highly distorted appreciation of scientific advance as the precursor of social advancement has become the favoured spot for the release and testing of bioengineered products. Companies with their single-minded pursuit of reducing the time-lag between research, development and marketing of new products, have given ethical considerations a go by. In Argentina, for instance, the biotech company WISTAR institute in 1986 tested bioengineered rabies vaccine on cattle without even a formal application for consent from the government

The same institute is a participant in the Indo-US Vaccine Application Programme (VAP) in India Under the programme, Indian scientists have been working on 12 projects aimed at developing diagnostic kits and vaccines for viral hepatitis, rotaviral and E coli diarrhoea, cholera, typhoid, polio and respiratory infections. Some of these have moved from the stage of a study of existing organisms and the immunological responses in animals to bioengineered organisms with the desired characteristics. Many are now awaiting field trial. In an environment where research activity has to be cost-effective in the narrow sense of the term, little attention is paid to exploring the long-term and larger consequences of meddling with biostructures.

Progress on safety guidelines has been slow in India. The department has as usual set up a number of committees to monitor research work. For example, institutional biosafety committees have been set up in 50 institutes and a review committee on genetic manipulation has been constituted, which, at its first meeting made these banal recommendations: that import of transgenic materials in bulk should be avoided, that co-operation from funding agencies and institutions is imperative, that only those proposals which are being readied for field trials should be considered by the committee.

Clearly these regulations are insufficient for a competent monitoring of biotech research. For example, given the present experience with, say, ethical or equipment safety committees in research institutions, the existence of institutional safety committees does not mean that they are functioning or are doing what they ought to. A recent review of X-ray units and the handling of radioactive material in laboratories has revealed the very poor implementation of safety standards. And in a new discipline like biotech, where the safety standards are ill-defined and there is a rush to get in on the ground floor and to produce results, self-regulation is hardly likely to be effective. Then again with several pharmaceutical MNCs on the verge of restarting and/or expanding their bioresearch facilities here, there will no doubt be raised issues such as company secrecy on research, patenting considerations, etc, which will make it impossible to monitor research. There is an imperative need to evolve stringent regulations and create enforcing agencies with the authority to suspend and terminate unsafe research.

ASSAM

Electoral Rolls Tangle

A correspondent writes:

THE recent judgment of the Supreme Court upholding the orders of the Guwahati High Court which had held on January 28 that Clause 7.4 of the Special Revised Instructions (SRC) of the Election Commission (EC) issued on May 18 last year was "unconstitutional, arbitrary and violative of the Representation of Peoples' Act, 1950, and rules framed thereunder", brings to an end the prolonged bureaucratic and judicial wrangles over the revision of electoral rolls in Assam. The Election Commission had filed

a special leave appeal against the orders of the Guwahati High Court which had been made on a writ petition challenging the EC's guidelines filed by some leaders of the United Minorities Front (UMF). That appeal was dismissed by the Supreme Court on May 5.

While the Supreme Court's judgment brings the legal and bureaucratic wrangles to an end, the political implications of the judgment are likely to remain a controversial issue. For, though the original guidelines as well as the SRC of the EC were opposed (as also tacitly or openly supported) by several political parties, the grounds for such opposition (and support) and the apprehensions and expectations that these guidelines evoked have been projected and exploited selectively. This feature is likely to persist irrespective of the legislative and legal position.

The apex court's orders also constitute a vindication of the stand of the state government (more accurately, the Congress Party) as well as minority organisations which had taken the initiative to challenge these Special Revised Instructions of the EC. Though the state government had only intervened in the hearing of the writ petition by the UMF in the Guwahati High Court and the EC's special leave appeal against the Guwahati High Court's judgment in the Supreme Court, since the judgment was delivered the Congress Party in the state is claiming credit for this development. Indeed, both the Congress and the UMF have been claiming exclusive credit for this development, with the Congress in the state (no doubt with some prompting by the chief minister) congratulating Hiteswar Saikia "for his single-handed efforts to restore legitimate rights to deprived Indian citizens in the new electoral rolls of Assam".

With this, the decks are cleared for the preparation and publication of the final electoral rolls in Assam. The whole process had been stayed following the directive of the Supreme Court by the Election Commission on April 25.

Crucial to the prolonged wrangles whose beginnings are to be traced to the procedure prescribed for an intensive revision of electoral rolls in the state, spelt out in an EC notification dated August 21, 1992, are Clauses 7.3 and 7.4 of the SRC which the Guwahati High Court had held as violative of Article 14 of the Constitution—an order now upheld by the apex court. The two clauses read thus:

> 7.3. The Electoral Registration Officer shall also take every possible care to ensure that the names of persons in whose cases objections were filed and upheld, as well as names of persons whose claims were rejected during any earlier revisions of 1990, 1985, etc, on account that they were not citizens of India are not to be included in the draft roll He should also ensure that cases where enquiries have been initiated by the police with a view to filing cases under the Foreigners Act, 1946 or IM(DT) Act, 1983, are also excluded.
>
> 7.4 Similarly, the Electoral Registration Officer should ensure that the names of encroachers on VGR/PGR/forest lands/khas lands or any other government lands are not included in the draft rolls.

These guidelines provoked opposition from virtually the whole spectrum of political opinion in the state though the grounds for such opposition were different. For, encroachments on VGR (village grazing reserves) and PGR (professional grazing reserves) and forest and khas lands are a generalised phenomenon with every section of the population encroaching upon them and at the same time selectively blaming every other section. Thus the tribal people in the Brahmaputra plains (who have widely encroached into forest lands) maintain that they, being the original inhabitants of the land, can by definition be not considered encroachers wherever they settle. In contrast, the 'popular' perception holds that the descendants of erstwhile migrants from East Bengal, originally settled as part of an official policy in inhospitable riverine areas and over the years spreading beyond these areas resulting in conflicts with the indigenous peasantry—the Bodoland Autonomous Council area has seen some vicious communal riots over land after the Bodo Accord—are almost without exception encroachers.

The writ petition in the Guwahati High Court had also challenged Clauses 6.7, 6.9 and 6.10 of the SRC which had provided for the publication of two lists of enumerated voters: a List I, containing "names of persons who are verified by the district magistrate to be Indian citizens"; and a List II, containing "those names which are not considered Indian citizens by the district magistrate". Further, Clause 6.10 of the SRC provided that "where the police have initiated inquiries in respect of any person with a view to filing cases under Foreigners Act, 1946 or Illegal Migrants (Determination by Tribunals) Act, 1983, the names of every such person shall also be included in List II and not in List I".

The result of following that directive was that List II had about 15,76,000 names which included the names of about 13,73,000 who had filed claims for inclusion and in respect of about nine lakh of whom the claims had been accepted. According to a document prepared by the UMF, the EC's directives envisaged treating all persons included in List II, including about eight lakh persons whose cases had been referred to inquiries under the IMDT Act and the Foreigners' Act, as 'non-citizens'. According to the UMF, only about 58,000 of these cases had been referred to the tribunals formed under the provisions of the two acts; and according to sources in the state government, only about 20,000 of these had been finally and indubitably found to be illegal migrants.

The Supreme Court's upholding of the judgment of the Guwahati High Court vindicates the objections raised against such anomalies. But the process itself continues to be mired in controversies touching vital political issues going beyond these legalities and bureaucratic snafus.

POLITICS AND CRIME

Cosmetic Action

THE leaders of the CPI(M) in West Bengal have begun to borrow tricks from the police administration. Errant police personnel are quite often suspended or transferred, following public pressure—but only to allow them to surface again at some other place, or even at a higher position, and continue to behave in the same criminal way. Similarly, in the West Bengal CPI(M), errant party members or leaders are sometimes awarded lenient punishment—for public consumption—to be rehabilitated soon after in better positions in the party hierarchy.

To give a recent instance, following a bomb blast in the Bowbazar area of Calcutta in March last year which led to loss of lives and property, an underworld don Rashid Khan was arrested, and police investigations revealed Khan's connections with some top CPI(M) leaders. Public disclosure of the findings compelled the CPI(M) to suspend Shyamali Gupta (a leader of the party's women's front) and Shamim Anwar (a councillor of the Calcutta Corporation). But within a year, both were readmitted to the party. Given the continuing open nexus between the CPI(M) local bosses and the underworld, it does not need prophet to predict that both Gupta and Anwar are well on their way to higher positions in the party.

To cap it all, Rashid Khan was recently released by the court. Now he has come up with further damaging evidence. In an interview with a local daily, he has claimed among his 'helpful' friends a senior CPI(M) leader, who is the party's chief whip. He has also named a former police commissioner as being on his payroll. Significantly, soon after the Bowbazar blast, allegations against both these gentlemen had been made in newspapers. The CPI(M) and the state government had dismissed the charges at that time. It would be interesting to watch how the CPI(M) reacts to Khan's latest disclosures.

One wonders how long Jyoti Basu can choose to gloss over the misdeeds of his comrades. Involvement of party cadres in gang-rape (in Bantala and Birati a few years ago) and murder (the latest being that of Abdul Halim, the secretary of the CPI(ML)'s Kalna unit in Burdwan, on March 28) has become a common phenomenon. Notorious criminals who are party activists and who actively participated in the communal riots that broke out in Khidirpur and Tangra in Calcutta in the wake of the demolition of the Babri masjid are still roaming free. In spite of repeated complaints by the local people

to the police, they continue to enjoy immunity, thanks to the protection they receive from the local party leaders.

The CPI(M) has obviously travelled a long way from those days when even its fiercest political critics and detractors could not discover any cause to blame its cadres for moral crimes like rape, murder for personal gain or involvement in communal riots. The moral fibre of the party has apparently begun to rot, and once that happens, the descent of any communist party cannot be prevented. Jyoti Basu's occasional speeches and directives urging party members to behave and warnings of punitive actions are as hollow as the cosmetic punishments meted out to some among them following public outcry.

INDO-US RELATIONS

Movements of Anxiety

GIVEN the recent history of Indo-US political relations—a history that included Robin Raphael's provocative statements on Kashmir, Clinton's letter to a US senator commenting on the human rights situation in Punjab, and Strob Talbott's muted but clever attempts to diplomatically browbeat the Indian government into submission—Narasimha Rao's US visit was not expected, politically, to achieve very much. As it has turned out, the visit has achieved nothing at all. The officials of the US government put up a pleasant diplomatic front, intended mainly to save Rao from embarrassment at home, but also—and more importantly—to soften the impact of their unwillingness to substantively modify their positions, in the light of the Indian government's concerns, on the political and strategic issues involved. These issues remain: the future of Kashmir, denuclearisation of the south Asian region, and the violation of human rights by India's security forces with regard to its citizens.

On Kashmir, the US seems to have come round to accepting, especially after Talbott's visit, that the issue be resolved, so far as it involves Pakistan, on the basis of the Shimla agreement. Apparently it seems that by making the US articulate this position, Indian diplomacy has scored a point: however, it also means, on the other hand, that the Indian government has admitted that the Kashmir issue is not a purely domestic one. Thus it turns out to be a diplomatic victory of sorts for Pakistan which has always insisted that Kashmir was an international issue. Further, despite the US recognition of the validity of Shimla agreement in the matter of Kashmir, it is unlikely that the US, which seems to view the north-west south Asia in general and the Kashmir region in particular as crucial to its strategic interests in the region, would allow the emergence of an arrangement in Kashmir having the potential to go against its interests.

On nuclear non-proliferation, the Rao delegation failed to break the stalemate. The US side made some noises about India's position not being totally invalid, as did Clinton when he remarked that any attempt to denuclearise the subcontinent must keep in view India's security concerns, or as did one senior US official when he said that at least conceptually it was not difficult to sympathise with the Rao government's insistence on beginning with, as he put it, "global things". Although it was for the first time that the US showed a willingness to even acknowledge the Indian side's concerns on the nuclear issue, these noises, in the absence of an agreement concretising this acknowledgement, cannot be taken very seriously, especially when there has not been even a distant hint of such an agreement.

As for the US 'concern' about the human rights situation in Kashmir and other Indian states, successive US governments have, for quite some time, used the pretext of violation of human rights to promote their political and economic interests in different parts of the world. This 'concern' is not likely to wane in the foreseeable future, and will, for that reason, remain a sore point in the relations between the two countries, not least because the record of the present Indian government on the human rights front is bad and is likely to remain so, despite the setting up of the recent National Human Rights Commission.

Perhaps only on the economic front can Rao's visit be said to have effected some advance in the relations between the two countries. The delegation accompanying Rao utilised the occasion to meet US businessmen and is reported to have been successful in strengthening their already aroused interest in India as a profitable ground for investment. However, a strengthening of the Indo-US economic relations in the current environment needs to be viewed with concern, especially when the most important condition for US investment in India appears to be a breaking down of the already meagre protective legal barriers around the working class here, an inevitable consequence of measures to liberalise the economy further.

PALESTINE

Questionable Tactics

THE killing of two Israeli soldiers by Islamic militants in Gaza recently represents in microcosm some of the challenges the new Palestinian authority, held at the moment by the PLO, is likely to face in the coming months in the self-ruled territories of Gaza and Jericho. The killing took place just two days after Israel handed over most of the Gaza strip to the PLO and a week after it relinquished its power in the West Bank town of Jericho. Though Palestinian and Israeli security forces have started joint patrols in Gaza to prevent the occurrence of similar incidents in future, this is but an *ad hoc* solution to problems that are essentially political and will need to be tackled on that front.

The problems stem from the fact that the Israel-PLO accord of May 4 which has heralded Palestinian self-rule has been opposed by the Islamic fundamentalists fighting for their version of the freedom of Palestine. These fundamentalists, represented mainly by the militant groups Hamas and the Islamic Jihad, have a two-fold objection to the accord. They believe, firstly, that the accord has granted limited political authority in what amount to extremely limited territories. Secondly, they do not relish the idea of the new authority being inherited by the PLO which has always projected itself as representing secular and democratic forces in Palestine. Although there have been indications right from the beginning of the accord of a tacit concurrence between Hamas and the PLO, the killing of the Israeli soldiers within the self-ruled territories as soon as the Palestinian police was deployed, would seem to indicate that the fundamentalists have sought to emphasise that they must be treated more seriously. They have also sounded a warning that their next target could very well be the Palestinian police itself, which is neither as trained as the Israeli army to deal with militants, nor as experienced yet.

Another likely target of the fundamentalist militants are the Jewish settlers around the self-ruled territories. Not only are they the hated symbols of the occupying Jewish state, the fundamentalists may well resort to attacks on them in order to set off ethnic clashes in the Palestinian territories with the aim of derailing the peace process which is now underway. For, an increase in the frequency of attacks on Jewish settlers would not only bring the Israeli government under greater pressure at home to call off the peace process, it would also put the PLO on the defensive *vis-a-vis* Israel, making it unpopular among the Palestinians as it would then be viewed as a 'soft' national representative.

Not that the PLO or Arafat is unaware of the essentially political nature of these issues or of the complexity of the response required to successfully tackle them. However, the problem lies in the choice of the exact political methods to be employed. It is in this context that Arafat's recent call for a 'jihad' to free Jerusalem tends to evoke concern. Even if the term was not used in the militantly religious sense in which fundamentalists use it—as Arafat clarified later—the resort to such language at this point of time can signal a wrong direction to the movement. It can be interpreted as a giving in to the pressure of the fundamentalists, thereby increasing their stock with the people at a time when they need clearly to be firmly told that the secular nature of the Palestinian movement is beyond compromise.

DLF Cement

DLF CEMENT, promoted by the DLF group which has 45 years' experience in the real estate business, is setting up a world-class cement plant with a capacity of 1.4 million tonnes per annum. The plant is to be located in Jaitaran tehsil in Rajasthan which is close to limestone reserves and is near the cement deficit northern region. The company has entered into a technical collaboration agreement with Nihon Cement Company (NCC), one of the largest cement manufacturers in Japan, under which the Japanese company will provide technology which will result in benefits such as low heat and energy consumption, emission levels conforming to international standards and waste heat recovery system which will be utilised to generate power for captive consumption resulting in substantial cost savings. In order to ensure an uninterrupted and consistent supply of power the company will also undertake captive power generation of 15 mw. Commercial production is expected to commence in January 1996. To part finance the Rs 390.2 crore project the company is entering the capital market with a public issue of 99,13,400 secured redeemable multi-option convertible debentures (MOCD) of Rs 85 each at par on June 22. Part A of Rs 50 of each MOCD will be converted into five equity shares of Rs 10 each at par on allotment while part B will be the non-convertible part carrying four options. Under the options the investor can opt for a 17 per cent simple interest on the NCD portion; cumulative interest of 17 per cent on the NCD portion; opportunity to convert NCD portion into equity shares at par (in which case NCD portion will carry zero interest rate); and, last, he can dispose of the NCD portion for Rs 30 each for which arrangements have been made. The issue will be lead managed by ICICI Securities and Finance Company, ICICI, J M Financial and Investment Consultancy Services and Hongkong and Shanghai Banking Corporation.

Shivalik Loha Mills

Shivalik Loha Mills is an existing profit-making company engaged in the manufacture of MS rounds and alloy rounds, ERW pipes and tubes and bright bars. The company now plans to set up steel-melting and billet-making facilities with an installed capacity of 50,000 tpa at a total cost of Rs 6.3 crore. The project is expected to commence commercial production in June 1994. For the eight months' period ended November 1993 the company earned a net profit of Rs 0.2 crore on net sales of Rs 12.8 crore as against a net profit of Rs 0.2 crore on net sales of Rs 17.5 crore for the whole of the previous year. To part finance its project the company is entering the capital market with a public issue of equity shares at par aggregating Rs 4.5 crore on May 30.

Longview Tea

A Deepak group company, the Calcutta-based Longview Tea Company presently has six tea estates in the Darjeeling, Dooars and Terai districts entailing a total area under tea production of 1,950 hectares. The company has now embarked on an expansion-cum-modernisation programme under which it plans to extend plantation and also carry out replantation and rejuvenation in order to increase the tea production from the present three million kgs per year to five million kgs at a total investment of Rs 9.4 crore. For this purpose the company is setting up two more tea estates at Coochbehar and North Dinajpur from which crop will be available from the current year itself. To part finance its expansion/modernisation programme the company plans to enter the capital market shortly with a public issue of equity shares of Rs 10 each at a premium of Rs 55 per share.

Pawan Proteins

Pawan Proteins (India), a company promoted by a group of agriculturists, is entering the extraction business by setting up a plant with a capacity of 150 tonnes per day and a refinery of 25 tonnes per day. The project costing Rs 4.9 crore is being set up in the Beed district of Maharashtra. To part finance the project the company is entering the capital market with a public issue of 21,50,000 equity shares of Rs 10 each at par on May 30.

Mehta Rubber Chemicals

Mehta Rubber Chemicals (MRC) plans to join the band of the only three companies presently manufacturing 2,2,4 trimethyl 1,2 dihydro quinoline (TDQ) and N cyclohexyl 2 benzthiazyl sulphonamide (CBS) in the country, namely, Polyolefins, Bayer and ICI India. MRC is setting facilities for the manufacture of rubber chemicals like tetra methyl thiuram di sulfide (TMT) with an installed capacity of 300 mtpa, TDQ with an installed capacity of 300 mtpa and CBS with an installed capacity of 100 mtpa. These chemicals are used in the manufacture of rubber goods where quality of raw material is a crucial factor. Trial production has already commenced. To part finance the project the company is entering the capital market on May 30 with a public issue of equity shares at par aggregating Rs 1 crore.

Alchemie Organics

Alchemie Organics which belongs to the Rs 105 crore Alchemie group has set up a project for manufacturing quinalphos, carbendazim, di-sulphonamide and n-ndhe mea at Vapi in Gujarat. The project costing Rs 7.4 crore is to be part financed through a public issue of 8,00,000 equity shares of Rs 10 each at a premium of Rs 20 per share. Production of di-sulphonamide (used in the manufacture of diuretic medications and antibiotics) and n-ndhe-mea (used in the manufacture of disperse dyes) commenced in December 1993 while that of quinalphos (an agricultural insecticide) and carbendazim (a systemic fungicide) commenced in April this year.

The commodity price indices show a distinct acceleration in inflation. There has been a sizeable increase in currency with the public followed by more rapid growth of deposits of banks There is some pick-up in non-food advances of banks, but it is not known to what extent this is a carry over of year-end window-dressing. There was some improvement in the growth of industrial production in December and January, though this was partly due to the low base in the corresponding months of the previous year following the riots/bomb blasts. India imported 238 tonnes of gold worth Rs 11,000 crore and 3,620 tonnes of silver worth Rs 2,400 crore in 1993

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	May 7, 1994	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91
				Latest	Previous	1994-95	1993-94				
All Commodities	100 0	262.7	1 5	11.1	6.8	2.3	1.5	10 2	7.0	13.6	12.1
Primary Articles	32 3	267 5	2 3	13.4	3.3	3.2	1.6	11.6	3.0	15.3	17.1
Food Articles	17.4	291 7	2.8	6.2	5.2	3.6	2.3	4.8	7.5	20.9	18.9
Non-Food Articles	10 1	287 8	2.0	27.8	-0.2	3.2	0.4	24 2	-1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10 7	278 0	-	10.4	17 7	-	2.4	13 1	15.2	13.2	14.4
Manufactured Products	57 0	257 1	1.3	9.8	6 9	2.2	1.3	8 8	7.9	12.6	8.9
Food Products	10 1	263.8	4 1	13.8	5 9	5.2	3.3	11.8	6.8	10.2	13.2
Food Index (computed)	27.5	281 5	3 3	8.7	5 4	4.2	2.6	7.1	5.8	17.2	16.8

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1992-93	1991-92	1990-91	1989-90
			Latest	Previous	1993-94	1992-93				
Industrial Workers (1982=100)	267[3]	0 8	9.9	6.1	9.9	6.1	6.1	13 9	13.6	6.6
Urban Non-Man Emp (1984-85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1175[3]	0 8	11.6	0 7	11 6	0.7	0.7	21 9	16 6	1.0

Money and Banking (Rs crore)	Apr 29, 1994	Variation (Per Cent)					
		Over Month	Fiscal Year So Far		1993-94	1992-93	1991-92
			1994-95	1993-94			
Money Supply (M3)	447199	3439 (0.8)	15153 (3.5)	14958 (4.1)	65827 (17.9)	49344 (15 5)	51653 (19.4)
Currency with the Public	87192	5060 (6.2)	5025 (6.1)	4411 (6.5)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	358034	-1066 (-0 3)	10683 (3.1)	6308 (2.1)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	210529	4604 (2 2)	6420 (3.1)	10132 (5.7)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	240550	-608 (-0 3)	4658 (2.0)	3576 (1.6)	16577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	57121	3394 (6.3)	3394 (6.3)	1982 (7.9)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money	141662	3021 (2 2)	3040 (2.2)	11784 (10.6)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre	95987	-1742 (-1 8)	-796 (-0.8)	12101 (12.5)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks							
Deposits	324859	11045 (3 5)	11045 (3.5)	6930 (2.6)	45242 (16.8)	37814 (16.4)	38216 (19 8)
Advances	167779	4157 (2.5)	4157 (2.5)	3837 (2 5)	11640 (7.7)	26390 (21.0)	9291 (8 0)
Non-food advances	157633	4918 (3 2)	4918 (3.2)	3168 (2 2)	7476 (5.1)	24317 (20.1)	120922 (8 4)
Investments	141494	-11221 (-7 3)	-11221 (-7.3)	-387 (-0.4)	26737 (25.3)	15460 (17.1)	15031 (20 2)

Index Numbers of Industrial Production (1980-81=100)	Weights	Jan 1994	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1993-94	1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100 0	245.9	220.1 (3.1)	213.4 (3.3)	1.6	-0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11 5	269 0	219 1 (2.8)	213.1 (0.0)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77 1	233 1	210 5 (2 4)	205.5 (3.5)	0.9	-1 8	9.1	0.6	8.7	7.9	9.3
Electricity	11 4	309 2	286.5 (7.1)	267.4 (4.9)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	May 27, 1994	Month Ago	Year Ago	1994 (so far)		1993		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1993-94	1992-93	1991-92
BSE Sensitive Index (1978-79=100)	3790 (71 0)	3713	2216 (-29 5)	2037	4286	2037	3455	3779 (65.7)	2281 (-46.8)	4285 (266.9)
National Index (1983-84=100)	1827 (77 0)	1785	1032 (-25 8)	934	2055	934	1659	1830 (79.2)	1021 (-48.1)	1968 (234.1)

External Sector	1993-94 Quarterly Data				Fiscal Year So Far		
	Apr-Jun	July-Sept	Oct-Dec	Jan-Mar	1993-94	1992-93	1991-92
Exports Rs crore	16073 (39 8)	16388 (27.0)	16721 (29 4)	20365 (27.1)	69547 (30.4)	53351 (21.1)	44042 (35.3)
US $ mn	5127 (27 8)	5224 (15 2)	5330 (17 8)	6492 (21.5)	22173 (20.4)	18421 (3.1)	17866 (-1.5)
Imports Rs crore	17018 (6 5)	16825 (5 8)	17634 (13 1)	21329 (38.1)	72806 (15.7)	62923 (31.5)	47851 (10.8)
US $ mn	5429 (-2 7)	5363 (-4 1)	5621 (2.9)	6799 (33.4)	23212 (6.8)	21726 (11.9)	19411 (-19.4)
Balance of Trade. Rs crore	-945	-437	-913	-964	-3259	-9,572	-3,809
US $ mn	-302	-139	-291	-307	-1039	-3,305	-1,545

Foreign Exchange Reserves	May 13, 1994	Variation Over									
		Month	Year	Fiscal Year So Far		1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
				1994-95	1993-94						
Rs crore	45621	-2867	24492	-1655	2143	27430	5385	10223	-1383	-795	-647
US $ mn	15420	29	8709	325	689	8724	731	3383	-1137	-854	-1386

External Sector

Exchange Rate of the Rupee	Nov 1993	Nov 1992	March TWER 1993	1992	1991	1990	1989	1988	1987	1986
36-Country TWER (1985=100)										
Official Rates										
(Based on FEDAI Rates within brackets)										
Nominal	(46 85)	(45 50) 51 17	(45 11)	(43 87) 49 89	64 08	75 52	73 43	79 82	82 19	92 01
Real	(65 11)	(60 04) 68 29	(59 37)	(56 53) 64 24	74 69	78 70	77 52	84 56	84 73	92 13

	March 27, 1994	Month Ago	Year Ago	Mar 31, 1994	Mar 31 1993	Monthly Average Rates March 1993	March 1992	Annual Average Rates 1992-93 (Apr-Feb)	1991-92	1990-91
Official/RBI Reference Rate/Rs per US $	31 37	31 37	31 34	31 37	31 23	31 37	25 89	25 97	24 47	17 94
Market/FEDAI Rate (Rs per US $)	31 37	31 37	31 90	31 37	31 22	31 53	29 46	—	—	—

Foreign Direct Investment	Foreign Collaboration Approvals 1994 (up to Mar)	1993	1992	1991	1990	Approvals Involving Foreign Investment 1994 (up to Mar)	1993	1992	1991	1990
Number	379	1476	1520	950	666	211	785	692	289	194

Amount	1994 (up to Mar)	Amount of Foreign Investment Approved 1993	1992	1991	1990	Actual Flow of FDI 1993-94*	1992-93	1991-92	Actual Flow of Portfolio Investment 1993-94*	1992-93
Rs Crore	1180	8860	3890	530	120	1882	1694	365	7529	701
US $ million	376	2852	1386	215	67	600	585	148	2400	242

* Expected by government

Foreign Aid (Rs Crore)	1993-94 (Actual)	1993-94 (Budget)	1992-93 (Actual)	1992-93 (RE)	1991-92	1990-91	1989-90 (Actuals)	1988-89	1987-88	1986-87
Net Aid Receipts	6175	4279	6159	3837	5319	5421	3181	2595	2460	2893
Net Aid Inflows	2124	118	2188	–38	1514	2717	1347	1101	1218	1916

Tourism	1993-94	1992-93	1991-92	1990-91	1989 90	1988-89	1987-88	1986-87
Tourist Arrivals (000)	1871 0	1820 8	1781 9	1613 7	1765 0	1619 3	1513 5	1491 9
	(2 8)	(2 2)	(10 4)	(–8 6)	(9 0)	(7 0)	(1 4)	
Foreign Exchange Earnings (Rs crore)	4572	3989	3318	2444	2386	2054	1856	1607
	(14 6)	(20 2)	(35 8)	(2 4)	(16 2)	(10 7)	(15 5)	
(US $ million)	1457	1302	1356	1362	1433	1418	1431	1309
	(11 9)	(–4 0)	(–0 4)	(–5 0)	(1 1)	(–0 9)	(9 3)	

Bullion

Bullion Prices	May 27, 1994	Month Ago	Year Ago	March 1994	March 1993	March 1992	March 1991	March 1990	March 1989	March 1988
Bombay Gold (Rs/10gm)	4670	4650	4600	4611	4082	4443	3440	3140	3140	3140
London Gold ($/Oz)	384 00	373 30	381 00	387 35	330 34	344 64	363 39	393 66	390 27	443 49
Spread over London (Per Cent)	20 5	23 5	19 7	18 0	21 9	36 1	53 4	44 8	61 3	69 6
Bombay Silver (Rs/Kg)	7029	6814	6221	7159	5492	8050	6663	6464	6755	6136
New York Silver ($/Oz)	5 47	5 14	4 65	5 64	3 63	4 50	3 97	5 07	5 79	6 41
Spread over New York (Per Cent)	27 4	31 4	32 6	25 9	49 1	88 9	171 8	131 5	133 9	129 4

Estimated Imports (Official/ Clandestine, Tonnes)	1993 Q1	Q2	Q3	Q4	Total	1992	1991	1990	1989	1988
Gold	65	38	56	79	238 0	260 0	150 0	170 0	172 5	135 0
Silver	806	875	842	1097	3620 0	1750 0	1360 0	1300 0	650 0	250 0

Industrial Production

Core Industries and Infrastructure	Feb 94	Variation Over Month	Year	Cumulative for Fiscal Year So Far 1993-94	1992-93	1992-93	1991-92	1990-91
Coal (mn tns)	25	–0 3 (-1 2)	0 1 (0 4)	216 (3 9)	208 (3 5)	238 (3 9)	229 (8 3)	212 (5 4)
Electricity (mn kwh)	26568	–2181 (–7 6)	1591 (6 4)	293167 (7 1)	273770 (5 0)	300989 (5 0)	286700 (8 5)	264300 (7 7)
Hydel (mn kwh)	4782	–253 (–5 0)	–9 (–0 2)	64925 (0 9)	64365 (–3 5)	69776 (–3 8)	72550 (1 4)	71530 (15 2)
Thermal (incl nuclear)	21786	–1928 (–8 1)	1600 (7 9)	228242 (9 0)	209405 (7 9)	231213 (8 0)	214150 (11 1)	192700 (5 1)
Crude Petroleum (000 tns)	2052	–280 (–12 0)	42 (2 1)	24382 (–1 3)	24705 (–11 1)	26945 (–11 2)	30340 (–8 2)	33020 (–3 1)
Petroleum Products (000 tns)	4250	-581 (–12 0)	131 (3 2)	49493 (1 0)	48997 (5 2)	53487 (10 6)	48350 (–0 4)	48560 (–0 3)
Saleable Steel (000 tns)	1021	–70 (–6 4)	87 (9 3)	10727 (5 0)	10213 (14 3)	10454 (–1 1)	10570 (13 3)	9330 (1 3)
Cement (000 tns)	5029	–204 (–3 9)	348 (7 4)	52923 (8 3)	48856 (2 9)	54140 (–5 2)	57100 (4 0)	54900 (–0 9)
Fertilisers (N) (000 tns)	592	–61 (–9 3)	–4 (–0 7)	6558 (–2 6)	6735 (1 2)	7431 (1 2)	7300 (4 4)	6990 (3 7)
Fertilisers (P) (000 tns)	182	–29 (–13 7)	28 (18 2)	1590 (–25 9)	2146 (–10 8)	2292 (–10 5)	2560 (24 9)	2050 (14 5)
Revenue Earning Goods Traffic on Railways (mn tns)	30	–2 (–6.3)	1 (3 4)	320 (1 6)	315 (2 9)	350 (3 4)	338 (6 2)	318 (2 7)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year (iii) — means not available

RAJASTHAN SPINNING

Expansion Projects

THE flagship company of the LNJ Bhilwara group, Rajasthan Spinning and Weaving Mills is engaged in the manufacture of spun yarn and blended yarn, fabrics and readymade garments. For the year 1992-93 while the company's net sales increased by 20 per cent over the previous year, operating profit rose by 27.5 per cent. Production was also higher with the company producing 10,320 tonnes of yarn (grey and dyed) and 89 7 lakh metres of fabrics as against 9,288 tonnes of yarn and 88.6 lakh metres of fabrics produced last year.

Of the total sales of 4,165 tonnes of yarn from the Bhilwara unit, 782 tonnes of yarn valued at Rs 9 crore was exported. Similarly, out of the total sales of 6,108 tonnes of yarn at the Kharigram unit (which concentrates on export of dyed yarn which has good potential in the international market), 483 tonnes valued at Rs 5.9 crore was exported. Fabric exports from the Kharigram unit touched 1 6 lakh metres valued at Rs 1.2 crore out of a total sale of 96.2 lakh metres valued at Rs 46.4 crore. Total exports of the company (a net foreign exchange earner) rose by 22.8 per cent over the previous year.

Despite the improved operations of the company, the heavy interest burden coupled with the high depreciation charges have taken their toll on the company's bottomline. In a bid to streamline its working capital management the company has reduced its current assets by 8.4 per cent over the previous year bringing down their percentage to total assets from 53.6 per cent in 1991-92 to 49 per cent in 1992-93 Despite a 47.2 per cent fall in net profit the company has raised the dividend rate from 14 per cent to 25 per cent.

Meanwhile the company has added 12 second-hand sulzer weaving machines at its Kharigram unit at a total outlay of Rs 3.9 crore which are already in full production. With the rising demand for polyester/viscose (p/v) yarn in the international market, exports from India have also picked up from a mere 50-100 tonnes in 1986 to 16,287 tonnes in 1992-93 out of which the company's exports accounted for 3,866 tonnes. Demand for polyester/cotton yarn is also on the increase. In order to take advantage of the growing domestic and international demand the company is expanding its spinning facilities at Banswara by adding another 9,216 p/v spindles to the existing 18,576 spindles. It is also setting up a project for installing 9,216 spindles for manufacturing polyester/cotton yarn at the same unit at a total cost of Rs 24.3 crore. In order to cater to the melange yarn market, the company is setting up 9,216 spindles at Bhilwara at a total cost of Rs 22.9 crore. Further, it also plans to diversify into rock phosphate and granite.

For the first six months of the current year (1993-94) the company earned a net profit of Rs 5.4 crore on a net sale of Rs 102.5 crore as against a net profit of Rs 2.9 crore on net sales of Rs 75.5 crore in the corresponding period last year. Encouraged by its excellent performance for the first half of the current year the company has declared a 1:1 bonus. The company also has plans for a $ 50 million Euro-issue to finance its expansion projects. Meanwhile the company's Gulabpura and Banswara units have received ISO-9000 certification, the former becoming the first Indian composite textile unit to do so. The performance of the company in the second half is expected to be even better with the commissioning (ahead of schedule) of the expansion projects undertaken by it. Further the company has also entered into a memorandum of understanding with the Himachal Pradesh government for setting up two hydel power plants of 86 and 192 mw capacity respectively.

PASUPATI ACRYLON

Successful R and D

A leading manufacturer of acrylic fibre in the country, Pasupati Acrylon improved its performance considerably in 1992-93. While the company's net sales increased by 24 per cent over the previous year, operating profit rose by 37.3 per cent. A fall in interest charges and a lower increase in depreciation provision coupled with a zero tax provision (as in the previous year) led to a 567 per cent jump in net profit. The company achieved a 97 per cent average capacity utilisation in 1992-93 as against a capacity utilisation of 79 per cent in the previous year.

The major de-bottlenecking programme undertaken by the company at its unit in Thakurdwada was completed leading to an increase in capacity from 15,000 tonnes per annum (tpa) to 18,000 tpa. The cost of setting up the incremental capacity was reportedly a mere Rs 20,000 per tonne as against the estimated cost of Rs 1.25 lakh per tonne for setting up a new unit. The company has also completed the addition of one thermostretching line to produce more high shrinkage fibre enabling it to offer a better product mix to its customers.

Meanwhile the company's equity capital has increased to Rs 63.5 crore following its rights issue of equity shares aggregating Rs 18.1 crore made to part finance its capital expenditure.

The company's R and D efforts have resulted in partial substitution of imported tonner and spin finish. It has also developed adhesive and polyacrylamide from acrylic fibre waste leading to zero waste. The company produces wet spun acrylic fibre under the wet process technology of Snia BPD belonging to the Fiat group of Italy which enjoys an edge over the dry spun fibre due to lower capital cost and ease in dyeing brighter colours (which are preferred in India) at a cheaper price. With the acrylic fibre industry achieving an annual growth of 15 per cent, there has been a perceptible shift in demand from wool to acrylic fibre. As the company imports its raw material, namely, acrylonitrile and dimethyle formamide, it has resorted to forward covering to minimise loss on fluctuation in the exchange rate.

For the first six months of 1992-93 though net sales of the company fell by 8.3 per cent over the corresponding period last year, net profit was stable at around Rs 2.5 crore.

MODERN SUITINGS

Rise in Exports

A part of the Rs 300 crore Modern group, Modern Suitings markets its products under the brand name 'Amadeus' and is one of the largest manufacturers of synthetic blended yarn in the country. The company posted a sizeable increase in sales and profitability in 1992-93. While net sales increased by 84 per cent over the previous year, operating profit jumped by a phenomenal 165 per cent over the same period. Even though the figures for the two years are not comparable as the year ended March 1993 is a 15-month period, the annualised increase in operating profit is 112 per cent. Production was also higher with the suitings division at Alwar maintaining accelerated growth and the company's new 100 per cent export-oriented denim fabric unit at Ahmedabad commencing commercial production. Increasing resort to short-term loans with the higher working capital requirements and the build up of inventory following higher production, however, led to higher interest cost (up 157 per cent). Further, depreciation charges rose by more than 500 per cent leading to a lower rise of 89 per cent in net profit. The company's exports rose by 819 per cent with exports accounting for nearly 20 per cent of net sales as against only 4 per cent last year. Encouraged by its

(Rs lakh)

Financial Indicators	Rajasthan Spinning March 1993	Rajasthan Spinning March 1992	Pasupati Acrylon March 1993	Pasupati Acrylon March 1992	Modern Suitings March 1993*	Modern Suitings Dec 1991	Kalyani Sharp India March 1993	Kalyani Sharp India March 1992	RPG Telecom Sept 1993	RPG Telecom Sept 1992**
Income/appropriations										
1 Net sales	16208	13513	13867	11164	10725	5827	8373	9576	8119	8470
2 Value of production	15535	13293	14448	10782	11668	5671	8457	9276	8112	8550
3 *Total income*	15810	13520	14536	10883	11884	5980	8509	9372	8122	8565
4 Raw materials/stores and spares consumed	9215	7435	8388	6195	7607	4234	6106	6000	5038	5985
5 Other manufacturing expenses	2036	1956	761	719	374	112	636	754	358	399
6 Remuneration to employees	798	701	335	309	415	234	344	317	153	128
7 Other expenses	1983	2033	1443	1031	805	387	1351	1201	490	686
8 *Operating profit*	1778	1395	3609	2629	2683	1013	72	1100	2083	1367
9 Interest	815	847	1693	1759	990	385	915	888	420	615
10 *Gross profit*	994	1082	1958	1327	1691	628	-751	216	1675	750
11 Depreciation	597	557	1424	1247	720	114	217	181	298	428
12 *Profit before tax*	397	525	534	80	971	514	-968	35	1377	322
13 Tax provision	120	0	0	0	0	0	0	0	410	0
14 *Profit after tax*	277	525	534	80	971	514	-968	35	967	322
15 Dividends	155	92	0	0	631	232	0	0	200	144
16 Retained profit	122	433	534	80	340	282	-968	35	767	178
Liabilities/assets										
17 Paid-up capital	640	640	4536	4535	2455	1313	1880	1880	400	400
18 Reserves and surplus	2305	2184	505	-29	5273	2194	239	165	1375	608
19 Long term loans	2895	2840	9324	9482	3607	4673	1684	1736	1202	1523
20 Short term loans	1755	2064	3341	1874	1650	928	1821	1352	729	484
21 Of which bank borrowings	1755	2064	2631	1769	1650	878	1214	1130	729	484
22 Gross fixed assets	7770	6724	16540	15279	9813	6144	4537	3084	3215	3040
23 Accumulated depreciation	2949	2358	3128	1706	1278	543	774	316	1423	1126
24 Inventories	2283	2584	3169	2189	2173	1057	1354	2031	880	801
25 Total assets/liabilities	10034	10046	19282	17903	14550	10272	8217	7964	5212	3860
Miscellaneous items										
26 Excise duty	1288	758	1009	609	260	64	1674	2240	2124	2141
27 Gross value added	2484	3011	4076	3875	2914	995	633	1388	2287	1665
28 Total foreign exchange income	3266	2659	6	30	2114	230	195	68	0	28
29 Total foreign exchange outgo	748	218	3891	2972	1323	2793	765	1550	718	582
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%	161.5	134 5	71.9	62.4	73.7	56.7	101.9	120.3	155.8	219.4
31 Sales to total net assets (%)	213.4	174.9	78.3	70.4	82.6	64.0	148 9	186 6	219.1	280.9
32 Gross value added to gross fixed assets (%)	32.0	44 8	24.6	25.4	29.7	16 2	14.0	45.0	71 1	54.8
33 Return on investment (gross profit to total assets) (%)	9.9	10.8	10 2	7 4	11 6	6 1	-9.1	2 7	32.1	19.4
34 Gross profit to sales (gross margin) (%	6.1	8.0	14.1	11.9	15.8	10.8	-9.0	2.3	20.6	8.9
35 Operating profit to sales (%)	11.0	10.3	26.0	23 5	25.0	17 4	0.9	11 5	25.7	16.1
36 Profit before tax to sales (%)	2.4	3.9	3 9	0.7	9 1	8.8	-11 6	0.4	17.0	3.8
37 Tax provision to profit before tax (%)	30.2	0.0	0 0	0.0	0.0	0 0	0.0	0 0	29.8	0.0
38 Profit after tax to net worth (return on equity) (%)	9.4	18.6	10 6	1.8	12 6	14.7	-45 7	1.7	54 5	31.9
39 Dividend (%)	25.0	14.0	0 0	0.0	25 0	18.0	0.0	0 0	50 0	36.0
40 Earning per share (Rs)	4.49	8.56	1.18	0.18	4.25	4.01	-5.15	0.19	24 18	8.05
41 Book value per share (Rs)	47.79	45.80	11.11	9.94	25.64	25 66	5 73	10 88	44 38	25.20
42 P/E ratio (based on latest and corresponding last year's price)	37.8	8.8	10.2	99.2	9.4	7.5	-7 4	96 7	7 4	18.9
43 Debt-equity ratio (adjusted for revaluation) (%)	98.3	100.6	185.0	210.4	61.1	142.0	156 2	84.9	67.7	151.1
44 Short term bank borrowings to inventories (%)	76 9	79.9	83.0	80.8	75.9	83 1	89 7	55 6	82 8	60.4
45 Sundry creditors to sundry debtors (%)	45 8	61 1	49.4	109.9	30.7	54 8	65 9	44 0	28 5	26.7
46 Total remuneration to employees to gross value added (%)	32.1	23.3	8 2	8 0	14 2	23 5	54 3	22 8	6 7	7 7
47 Total remuneration to employees to value of production (%)	5.1	5 3	2.3	2.9	3.6	4.1	4 1	3 4	1 9	1 5
48 Gross fixed assets formation (%)	15.6	9.2	8.3	—	33.4	—	13 4	33 1	5 8	20 7
49 Growth in inventories (%)	-11.6	—	44.8	—	105.6	—	-33.3	-1 6	9 9	2.8

* 15 months ** 18 months

performance the company raised the dividend rate to 25 per cent

As part of a restructuring scheme the suitings division of the company has been merged with a group company, namely Modern Syntex The rationale behind the merger is that the latter will save a considerable amount on sales tax as it earlier supplied raw material to the suitings division Further the merger will also enable Modern Suitings to concentrate on denim manufacture and exports

During the year under review the company revalued its Alwar unit's assets resulting in an increase of Rs 16 3 crore in their value With the final conversion of the 14 per cent fully convertible debentures issued earlier by the company equity capital nearly doubled to Rs 24 6 crore

Meanwhile plans for a tie-up between Modern Denim (the new 100 per cent export-oriented unit) and Levis of USA may come a cropper with the latter receiving government approval for setting up a 100 per cent subsidiary in India

KALYANI SHARP INDIA

Growing Competition

A joint venture between Bharat Forge and Sharp Corporation of Japan Kalyani Sharp India which markets its products under the brandname Optonica holds fourth position in the television set sector commanding a 6 per cent market share The company also has a technical collaboration with Sharp Corporation which holds a 40 per cent stake in the company In line with the declining market for consumer electronics in 1992-93 the company saw a 12 6 per cent fall in net sales mainly due to a sharp fall in sale of VCRs/VCPs from Rs 37 5 crore in 1991 92 to Rs 13 3 crore The popularity of cable TV which has ensured the company's success in the colour TV/B&W TV set sector ironically has led to the sharp drop in its VCR/VCP sales The higher production cost led to pressure on margins leading to a drastic fall of 95 5 per cent in operating profit The heavy interest burden which accounted for 10 9 per cent of net sales and the 20 per cent higher depreciation provision which was mainly due to the VCR plant could not be adequately compensated by an increase in sales leading to a net loss of Rs 9 7 crore as against a nominal profit in the previous year On the export front however the company performed better exporting 3 575 VCRs [illegible] more

[illegible] VCR/VCPs [illegible] in the near future the company's VCR project which is under implementation [illegible] setback with the company [illegible] the remaining implementation [illegible] over the

company claims to have initiated steps to restructure its operations by reducing production costs, changing the product mix and introducing new products In line with this strategy the company has introduced a series of audio systems christened 'Music Tower' and 'Audio Wall' The additional investment, according to Bhargava, managing director, is only Rs 1 5 crore as the company's existing manufacturing facilities for video and TV equipment can be utilised for production of the new products

The reduction in the CTV excise duty rates and customs duty on components used by the electronic industry in the 1993-94 budget brought some relief to the consumer electronic industry The fast growing replacement market and the increasing popularity of cable TV and other satellite channels is expected to turn the fortunes of this industry However with several world leaders eyeing the Indian market, maintaining the company's market share which has reportedly climbed to 8 per cent in 1993-94 may prove difficult With its restructuring moves the company expects sales to touch Rs 150 crore in the 1993-94 with the new products contributing marginally to total sales For the first six months of 1993-94 the company's net sales increased to Rs 53 7 crore from Rs 44 6 crore in the corresponding period last year and net loss was also lower at Rs 2 5 crore (Rs 5 3 crore)

RPG TELECOM

Value Added Services

In line with the excellent performance of the telephone cables industry RPG Telecom (formerly Karnataka Telecables), which was jointly promoted by the Karnataka State Industrial and Development Corporation (KSIDC) and Asian Cables Corporation, improved its performance in 1992-93 With demand in the industry far outstripping supply emphasis is on higher production The company's factory at Mysore produced 9 69,102 ckm jelly filled telecom cables representing 150 per cent increase in output on an annualised basis (previous year was an 18 month period) while sales rose to 9,57,496 ckm cables A fall in operating expenses led to a 52 4 per cent rise in operating profit Lower interest and depreciation charges led to a steep jump in net profit despite a Rs 4 1 crore tax provision (zero provision last year) for the year The company raised the dividend rate from 36 per cent to 50 per cent in 1992-93

With the target of new telephone connections being revised upwards from 1 5 million connections to 2 million connections, demand for telecommunications cables is expected to rise substantially To take advantage of this the company is increasing its Mysore Factory's capacity from 10 lakh ckm to 18 lakh ckm at a total cost of Rs 18 crore To finance the expansion programme which is expected to be completed in 1993-94 the company recently entered the capital market with a rights issue of equity shares in the ratio of seven shares for every five shares held leading to a rise in the company's equity capital from Rs 4 crore to Rs 9 6 crore

With a view to further consolidate its position in the industry, the company is in the process of introducing a public electronic mail service in collaboration with Sprint International of USA under a licence granted by the Department of Telecommunications (DOT) It also has plans to extend the strategic alliance with Sprint International, a world leader in value added services such as E-mail, EDI and Video conferencing, to telecommunications software Further, it is also examining other profitable diversification opportunities for manufacturing telecommunications equipment With the DOT exploring possibilities of procuring cables, switching equipment and other critical inputs on lease or on deferred payment basis in order to overcome resources crunch, the company has set up a separate company christened, KTL Industrial Finance Company, to take advantage of the opening in the financial services business, i e, lease financing, hire purchase and deferred payment

With the commissioning of the expanded capacity of the Mysore factory the company's production and sales are expected to increase substantially in the current year (1993 94)

Narasimha Rao Visits Jurassic Park

GPD

More than the prime minister and the ruling party, it was the media which were determined to present Narasimha Rao's US visit as an outstanding event and an unqualified success. The reason was that the Indian elite feared that a less than successful visit by the Indian prime minister to the US would jeopardise the economic reform programme.

GOING by all that the media have said and reported and which has been an impressive volume by any standards, Rao's visit to the US has been some kind of an event at least here in India, if not quite in the US. This is not the first time that an Indian prime minister has visited the land of milk, money and green cards. Nor will it be the last. Nehru had gone there. So did Mrs G and Rajiv Gandhi. We have never been to that land of liberty but, going by the difference it seems to have made to Rao, visiting the land of the Chakravartin (emperor of the world) does seem to do a lot of good to the health, confidence and language of the visitor concerned. Not more than twenty-five legislators might have been there to listen to Rao's address to the US Congress, but the rhetorical skills and articulation that Rao demonstrated in that land of semi-educated people like Clinton were remarkable by any standards.

This time, however, Rao had an advantage which Nehru, Mrs G or Rajiv Gandhi did not quite possess in terms of Indian media attitudes. More than the prime minister and the ruling party, it was the media which were keen on presenting the visit of Narasimha Rao to the US as an outstanding event and an unqualified success. Not unlike Clinton, our media masters believe that "the economic reform" initiated by Narasimha Rao and Manmohan Singh has been a great thing to have happened to India. A less than successful visit to the US by the prime minister might jeopardise the economic reform. It was therefore a foregone conclusion that our newspaper fraternity was going to use its great linguistic skills to establish what great success the trip had been. Never before has the Indian prime minister got such a friendly press to cover a visit abroad. It is a safe guess that given this eagerness on the part of the scribes, even a disastrous visit would have been projected as a success. The elite of India cannot afford a situation in which an Indian prime minister's visit to Washington is presented as less than successful. (That it might actually be so is not relevant to the argument here. What are facts anyway?) Once this is understood it is easy to see that a routine, less than colourful visit has turned itself into a significant diplomatic event. That the American media have not seen the visit quite in such glowing terms would underline the point that we are trying to make. Even the famous speech to the Congress was relegated to an insignificant place on page three by a leading American newspaper. If the media are friendly, minor events can turn into major events. In other words, it was a grand success, except that it was a grand success here in India rather than there in the US.

No, we do not mean to suggest that Narasimha Rao's address to the US Congress was not well drafted and clever. It certainly was. The difficulty is that the Americans do not quite have the time for or interest in the linguistic and diplomatic cleverness which marked the speech. They are interested in business and businesslike talk goes down best with them. The Chinese have demonstrated that. Both on the question of nuclear proliferation and human rights they have defined the bottomline below which they would simply refuse to move. It is not clear if India has that clarity and, if it has, whether the Americans have been given to understand that the government of India cannot be a party to an arrangement which undermines national sovereignty (in case of human rights) and equality among states (in case of nuclear proliferation) All that one has read on Rao's visit to the US has not given one any confidence that we have stood (and intend to stay in future) our ground on both these questions.

There are many in this country who think that the human rights and nuclear questions should not and cannot be circumscribed by national sovereignty. But that is neither Rao's personal nor the government of India's official position. Success of a prime minister's visit has to be judged in terms of his government's stated policies. In that context all that can be said is that no further concessions were made during this visit. On the nuclear question, a general position that there ought to be world nuclear disarmament was reiterated. But then what does it really mean? Does it not amount to accepting that there would be only a few nuclear powers for a number of years to come? If so, why shy away from the fact that India cannot be one of them without inviting substantial and irresistible American pressure? Lack of nuclear power status is not and cannot be a major security problem for India. A favourite argument one has heard many times relates to keeping India's options on the nuclear question open. This is a position which does not make much sense. If India (or any other country) does not wish to be a nuclear power, keeping the unusable option open is neither meaningful nor useful. There is reason to believe that the Americans have now understood this. Consequently, Rao's position was close to the American position. This may not be good or bad in itself. The point simply is that Rao merely reiterated Indo-American convergence on the nuclear question. Of course, he did it in good language. But the fact that our foreign policy, like the economic policy, is firmly within the western and American orbit should not be forgotten. That is the success our media are celebrating just as they are celebrating new directions in economic policy. As foreign policy does not usually directly lead to inflation and unemployment and the like, it was easy to do so.

The same thing is true of our 'success' on the Kashmir question. No matter what the American statesmen might occasionally say or do, it would be a fairly accurate guess that the Americans are not and would not be interested in the problem of Kashmir. If the governance in Kashmir were to collapse in future it would be a different story. But otherwise it would be a reasonable calculation to make that the Americans would not be interested in the liberation of Kashmir or Tibet or Punjab. The American attitude has been less than friendly on the Kashmir question, but that has very little operational significance. In other words, US policy has been to keep some distance from the Indian national ambitions. But that does not amount to giving up keeping Pakistan supplied with military help. Rao clearly and understandably drew a blank even on this score.

To be sure, that was only to be expected. It would be difficult to think of a state today which would support India unequivocally on this question. If we wanted to believe (as we seem to) that any state saying that the Kashmir question should be settled bilaterally within the context of the Shimla agreement actually means support to India, nobody can stop us. But little thought would tell us that even the Shimla agreement was an attempt at keeping the issue of Kashmir in suspension. The government of India might get away with it. We do not know. The Americans have

simply decided to play up to the susceptibilities of the Indian elite by reiterating the 'bilateral' nature of the Kashmir problem. There has been a quid pro quo there too. The Rao government decided to accept American sensibilities on the Indian missile programme. We shall not be surprised if the American government were to ignore Rao government's missile exercise just before the general elections in 1996. But whether or not that happens, postponement of 'Prithvi' made our brave statements on keeping the options open less than credible

It was quite a coincidence that Rao left for the US when Spielberg's film 'Jurassic Park' opened in Delhi The Americans are the new dinosaurs of the international system making everyone run for life till their supremacy is accepted. Of course, modern-day dinosaurs do not have to kill. They force everyone to liberalise, liberalise economic and political sovereignty that is. This famous media-friendly trip to Jurassic Park has legitimised the beginnings of the destruction of sovereignty. The process had begun in the finance ministry. Now the PM's visit has underlined the fact that there is political will behind accepting the new world order being dictated and dominated by the American dinosaurs. Spielberg's protagonists have the freedom to run away from the Jurassic Park. Rao and therefore other Indians do not have that freedom. The only freedom is to make our decline look like a successful ascent. So go on slaying with words. The Americans and the transnationals will play with our sovereignty, both political and economic. Our leaders will play with words and make it appear that all is well with potential slavery. Clinton is in Jurassic Park and all is well with the world.

COMMENTARY

NEW DELHI

Under the US Umbrella

B M

What is happening in Indo-US relations cannot be dissociated from the far-reaching shifts in the socio-economic and political priorities of the rulers in New Delhi.

THE portents are indeed turning out to be grim for the economy and polity. The government and its supporters have for long entertained the smug expectation that having agreed to follow economic policy adjustments based, above all, on the opening up of the Indian market for foreign capital, in particular multinational corporations, India under such a new socio-economic and political dispensation will be given a cosy place in the political-strategic global order under the hegemony of the US. The visit of prime minister P V Narasimha Rao to the US should have dispelled any such illusion. But guided by narrow vested interests, there has been a concerted effort to celebrate the visit as a great success.

After the pompous talk of consensus politics, Narasimha Rao has been increasingly adopting aggressive postures in the domestic arena. Abroad, he has been grovelling for favours which he obviously believes may give him some staying power, at least among the upper segments of India's fractured society. These features of the manner of Narasimha Rao's functioning have been further emphasised by his excursion to Washington and his brief 'working' meeting with president Clinton.

The US administration took up, in advance of the visit, highly adversorial positions on sensitive issues such as nuclear proliferation, Kashmir and India's place in South Asia, in particular in relation to Pakistan. But Rao kept saying that he was not aware of any pressure on him. In reply to a question in parliament, he claimed that he did not consider the US demand that India 'cap' its Agni project as amounting to US 'pressure'. There was no worthwhile explanation either of the 'preparatory negotiations' preceding Rao's visit between US and Indian officials in far-away London.

The managed media has been used cynically to project Rao as having returned from Washington 'taller' and 'stronger', but any perceptive observer would have been struck by the obsequiousness of his performance in the US. This became stark in what was called the joint press conference of the Indian prime minister and the US president. Set up after Rao's 40-minute private talks with Clinton, the press conference turned out to be entirely that of Clinton who was forthright and direct in his presentation of the US position in relation to India. The only intervention that Rao made, or was allowed to make, was to deny that his arm had been twisted by Clinton. His arm, he said, was intact and had not been touched by the president.

Those who have applauded Rao for escaping arm-twisting by the US president should know that the art of arm-twisting is more sophisticated than arm-breaking and even Indian policemen try to remember that sometimes. It is significant, in this context, that Rao did not contradict Clinton when he pooh-poohed India's strong protests against Pakistan's terrorist activity in Kashmir. He expressed his disagreement with Clinton's remark that Pakistan's interference in Kashmir had been sealed down only afterwards at a separate meeting with Indian pressmen.

The claim made in Indian official quarters that Rao did not succumb to US arm-twisting since he did not openly concur with Clinton on the question of nuclear proliferation is rather specious. Clinton made it clear that the US was calling on India to give up its nuclear option. He asserted that this would not impair the security of India, for alternatives to nuclear deterrence were available for ensuring security, and pointedly referred in this context to Germany and Japan. This was an open invitation to India to com · under the US protective umbrella. Significantly, before his meeting with Clinton, Rao had already met the US defence secretary and "accepted in principle the US suggestion for military-to-military co-operation". On the Kashmir issue too the spirit of Rao's parleys in Washington was clearly not in tune with the resolution recently adopted with much fervour by the Indian parliament ruling out any talks till Pakistan vacated the Kashmiri territory under its occupation. What has been readily accepted instead are negotiations on the basis of equality with Pakistan as stipulated by Washington. However, to what extent Rao submitted to US diktat on sensitive issues like the nuclear option and Kashmir is yet to surface fully.

Those who talk of Rao's discussions in the US as consisting of two parts, economic and political, are being facile. The suggestion that it was a triumph for Rao on the economic front even as he came through unscathed on the political issues is wholly untenable. Far from the multinational corporations constituting a lobby to promote India's interests in US, they will be coming to India on terms set by them—terms which have become progressively stiffer in the last three years, including guaranteed returns which will ensure full recoupment of capital invested in less than five years even as high profits continue to be repatriated in perpetuity. This is a fool-proof arrangement for mulcting the Indian consumer and exploiting Indian labour and natural resources.

What is happening in Indo-US relations cannot be dissociated from the far-reaching adjustments in the socio-economic and political priorities of the rulers in India. Starting with the launching of the IMF-World Bank sponsored programme for the structural adjustment of the Indian economy in the middle of 1991 and the signing of the GATT treaty, the government of Narasimha Rao has chosen step-by-step to discard what have for long been regarded in India as issues of national concern, economic and political. Such disregard of the imperatives of public welfare is necessarily subversive of the principles of a democratic order. It is not surprising, therefore, that democratic norms in the functioning of the government as well as the ruling party are being cynically violated by Rao and authoritarian ways are being adopted to curb popular discontent as well as political dissent. With his mass base eroding fast, Rao has not hesitated to take all steps—gathering economic vested interests around him, fostering factionalism in his party, arranging defections from other parties, securing the support of foreign powers and interests—in order to entrench himself in the office of the prime minister. This has begun to be affirmed openly by his supporters and publicists after his US visit. Big business interests which have forged close links with multinational corporations enjoy special consideration in official quarters, in contrast to the growing misgivings even among trade and industry circles and their associations with much broader support bases.

In the emerging conditions it would be a grave error on the part of political parties and personalities, especially the forces of the left and the centre, not to take cognisance of the gravity of the socio-economic and political transition being promoted. The need is for a positive political and social alliance on the basis of clearly delineated objectives, political sovereignty and socio-economic development with concern for mass welfare and progress. A broad social and political campaign against the GATT treaty is already making possible some advance in this direction. Rao's visit to Washington and what it portends must reinforce the strivings of all political parties and social organisations to bring about a realignment of political forces. A thorough reappraisal of developments in India's political economy during the 80s, which are unfolding with all their implications and dimensions in the 90s, has now assumed great importance. A view had begun to emerge among the ruling elite in the middle of 70s that having achieved what was described as the mid-stage development of the economy—mass proverty notwithstanding—India should distance itself from the poor developing countries which, after gaining independence, had come together in G-77. It was suggested that India should establish and promote closer relations, economic and strategic, with the developed countries, in particular the US. This also gave rise in due course to hankering for a regional power status for India. Third world solidarity and south-south co-operation ceased, step by step, to be priority concerns of the government's foreign policy. This was the starting point of the so-called 'reorientation' of India's socio-economic development strategy which has become stark in the 90s and is impelling far-reaching changes in the quality and thrust of India's domestic politics as well as foreign policy.

It is not at all surprising that a variety of pressures from different quarters and on different issues have been mounted to circumscribe India's policy options all along the line. There is undoubtedly a thin upper crust in Indian society—vested interests in business, academia and politics—which is keen to partake of the joys of what is called the globalisation of the economy and polity. These interests believe that since India has a large market to offer to foreign multinational corporations, they will be shown some accommodation by the other side in due course. These avid salesmen of Indian labour, natural resources and consumers have gone gaga over their friends in high places in US and elsewhere—for instance, the 22 American multinational corporations which have combined to form an Indian Interest Group and similar other groups abroad, which it is being assumed will show benevolence towards similar interest groups in India. Those who see in a strategic alliance with the US and an open door for multinationals the path to economic growth and modernisation do not hesitate to deride the very idea of national sovereignty. One among them had declared with typical cynicism, when India was forced to accept abject conditions in return for an IMF loan in the middle of 1991, that "a small farmer or landless labourer is willing to grovel and accept any number of conditions in order to get a loan from the local bank or moneylender". The point, as they see it, is that the prime minister's visit to Washington is very much akin to the grovelling of the poor peasant in search of financial support from the moneylender and there is no need to be squeamish about it. Here was the prime minister rushing to Washington on sudden summons from the White House in total disregard of the adverse conditions created by US diplomacy and the strong popular protests against the visit.

Poverty Ratio as a Variable in the Devolution Formula

K Madhava Rao
D Subbarao

The poverty ratio, the way it is presently defined and measured, is a poor candidate for use in the formula for the inter se *distribution among states of the shareable pool of taxes.*

AS the Tenth Finance Commission prepares to finalise its award in the next couple of months, one of the major issues it will have to decide on will be the formula for the *inter se* distribution among states (devolution formula) of the shareable pool of taxes. The formula we now have is the product of refinement by successive Finance Commissions to reflect as accurately as possible the requirement of each state on a normative basis. This formula, giving large weightages to the level of 1971 population and the per capita State Domestic Product (SDP), has been widely accepted to be objective and equitable. However, with each Finance Commission the formula becomes an open question. There has been some debate recently on the candidacy of poverty ratio (proportion of population below poverty line) as a variable in the distribution formula. The purpose of this paper is to evaluate that candidacy.

In our view, a variable must fulfil the following criteria in order to qualify for use in the devolution formula:

(i) It must reflect the extent of backwardness of the state. In other words, it must be a statistically 'good' estimate of the state of well-being or otherwise of the people.
(ii) Its estimation methodology should have a sound conceptual basis free of any value judgment.
(iii) There should be broad agreement on the methodology of estimation. Conversely, the estimate should be robust and unbiased under variations in methodology of estimation.
(iv) The data used for the estimate should be statistically reliable.

Poverty ratio, as a variable, fails the test when evaluated by the above criteria. The strongest objection to the use of poverty ratio is undoubtedly the wide divergence of opinion on its definition and measurement. The official estimates of poverty released by the Planning Commission are anchored in a calorie norm of food intake with disaggregated adjustment for age, sex and occupational structure of the various segments of the population. Indexed to the 1973-74 price line, the estimates have been updated every five years using a deflator derived from the National Accounts Statistics (NAS), which has been found to correspond closely to the weighted price index of the consumption basket of the poor.

Two important characteristics of this poverty ratio estimate warrant explicit recognition. First, it is a single aggregate index for the whole country, presupposing uniform food habits, preferences, calorie requirements, consumer patterns and price trends across the country. Second, although anchored in a calorie norm, the estimate makes an allowance for non-food consumption needs as well but—and this caveat is important—the non-food consumption expenditure is measured by observed consumer behaviour and not with reference to any normative standards.

An Expert Group (EG) appointed by the Planning Commission under the chairmanship of the late D T Lakdawala "to look into the methodology for estimation of poverty at national- and state-level and also to go into the question of redefining poverty line, if necessary" (report datelined July 1993) attempted a refinement in the measurement of poverty ratio by converting the aggregate all-India consumption basket representing the threshold calorie intake into monetary equivalents by using state specific price indices. The EG was sensitive to the fact that this was only a half-way measure. For instance, it did recognise the need for determining state specific calorie norms to account for variations in calorie requirement arising from climate, terrain and occupational structure but could not build it in for want of data. The EG debated the issue of a state specific commodity basket as well to allow for differences in food habits as also preferences between food and non-food consumption but decided to stay with a standardised commodity basket "in order to enable comparability across states and over time".

The findings of the EG are striking not only because of the extent of divergence from the official estimates but also because of the change in the *inter se* ranking of the states as per the poverty ratio. Table 1 indicates the official and EG estimates of the poverty ratio for 1987-88 along with the per capita State Domestic Product (SDP) for the 17 major states. Even a purely heuristic assessment would reveal that there is no correlation between the two different estimates of the poverty ratio or between either of the estimates and the per capita SDP.

It is in this fuzzy background that the candidacy of poverty ratio as a variable in the devolution formula has to be evaluated. It is intriguing that states with higher per capita incomes also have higher poverty ratios and vice versa. Tamil Nadu, for example, has a per capita SDP that is nearly one-and-a-half times that of Rajasthan, but its poverty ratio is also significantly larger than that of Rajasthan as per both official and EG estimates. Gujarat and Tamil Nadu, to take another example, have roughly the same levels of per capita SDP but differ vastly when compared by the estimates of poverty

TABLE 1: PER CAPITA SDP AND POVERTY RATIOS, 1987-88

State	Per Capita SDP at Current Prices (Rupees)	Poverty Ratio: Planning Commission	Poverty Ratio: Expert Group
1	2	3	4
1 Bihar	1904	40.8	53.0
2 Orissa	2194	44.7	57.9
3 Rajasthan	2310	24.4	32.0
4 Uttar Pradesh	2362	35.1	47.6
5 Assam	2589	22.8	29.6
6 Madhya Pradesh	2657	36.7	46.1
7 Andhra Pradesh	2869	31.7	26.1
8 Kerala	2888	17.0	28.5
9 Jammu and Kashmir	2954	13.9	39.5
10 Karnataka	3181	32.1	39.5
11 Himachal Pradesh	3185	9.2	13.8
12 West Bengal	3247	27.6	33.5
13 Gujarat	3264	18.4	22.0
14 Tamil Nadu	3374	32.8	40.7
15 Haryana	4387	11.6	17.3
16 Maharashtra	4647	29.2	35.8
17 Punjab	5719	7.2	14.3
All-India		29.9	38.0

Sources: Per capita SDP from *Economic Survey 1993-94*, Government of India. Poverty ratios from Report of Expert Group, Planning Commission, Government of India, July 1993.

ratios. Surprisingly, some of the states with high poverty ratios such as Maharashtra and Karnataka actually enjoy a surplus in their non-plan accounts even before devolution.

A possible explanation for this counter-intuitive finding is that states with lower poverty ratios have more equitable income distributions. Notwithstanding the causal relationship posited between poverty and inequality, to assume a positive and strong correlation between the two indices across all the states of the country—which after all are artificial geographic entities—will be highly questionable. Even granting the existence of a causal relationship, a devolution formula based on poverty ratios would in this scenario tantamount to not so much helping backward states as to rewarding states which have made no effort towards more equitable income distribution.

Inasmuch as the Finance Commission is mandated to build into the devolution formula a bias in favour of backward states, the question to be asked is to what extent the poverty ratio of a state reflects its 'backwardness'. If poverty ratio were a 'good' estimate of the level of deprivation of the people, it would be reasonable to expect a rough correlation between a low poverty ratio and indices of 'quality of life'. Table 2 shows a comparative picture of the per capita SDP, poverty ratios and some broadly accepted indices of human well-being for the four southern states. Andhra Pradesh with a lower poverty ratio than Tamil Nadu under both official and EG estimates curiously lags behind Tamil Nadu in all the four indicators of quality of life. The correlation between poverty ratio and human well-being is striking—by its total absence. The use of poverty ratio as a measure to help backward states under these circumstances would not only be indefensible but also grossly unfair.

Anchored as it is in a calorie norm, the poverty ratio is at best an indicator of 'food poverty'; it clubs the hard core poor with the marginally poor and as such is a bad proxy for the state of well-being of the people. This latter variable depends, apart from personal consumption pattern, on items of social infrastructure such as hygiene and sanitation, potable drinking water, availability of power and access to health and education, etc. In his supplementary note to the EG Report, P V Sukhatme explains how the productivity of a person is a function, not of the quantity of food taken, but of the food absorbed. Food absorptive capacity, in turn, is critically dependent on the quality of social infrastructure mentioned above. It is perfectly possible, says Sukhatme, for a person to be taking food at or above the 'poverty level' but still getting trapped in a vicious circle of low levels of health and productivity—because of low quality social infrastructure. Conversely, a person with food consumption level even below the poverty norm may be enjoying higher levels of productivity and health as a result of higher absorption capacity made possible by access to social infrastructure.

More comprehensively, social infrastructure should also include access to amenities such as post office, telephone, railway and bus connection, roads, power, markets, entertainment, fire and police protection, access to legal systems, etc. The ability of a state to improve and expand social infrastructure is a function of the quantum of public expenditure on these sectors and the efficacy of its delivery systems. It is the capacity of the state in providing social infrastructure that the Finance Commission should focus on. It has been hypothesised that the quantum of public expenditure in these sectors is positively correlated with per capita SDP. Even without rigorous economic analysis, the data at Table 3 pertaining to the four southern states appear to bear out this hypothesis. Inasmuch as the Finance Commission's intention is to ensure that all states are capable of providing basic minimum needs for human well-being, the devolution should be based on per capita SDP. Poverty ratio is an unsuitable variable.

There is another major reason that makes poverty ratio a subjective, arbitrary and questionable indicator of the nature or extent of backwardness of a state. As mentioned earlier, the NSS data, on which poverty measurement is based, records 'actual' expenditure on food and non-food consumption items. A poverty measure derived from this data therefore fails to capture the impact of subsidised provision, if any, of items of social consumption such as health, education, sanitation and housing.

It is possible, and indeed highly probable, under this system of measurement for two persons with personal consumption expenditures at the threshold poverty level to be enjoying vastly different 'levels of well-being'. It is even possible that a family below the poverty line in a 'richer' state has a better quality of life in terms of health and education than a family above the poverty line in a 'poorer' state. If the guiding principle for the Finance Commission's award is to help backward states come up to the minimum normative levels in social infrastructure, any devolution based on poverty ratio would militate against this principle.

To summarise, poverty ratio, the way it is presently defined and measured, is a poor candidate for use in the devolution formula for a variety of reasons. First, because it is a distorted indicator of (a) the state of well-being of the people; (b) the nature and extent of backwardness of a state in terms of social infrastructure; and (c) the ability of the state to provide social infrastructure at the accepted normative level.

Second, there is as yet no unanimity on the methodology for the measurement of poverty ratio as evidenced, for example, by the divergence in the official and EG estimates. While using any estimate of poverty in the

Table 2: Poverty Ratio, SDP and Indices of Quality of Life

State	Per Capita SDP at Current Prices (Rs)	Poverty Ratio: Planning Commis-	Poverty Ratio: Expert Group	Infant Mortality (1988)	Birth Rate	Death Rate	Literacy Rate (1991)
1	2	3	4	5	6	7	8
1 Andhra Pradesh	2869	31.7	26.1	63	27 4	10.2	44.1
2 Kerala	2888	17.0	28 5	22	20 3	6.4	89.8
3 Karnataka	3181	32.1	39.5	46	28.7	8 8	56.0
4 Tamil Nadu	3374	32.8	40.7	51	22 7	9 3	54.6

Notes: (i) Data relate to the year 1987 unless otherwise specified.
(ii) Data in columns 5, 6 and 7 are per 1,000.
(iii) Literacy rate is percentage of literate population in total population aged seven years and above.

Sources: (i) Per capita SDP from *Economic Survey 1993-94*, Government of India.
(ii) Poverty ratios from Report of Expert Group, Planning Commission, 1993.
(iii) Other indices of quality of life (columns 5, 6, 7), *Sample Registration Bulletin*, Registrar General of India, 1989.

Table 3: Per Capita Expenditure on Social Sectors, 1987-88

State	Per Capita SDP at Current Prices (Rs)	Social Security and Welfare	Medical and PH	Education
1	2	3	4	5
1 Andhra Pradesh	2869	7	29	118
2 Kerala	2888	18	40	191
3 Karnataka	3181	24	31	145
4 Tamil Nadu	3374	14	36	128

Sources: Figures of expenditure, *RBI Bulletin*, December, 1989.
Population, 1981 Census.

devolution formula would be erroneous, using the EG estimate would be indefensible. The refinement introduced by the EG is somewhat of a half-way house and cannot be accepted unless the refinement is carried to its logical conclusion by way of (a) state-specific calorie norms taking into account variations in climate, terrain and occupational structure, (b) state-specific consumption baskets reflecting inter-regional preferences; (c) state-specific and income-specific ratios (indifference curves) for preference between food and non-food items of consumption which in turn would reflect the quantum and quality of social infrastructure, and (d) normative standards for non-food consumption without reference to actual behaviour

Lastly, while considering the issue of poverty ratio, the Tenth Finance Commission cannot ignore the deliberations of its predecessor commissions Significantly, the Eighth Finance Commission categorically rejected poverty ratio as a variable in deference to the reservations expressed by many states along the above lines The Ninth Finance Commission too gave up using the poverty ratio after initially toying with the idea in its first report Even the Expert Group cautioned against the use of poverty ratio in the award of the Finance Commission—"considering that there could still be differences in views about definition and measurement of poverty, we are not in favour of using these estimates to derive any 'poverty criterion' in such an important matter as the *inter se* allocation of financial transfers to the states"

The devolution formula as awarded by the Eighth and Ninth Finance Commissions is largely a function of the size of the 1971 population and the per capita SDP The search for another variable arises from the concern of the Finance Commissions that these two variables do not adequately reflect the capacity and financial needs of the states Besides, a third variable of inter-state disparity will help in neutralising the biases, if any, underlying the conceptual basis and measurement methodology of these two variables which appear in the devolution formula with large weightages This is surely a legitimate concern However, for the reasons presented above, poverty ratio does not qualify as a suitable supplemental variable

As a supplemental variable, the Ninth Finance Commission devised a composite index of backwardness which is a combination of two other indices, the absolute levels of agricultural labour and of scheduled castes and scheduled tribes population and reflects more accurately the quantum of burden on the different states in providing 'social safety nets'. It has also been widely accepted as a more accurate and robust estimate of the need and backwardness of the states. The Tenth Finance Commission will be well advised to stay with this composite index of backwardness.

Politics of 'Sustainable Development'

K R Nayar

The politics of 'sustainable development' lies in its being anti-south, anti-poor and, thereby, anti-ecological.

THE 'eternal return of ideas' in environmental debate is due to two basic reasons. The concepts and approaches advanced to grapple with environmental problems are too global to be operationalised in any meaningful way. Secondly, those who are engaged in the debate are a handful and polarised. The dominant ideas get carried over, even if approaches change, through international parleys.

The currently fashionable 'buzz word' in the international environmental lobby as well as national policies on environment is sustainable development. It is interesting that the concept of sustainable development has emerged from those countries which themselves practice unsustainable resource use. While it is true that the present growth trends cannot be sustained for long, the concept does not articulate a well-defined strategy for action.[1] It thus remains an accepted philosophical approach but in a vacuum.

Eco-Development Approach

Compared to a much more resilient third world facing the onslaught of globalisation at present, the Stockholm Conference of 1972 echoed the ideological cleavage between developed and underdeveloped countries when India declared 'poverty as the greatest polluter' and attacked the developed countries for the ruthless plunder of resources of other countries for reaching the present levels of affluence. This view was supported by many countries in the third world, including a moderate Philippines and a radical China.[2] Although dubbed as inflammatory rhetoric, the ideological and political nature of environmental issues were underlined by this frontal attack on the developed countries. Despite the voluntary absence of Soviet Union and the east block in protest against the non-inclusion of GDR as a conference participant, the Stockholm Conference did initiate some positive approaches to environment.

One of the more positive approaches was perhaps initially radical concept of eco-development. The positivity of eco-development was that it focused on the satisfaction of basic needs in an environmentally sound production system. The achievement of self-reliance needed for such a production system was the basis of eco-development approach.

The third world, however, lost the war of words against the mighty ideological war-heads of the west during the post-conference era. The proliferating literature on environment and its feverish pitch was a pointer to the political and economic significance of their approach to environ-ment. Environment became a political auditorium to preach a way of thinking that did not envisage any change in the fundamental structures of society. Most of the literature of this era carried a world-view imbued with an over-riding concern for population growth in the south, thereby turning a blind eye to the non-sustainable resource intensive production system of the north and its implications for environment.[3]

The post-conference period belonged to intellectual groups, the foremost among them being the Club of Rome and its cronies. These were then joined by academics, especially ecologists such as Ehrlich, Eckholm, Hardin, etc. Despite the ideological bickerings and the assaults on the south by the intellectuals of the north, the Cocoyoc declarations in 1974 reiterated some of the concerns of the south which had been voiced in the Stockholm Conference. The declarations, while noting the evils of the market system which flow from the affluent countries and the existence of an international power structure and its role in perpetuating poverty in under-developed countries, called for new life-styles and modest pattern of consumption among the rich. It also recognised the necessity of satisfying basic human needs for maintaining eco-balance, especially with regard to planet's physical resources.[4]

Both the Stockholm declaration on human environment and the Cocoyoc declarations contained an ecological vision combined with third world demands for development and social justice. The Stockholm declaration, especially principles 1, 9 and 11, was totally in favour of developing countries.

The radical tone of such principles, however, did not materialise in any positive action programmes. For instance, the positivity of eco-development was subverted in the subsequent action programmes by emasculating the component of self-reliance.[5] Self-reliance, considered too political, would have tilted the balance of international power structure in favour of the south which was dependent on multinational companies. Allowing self-reliance of the south meant losing the dominance, and therefore it was redefined as micro self-reliance keeping the macro dependency intact.

It was in this backdrop that the world commission on environment and development was set up by the UN General Assembly. The commission came out with the report entitled 'Our Common Future', which was adopted as a resolution of the General Assembly along with a resolution on environmental perspective to the year 2000 and beyond.[6]

Sustainable Development

Sustainable development as an approach to environment came to the forefront after the WCED report, although the concept had been espoused earlier in the World Conservation Strategy.[7] According to WCED report, it implies meeting the needs of the present without compromising the ability of future generations to meet their own needs. The means of achieving or identifying alternative paths towards sustainable development are kept vague to enable varying interpretations. A few attempts at redefinitions are indicative of the palpability of the concept.

One such attempt locates the aim of development in the third world countries in improving the quality of life through actions focused on educational attainment, nutritional status, access to basic freedom and spiritual welfare, etc.[8] Sustainability therefore suggests that what is needed is a policy aimed at making these developmental achievements last well into the future. The unstated assumption of such a definition, obviously, is that unsustainability in the third world would result from actions in the realm of quality of life because of 'unbridled' population growth. The question is whether natural capital stock which includes all environmental and natural resources assets would be affected by concerns of quality of life or satisfaction of basic needs. The means to achieve sustainability in this neo-classical framework is wrongly addressed, and therefore the starting point for turning the present unsustainable practices to sustainable ones even with respect to third world is problematic.

Even a statement such as "if needs are to be met on a sustainable basis, the earth's natural resources must be conserved and enhanced" [WCED, p 57] is not as innocent as it sounds. The 'need' with reference to sustainable development is affluence rather than basic, or opulence rather than squalor. Because, when basic needs become an integral component of a developmental model, the question of unsustainability does not arise.

Thus the cyclical relationship between poverty and environmental degradation is conceptualised in simplistic terms. The assumption is that "as poverty increases, natural environments are degraded and when environments degrade, the prospects for further livelihood decrease, environmental degradation generates more poverty, thus accelerating the cycle". While the basic factors which generate poverty are kept outside this framework, it also does not consider the role of lopsided development which degrades the 'natural' capital, and the issue of artificially inflated impact of the poor on an already

lower quantity of 'natural capital' set in motion by factors other than poverty.

While the issue of population growth is implicit in the above model, there is another neo-classical approach, the ECCO model or Enhancement of Population Carrying Capacity Option, which is anchored on a neo-Malthusian framework. It focuses on the capacity of given territory to sustain a given population with a given quality of life, cultural particularity and foreseeable impact on the environment. Four key concepts—population, resource, environment and development—are thus linked and projected over a long-term time scale within the context of sustainability.[9] Drawing upon the Brundtland Commission report which states that sustainable development can only be pursued if population size and growth are in harmony with the changing production potential of the eco-system, the model attempts to link up carrying capacity with sustainable development. Sustainable development for the group implies that the various components of the system are interacting in such a way that all inputs necessary to secure the needs and aspirations of the population can always be procured at a rate corresponding to the rate of population increase.[10] The implication, of course, is more 'deliberate action' or stringent action in population control to make the system more sustainable.

The basic assumption in these models, that of a linkage between environmental degradation and population growth, will hold good only if it can be shown that population growth intensifies unsustainable development leading to environmental degradation. In this context, it has been convincingly argued that concurrence of rapid population growth and environmental degradation does not necessarily reflect a direct, causal connection between them.[11] Commoner argues that environmental quality is largely governed, not by population growth, but by the nature of the technologies of production.[12] Any action on sustainable development can, therefore, be initiated only with an understanding of the existing models of development and the demand they make on natural resources. It has to be anchored on the production relations which govern societies.

In this connection, there is a close association between sustaining world capitalism and sustainable development approach. The ecological non-viability of the present capitalist world enterprise is an accepted fact. Sustainable development is visualised as a solution to make available raw materials on a continuous basis so that the production system, the expanding market and the political system are not threatened. The raw materials in the developing countries, therefore, need to be protected and their population growth curtailed so that resources would remain easily available.

The ecological movements in the west are in themselves a major political factor behind the emergence of the concept of sustainable development. The Not-in-My-Back-Yard or Nimby syndrome is mainly responsible for ecologically unsustainable development projects including hazardous industries shifting out of these countries to developing countries. When the aim is to suggest patchwork solutions to the unsustainable production system of the north, population growth in the south automatically becomes the target of the debate on sustainable development.

Rather than blaming victims of depleting common resources, the votaries of sustainable development should address themselves to the production and consumption pattern in the industrialised countries which is leading to destruction of natural resources in the world. In the developing countries, sustainability is not linked to consumption of their own people (rather they help to maintain consumption levels in the north) but to subsistence of the vast rural masses who have hitherto been following sustainable practices because these were the only guarantee of survival.[13] In this connection, the earlier concept of eco-development was better conceived since it focused on self-reliance. But it was discarded because it was anti-rich. The idea of sustainable development will become pro-poor only if it starts with the affluence and the resulting unsustainability of the rich. A reorientation of the growth models in the north would enable the poor countries to achieve at least a minimum level of development while influencing, in the process, the path of development in the south itself.

We will end this section with a quotation from the speech of Fidel Castro at the Rio summit: "A consistent interpretation of sustainable development should begin with the recognition that underdevelopment is the result of plundering of the third world, which has been prolonged in our time by an international economic order that uses the mechanism of debt, unfair division of the world's labour, trade protectionism and control over the flow of finances to heighten the exploitation of the underdeveloped nations, and as a consequence, the ensuing ecological degradation."[14]

Sustainable Development and Environmental Policy in India

At the international and national levels 1992 was a vibrant year for environmental initiatives. The national conservation strategy and policy statement on environment and development was presented to the parliament during this period.[15] Looking through the strategy, one finds the global thinking on environment being merged into the local environmental issues. Sustainable development is a key word in the strategy. The strategy recognises the negative effects of the process of development and those arising from conditions of poverty and underdevelopment, but it does not take notice of the incompatibility of the existing models of development with the sustainability of environment.

Another issue noted in the policy is that concerning appropriate managerial approaches to sustainability. However the suggested approaches remain the ones that can be labelled as 'protective and reactive responses'.[16] They are plans aimed to diffuse the contradictions of the developmental model. Such approaches to environmental management, as Redclift says, based as they are on the experience of the developed countries, are not politically neutral. They are linked to the interests of the establishment. It is convenient to manage problems as discrete entities by taking corrective rather than directive efforts.[17] The problematic of sustainable development lies here, in operationalisation of a vision without ethics, care and concern.[18]

The conservative concern for environmental balance is also reflected in the strategy which in no way articulates the initial aggressive postures adopted during the Rio conference. The strategy in the opening paragraphs itself advocates vigorous drive for population control, while adopting the neo-Malthusian framework of 'carrying capacity'. The oft-repeated rationale for controlling population numbers, one of the contentious issues between developed and developing countries for the alleged role in contributing greenhouse gases, is contained in the environmental perspective of our own country.

Conclusion

The politics of sustainable development is now more transparent. It is deeply rooted in the very conceptualisation of the approach, which is ill-defined and vague. This allows for the manoeuvrability of the concept depending on one's inclinations. We have argued that the distinctions between the developed and underdeveloped have to be maintained in its operationalisation. If the distinctions are recognised, the starting point for sustainable development are the countries of the north which, through the present high levels of consumption and polluting technologies, damage not only their own environment but even that of the south. The developed countries owe unlimited ecological debt to the underdeveloped countries for maintaining their affluence.

A sustainable development for the south cannot at the same time ignore the fact that the present models of development do not cater to the needs of the vast majority.

Bringing the notions of population growth and carrying capacity into our own national environmental strategy is tantamount to what the north would consider a 'safe' approach to sustainable development "with the obvious interest of watering down their own considerable responsibilities within a world context".[19] In one word, the politics of 'sustainable development' is that at present it

is anti-south, anti-poor, and thereby anti-ecological.

Notes

[I am grateful to Dunu Roy for his comments on an earlier draft of this paper.]

1 David Pearce, Edward Barbier and Anil Markandya, *Sustainable Development, Economics and Environment in the Third World*, Hants, Edward Elgar, 1990, p 1.
2 Lynton Keith Caldwell, *International Environmental Policy: Emergence and Dimensions*, Affiliated East-West Press, New Delhi, 1991, p 57.
3 K R Nayar, 'Environment and International World Views: Two Steps Backward', *EPW*, Vol 25 (9), 1990, p 461.
4 The Cocoyoc declarations adopted by the participants in the UNEP/UNCTAD symposium on 'Patterns of Resource Use Environment and Development Strategies', mimeo, October 8-12, 1974.
5 Michael Redclift, *Sustainable Development: Exploring the Contradictions*, Methuen, London, 1987, p 34.
6 United Nations, General Assembly, 42nd Session, 'Resolutions and Discussions', September 15-December 21, 1987. Press Release, Resolution Nos 42/186 and 42/187.
7 International Union for the Conservation of Nature, *World Conservation Strategy*, Gland, Switzerland, 1980.
8 David Pearce et al, op cit, p 1.
9 A J Gilbert and L C Braat (eds), *Modelling for Population and Sustainable Development*, Routledge, London, 1991, p XV.
10 Ibid, p 26.
11 Barry Commoner, 'Rapid Population Growth and Environmental Stress', *International Journal of Health Services*, Vol 21(2), 1991, p 200.
12 Ibid, p 225.
13 Redclift, op cit, p 150.
14 'Fidel Castro's Speech at the Rio Earth Summit', *The Marxist*, Vol 10(3), 1992, p 61.
15 Government of India, Ministry of Environment and Forests, 'National Conservation Strategy and Policy Statement on Environment and Development', June 1992.
16 Redclift, op cit, p 135.
17 Ibid, pp 135-37.
18 Shiv Viswanathan, 'Mrs Brundtland's Disenchanted Cosmos', *Alternatives*, Vol 16(3), 1991, pp 377-84.
19 Fidel Castro, op cit, p 60.

Quest for an Environmental Value System

L Balasubramaniam

Dealing with environmental degradation through technological fixes and the legal-judicial machinery without developing and propagating an environmental value system will not lead to success.

IT is only the evolution of a universal environmental value system that could save the environmental movement from gradual extinction. without a value system environmentalism will fare no better in this country than has fared another alien doctrine, communism. Communism ekes out a meagre existence drawing sustenance from the structural defects of our system which have led to sharp income disparities, widespread poverty and unequal development. In the absence of a value system environmentalism too would have at best a peripheral existence, the sole justification for its presence being the widespread environmental degradation. It will never become a way of life for the people. That will be a major failing of the movement, for bringing about a radical change in one's outlook towards one's surroundings and in one's perception of one's place in the scheme of things is what environmentalism is all about.

Dealing with environmental degradation through technological fixes and the legal-judicial machinery without bringing about this change in outlook will lead to nowhere.

laws of society, such as not trespassing onto other's property, not stealing, or not telling lies, are obeyed not because of fear of the law-enforcing machinery but because people generally subscribe to a value system sanctified by tradition which prohibits these actions. Similarly, if anti-environmental actions are to be prevented, there is an indispensable need for a value system that prohibits such actions. In the absence of such a value system no amount of environmental laws and law-enforcement machinery can prevent environmental degradation.

The link between an action prohibited by a value system and the ill effects of the action may not always be self-evident. A case in point is the ban on cow-slaughter imposed by Hindu religion. The ban is couched in so much religious and philosophical conceptualisation, roping in the doctrine of ahimsa for good effect, that the link between the ban and the significance of the bovine species to an economy dependent on it for food, fuel and motive power is almost lost sight of. But the link is very much there. It was essential to preserve the cow for the economic well-being of society, and this has very effectively been achieved by Hindu society. So much so that even today no self-respecting Hindu will consider the killing of a cow, whatever may be the gains.

What is of interest to us is the methodology used by religion to impose a rule such as this and elicit total compliance to it from the people. It speaks for the strength of the Hindu religion that its religious diktat has been scrupulously followed for more than five millennium and there is no sign of possible disobedience in the near or distant future. The process of articulating and imposing the diktat is even more fascinating and educative. The taboo against cow-killing has been expertly corroborated by an elaborate philosophical system, eulogised by role-model figures in major religious epics, and distilled into the moral code of Hindus. In the process, a humble animal has been nearly deified.

The lesson to be drawn here is that environmentalism too needs to acquire such authority over the minds of humanity, have the power to issue diktats and have the means to ensure that these are scrupulously followed. For this to happen, environmentalism must develop for itself a value system and legitimise it by a process followed more-or-less by all religions, i e, develop a body of 'sacred' literature in an appropriate language (not English), a pantheon of divinity, mythical characters and role-model figures, a respected priesthood, the equivalents of temples and pilgrimage spots (Silent Valley and other environmental success sites could serve as starting points), and so on; in short, the complete spectrum of the religious paraphernalia.

It needs hardly be said that environmentalism is light years away from reaching that stage of development. Take the simple example of the well-established link between cutting down a tree and the host of environmental ills that result from it. The link between the two phenomena is more explicit than the link between killing cows and the economy. Even then, how many villagers or contractors can environmentalism prevent from axing down a tree? Or take the case of CFCs used in air-conditioners and the ozone depletion they cause in the upper atmosphere. How many comfort-seeking, 'committed', urban environmentalists can environmentalism persuade to give up air-conditioners in their homes and offices? What this proves is that environmentalism is way behind developing a value system that holds sway over even those who owe allegiance to it.

This is where environmentalism has failed, not only in India, but also in the world. It continues to stagnate at the scientific-logical stage of existence; that is, it has to appeal to logic and reason for getting acquiescence to its principles, and has not been able to progress to the next higher level where acquiescence is ensured by allegiance to a widely accepted system of values. Such a value system has nothing to do with science or logic but belongs to a different realm altogether, the realm of religion, ethics and morality.

For example, consider the following environmental home-truths which need to be

widely followed to save the environment: trees should not be cut because they hold the soil together; CFCs should not be used because they deplete ozone; biodiversity should be preserved because it is the repository of priceless genes. These are logically/scientifically true but are bland statements that do not have the backing of a value system. They do not have the power to move a man to do something, or restrain him from taking harmful action. In the absence of a motivating and sacrosanct environmental value system, these home-truths remain mere statements whereas statements such as, cows are sacred (in the case of Hindus), or pork is unclean (in the case of Muslims), or use of tobacco is to be avoided (in the case of Sikhs) command widespread respect and obedience.

Environmentalism has set before itself the ambitious goal of saving mankind from ecocide. But it has not succeeded in developing the means and mechanisms commensurate in reach and strength with the loftiness of its goal. The most basic and at the same time the most powerful tool that it should have but does not is a value system which compels the entire humanity by the force of its appropriateness to the business of survival to adopt it unconditionally and exclusively There can be no better way of regulating human action so as to promote the maximum good to the environment and thereby to mankind. Once such a value system is in place, half the environmental battle is won, for what remains then is the less onerous task of remodelling existing institutions and societal structures in the light of this new value system.

Few attempts are being made by environmentalists to develop such a value system. Instead, Indian environmentalists still seem to be caught in the web of imported environmental values. So hopelessly entangled are they in this web that they cannot perceive that no value system based on the western civilisation can ever form the basis for a universally applicable environmental value system (an environmental value system by its very nature has to be universal and applicable to the whole of humanity), for environmental problems have resulted from certain deep-rooted, fundamental flaws in the western value system. These flaws have so shaped our perception of the outside world as to make us see in it inexhaustible treasures waiting to be looted for our well-being. Much has been said on this man-centredness of western civilisation to merit a detailed analysis here. It suffices to say that keen environmental thinkers in the west have come around to granting this flaw in the traditional value system of the west and are in search of a way to overcome it.

It is in this context that Indian environmentalists find themselves in a very favourable situation by virtue of belonging to a tradition that is fundamentally different from the western one. However, many Indian environmentalists have frittered away this advantage by steeping themselves in the very same western tradition which has to be eschewed if a universally accepted environmental value system has to be developed.

What could be the contours of this universally applicable environmental value system? In India we very frequently see attempts by environmentalists to establish the environment-friendliness of the Indian value system. They cite the nature of poetry of the vedas, the worship of animals and plants, and the 'frugal life-styles of the Indians' to justify the claim that Indians are essentially more environmentally proper than the westerners. The latest mantra discovered by our ethnic environmentalists is the 'Prithvi Sukta' of the *Atharvaveda* which is being unfailingly bandied about in all their seminars and writings.

The tendency to prove our traditions to be all-encompassing is an old one. In earlier times, formulae for the making of a variety of modern gadgets ranging from the aeroplane to the atom bomb have been discovered by enterprising researchers in our ancient scriptures. The famous stanza of the *Mahabharata* stating that what is not in this great epic does not exist in this world, and what exists in this world is to be found mentioned in it lends credence to these claims. When Indian environmentalists come up with gems such as the 'Prithvi Sukta' (earlier it was the Ashoka edicts) from time to time from their churning of the scriptures, they are merely exhibiting an age-old Indian tendency and are not to be taken seriously.

In fact, they do more harm than good, for they lay open the environmental movement to the charge of irrelevancy. For, if being a good Hindu is equivalent to being a good environmentalist, then why should one not merely be a good Hindu and forget all about being a good environmentalist? In short, environmentalism invites a terrible identity crisis upon itself, a crisis that has cost many a lesser religious sect in earlier times its very existence. Taking advantage of its irrelevance and ambiguity, Hinduism has unceremoniously assimilated the upstart sect into its voluptuous fold without even leaving a trace of it.

Therefore, the issue that environmentalists need to take up earnestly is not in what way are environmental values similar to religious values, but in what way they are different. They will have to enter into the specifics of it. As an example, the environmental value system will have to find a better reason other than the scientific or religious one for not cutting down a peepul tree.

There is very little evidence of Indian environmentalists having even begun to address the problem of evolving a value system for their movement. It is even doubtful whether they perceive the significance of the need for such a value system. The reason behind this could partly be that they have not yet succeeded in throwing off the shackles binding their thinking processes to the western environmental movement. It will be sometime before they are able to shake off the foreign influence, do some original thinking on the subject, and get down to the business of identifying the key issues besetting the movement.

The current thinking in the Indian environmental camp seems to be to capture political power at various stages of the political system, with a view to ensuring a more equitable control over common resources such as grazing lands, forests, rivers, mountains and so on, and also to establish an effective lever within the decision-making bodies so as to be able to influence the decisions to favour environmental interests. Efforts at introducing cosmetic changes in the judicial system and enacting new and more stringent environmental laws and organising their enforcing machinery are also being given importance. If one were to look at the trajectory of the westerm environmental movement, the *raison d'etre* behind these developments in India immediately become clear. Indian environmentalists are merely aping the western environmentalists, particularly the German and their Green Party.

The danger in developing a stake in the present political system is that the environmental movement then becomes a part of the establishment. It is this very value system which has created the environmental problem in the first place. Further, many existing institutions including the very polity may have to be remodelled to suit the new environmental value system. If environmentalists develop a stake in the existing system such a reformation may become all the more difficult.

Environmentalism which has so far been developing as a new scientific discipline (such as physics, chemistry or biology, in this case environmental studies) has to transform itself into a modern religion that commands the allegiance of the better part of humanity. This religion must become so all-encompassing and appealing as to make existing religions and their value systems superfluous. If we take this as the ultimate aim of environmentalism, it becomes clear how woefully inadequate are the efforts of present-day environmentalists.

Sporadic efforts are on in different parts of the globe to turn the movement towards the new exciting path of religious spiritualism. A notable example is that of the Gaia concept developed by the English freelance scientist Jim Lovelock. According to this fascinating theory, Gaia is an omniscient, all powerful force that controls the biosphere very much like the almighty god of most religions.

Indian environmentalists should bravely enter such new and exciting areas of thought in the very frontier of the environmental movement. Given the rich and varied religious tradition of their land, it is more than likely that they can come up with some unique concept or idea that will give a new definition and direction to the movement.

Naga and Kuki: Who Is to Blame?

Vibha J Patel

In a situation where land disputes, clan and tribal ties and, above all, a secessionist ideology prevail, can the problem be solved by the deployment of the armed forces?

"We are like the birds of the air. We make our nests here this year and who knows where we shall build next year" said a Kuki tribesman, almost nine decades ago, to T C Hodson, Assistant Political Agent in Manipur (*The Naga Tribes of Manipur*, 1911).

THE violent clashes between the Kuki and Nagas in Manipur are a direct consequence of the wandering nature of Kuki tribesmen and the artificial boundaries imposed on them by various rulers. Thus is it correct to put the onus on the Kukis or the Nagas alone? Almost a century and a half ago, the Manipur Metie kings had encouraged the Kukis as well as some Nepalese to settle in certain tracts so as to form a human settlement buffer against raids by various Naga hill tribes—Tangkhul, Angami, Maram, Maring, Kabui, Rongmei, etc.

William Shaw of the Assam Civil Service observed in 1929: "The Thadous (Kukis) who moved up most of the Barak river were utilised by the Sirkar against the Angamis. Those who came up along the hills between the Barak river and the valley of Manipur were similarly used by the Raja of Manipur placing them among the Kacha Nagas, while those on the east were used as a barrier against the Burmese." As a result of these strategic moves the Kangpokpi area in northern Manipur has a concentration of Nepalese settlers and in southern Manipur around Churachandpur there are a large number of Kuki settlements. Later, the British, who had annexed the territory to open a land route to Burma, also encouraged them to remain settled in these areas for similar reasons.

Kukis are basically migrating tribesmen who came from the Chin Hills in Myanmar in the 18th century. There were two waves of Kuki migrants. Hence historians have classed them into two categories: 'old Kukis' and the 'new Kukis'. Compared to the Kukis the different Naga tribes migrated to their present habitat well before the 12th century. (Ahmos-Tai people who ruled over Assam in the 12th century mention Naga hill tribes in their chronicles.)

A chronology of events from the late 19th century onwards is crucial to understanding the causes of the present problem. The Manipuri Metei kings convinced the Kukis to settle in the land area which the Tangkhul Nagas claimed to be theirs. Relations were not exactly amicable between the Kukis and the Tangkhul and also other Naga tribes around whose villages some Kukis settled. A number of Kukis were employed in the Manipur army, and together with other army men they had wreaked havoc against the Nagas by burning several of their villages and pushing them back into the hills. At that time the Kukis had superior weapons to fight with and thus could suppress the Tangkhuls and other Nagas and force them to keep a low profile.

In the 1940s, the Naga National Council (NNC) was formed which included the Kukis in their demand for a separate homeland for Nagas as their main objective. The Nagas themselves were a congregation of more than 20 different tribes. After three decades of turbulence due to armed insurgency and the formation of Nagaland as a separate state, the NNC faced dissension in its cadre after the Shillong Accord of 1975. This resulted in the formation of the militant secessionist organisation, the National Socialist Council of Nagaland (NSCN) in 1980. The NSCN imposed a land tax on the Kuki settlements in Manipur, and it also declared that Kukis would not be included in the list of ethnic groups that would be part of an independent Nagaland. As a consequence, the Kukis retaliated by openly declaring their different racial descent and expressed aspirations for an independent Kuki homeland by forming the Kuki National Organisation (KNO).

In 1988 the NSCN cadres split into two groups: one led by Isak Chishi and T Muivah (NSCN-M) of the Sema and Tangkhul Naga group and the other by S S Khaplang (NSCN-K), a Konyak Naga from Myanmar. The split in the NSCN was taken as an indication of the weakening of the Naga militant organisation. This triggered off the emergence of the armed wing of the KNO, the Kuki National Army (KNA). The Kukis had always resented the tax levied on them by the NSCN and the formation of KNA emboldened the Kukis, especially those settled in Chandel district of Manipur bordering Myanmar, to refuse payment of the tax. This, predictably, angered the NSCN-M faction which had considered the levying of taxes as its right as Kukis were still taken as the outsiders who had been settled on Naga land by Manipuri kings; Nagas were rightfully taking back what had been taken away from them.

In the light of these events, the Nagas claim that the Kukis emboldened by possession of arms and the backing of KNA attacked some Tangkhul Naga villages around the Kuki settlements in south-eastern Manipur. In response, the Tangkhuls retaliated by killing some Kukis. A vicious circle of violence was completed when the Kukis went a step further and attacked villages which belonged to other Naga tribes. Therefore, a conflict which should have remained limited to Kuki-Tangkhul clashes widened and became a Kuki-Naga tribes clash. This has had repercussions in Nagaland as well. Kukis who live in Nagaland have begun to fear for their lives; the killing of Hanshing, Commissioner for Taxes, Nagaland, is directly related to the strife in Manipur.

Interestingly, on the other hand, the Khaplang NSCN is trying to gain mileage out of this conflict by threatening that if the NSCN(M) does not stop killing Kukis, it will see to the expulsion of all Tangkhul Naga residents in Nagaland. This is not an off-hand declaration to obtain a larger support base in Nagaland, it is rooted in the resentment shown by those Naga villagers who are unnecessarily interrogated by the Indian Army following ambushes on its convoys by NSCN(M) cadres. The NSCN(M) active in Ukhrul district bordering Myanmar has always taken advantage of the Indian Army's movement in southern Nagaland from Lozaphe to Jessami for which they have to pass through the narrow tract which falls in Manipur.

The ethnic clashes in the north-eastern hill region are not new. Two years ago Tobu village of Mon district of Nagaland witnessed gruesome clashes between the Konyak and the Chang Nagas, two tribes who occupy different sections of the village. The clash was directly related to a dispute over the ownership of land along the Taithong nallah. In fact, in April 1987 the then district commissioner of Mon had witnessed an oath-taking ceremony between the Changs and the Konyaks of Tobu. Since tribal customary law prevails in Nagaland, most intra-village, inter-village and inter-tribe disputes are settled through it. Oath taken in the name of heaven and earth is still considered to be the last (and most respected) resort in a dispute, in which the defaulter is supposed to perish for taking a false oath.

It so happened that a few men died from both sides and the two tribesmen ended up blaming each other for taking a false oath. The subsequent clashes, including the burning of villages, resulted in severe casualties on both sides.

To understand the deeper causes of these ethnic clashes, we need to go into the history of the north-eastern hill area. We have to remember that it was only the British who could annex some parts of Nagaland and Manipur—that also after a number of failed expeditions and casualties. The various Naga hill tribes—Angami, Ao, Lotha, Sema, Konyak, Tangkhul, Maram, etc—were independent before the British political agents came to the area. To comprehend the current scenario in Nagaland and Manipur, it is imperative to take a look at the social organisation of these hill tribes. Each tribe speaks a different dialect of the Tibeto-Burman language and there are more than 20 Naga tribes! The traditional political

organisation of these tribes ranged from autocratic rule of a chief to a very democratic set-up. No single tribe was united to be able to form a single large entity. Village or, to be more precise, a segment of a village—'khel' (an Assamese term)—was occupied by a single clan and its sub-clan was the most viable and functional unit. (Historically, one finds that British political agents had witnessed intense rivalry between 'khels' of the same villages in the late 19th century.) It was only when the whole village was attacked by another rival village, that all the clan units or 'khels' got together to fight the enemy. Some powerful villages—those who had a good number of warriors—had a hegemony over the weaker villages, who ended up paying tributes to the former basically to safeguard their lives from the head-taking raids, which were a part of initiation rituals. (It must be mentioned that the heads of women and children who had cut their teeth were priced very high, as to get them one had to pierce through the various ranks of Naga warriors and come out risking one's own head in the process!)

These Naga communities saw a gradual change both in their political and social system once the British took over the administration. The modern education process which began with the American Baptist Missionaries in the late 19th century and the gradual conversion to Christianity brought the different communities together. Christianity has been instrumental in bringing villagers of the same tribe as well as different tribes together. This consolidation coupled with the formation of a Naga Club and later Naga National Council (NNC) resulted in the demand for an independent entity once the British left India. But fissures emerged in 1954 and subsequent events over the last four decades have resulted in three separate organisations, NNC led by Khodao, a Lotha Naga, NSCN (Isak and Muivah) and NSCN (Khaplang).

Nevertheless, the various factions are united on one issue despite differences in basic strategy—to fight against the outsiders, the plains people. Behind this one still finds a fissiparous tendency; a strong allegiance for one's clan, village and tribe. Disputes regarding land ownership is the basic issue for contention between neighbouring villages. It is not uncommon to find district commissioners referring to arbitrations given almost 60 years ago by British officers on certain land disputes which have not yet been settled!

The complex relationship between clans, villages and tribes prevents any individual from taking action against his fellow tribesmen as well as those belonging to other tribes. The introduction of new political processes has on one hand given an impetus to political unification of various Naga tribes but on the other hand has also created fissiparous tendencies, dividing people along party lines, with each party adhering to different aims with regard to the political locus standi of Nagaland. It is common knowledge in Nagaland that each political persona is on the hit-list of one faction of NSCN and under the protection of the other; it is difficult for them to take action against either of the underground organisations. Therefore, although the secessionist ideology is voiced openly, the underground organisations are intrinsically involved in the democratic process, which makes one hopeful that a solution could yet be found to resolve the problem.

In addition to the historical and social reasons, an economic reason has recently emerged to escalate the violence in the region. More specifically, a fight to control the lucrative drug supply route from Myanmar has emerged as another cause of the ongoing conflict. There are diverse views on the role of the NSCN in the drug business. Many people in Nagaland claim that both factions of the NSCN regularly execute drug pushers in the area. On the other hand, the official view is that the NSCN(M) is striving to gain control over the land route in Moreh region of Manipur which is used for smuggling in narcotics, precious stones, Burma teak and various spices.

In a situation where land disputes, clan ties, tribal ties and above all a secessionist ideology prevail, can the state or central government solve the problem by the deployment of the armed forces?

Instead, what is actually needed in the north-east is the implementation of the development projects drawn up by the central and state governments which, at the moment, exist only on paper. There are enough educated youth in these states to work on these projects. In the absence of proper utilisation of both financial and human resources, rising unemployment will continue to provide a fertile ground for recruitment to the secessionist movement. In addition, the despair and frustration that arises from inadequate job opportunities will lead to increased drug addiction among the youth.

Operation Overlord: On the Eve

Frederic F Clairmont

In the boiling months preceding and following D-Day, 50 years ago, the thrust of the debate everywhere was the imperative of social transformation. The traumas of fascism and imperialism that reigned supreme before the war would vanish, preparing the earth for a greater share of decency, rectitude and probity.

JUST as the Lancaster bomber was approaching the English coast, after a photographic reconnaissance mission, between St Laurent and Arromanches, the Canadian navigator caught in his binoculars the apocalyptic sight of hundreds of slowly-moving landing craft and a staggering variety of naval ships, bobbing and weaving on the seas. "Oh Jesus", he hollered on the intercom to other crew members, "this is no Dieppe. This is the big thing. We're on the road at last." That specific moment was charged with unbridled emotion. The suspense of 'the big thing' was, in a certain way, delectably painful. No one knew the code-name 'Operation Overlord'; but what the binoculars revealed in the sinking light was that this tidal wave of steel would, in just a few hours, begin the pounding of Hitler's Festung Europa.

The grand climacteric had struck but the buckling of Nazi Germany was seen overwhelmingly as opening up vast new revolutionary vistas in which the old order deserved no place. Only the blind could not have seen the gathering storm. When 'the big thing' would come was no doubt a secret except to a handful, but for tens of thousands of airmen whose operations had been shifted from Germany to France over the last seven months, it was obvious that the day of reckoning for Adolf Hitler had come. It was now or never. It could not be postponed beyond June or July. In addition, the dazzling triumphs of the Soviet juggernaut, on a thousand kilometre front, was a reminder that with or without a Second Front Hitler's goose was cooked.

One understands in the perspective of 50 years the *cri de coeur* of president Richard Weisacker who commented on the 40th anniversary: "There is no such thing as guilt or innocence of an entire people. Guilt, like innocence, is not collective but individual. The predominant part of our present population was at that time either very young or indeed not born at all. They cannot acknowledge a personal guilt for acts which they simply did not commit." [Quoted in *The Guardian*, March 26, 1994.]

On the threshold of liberation in 1994, however, such philosophical meditations were simply irrelevant for millions of civilians and combatants in Britain, and doubtless beyond. Germans and Nazism were then seen to be inseparable. That burning hatred of fascism debauched, however, on something else: interminable heated discussions in the factories, in the pubs, the metro, the military messes, and all other social and private gatherings. After the crushing of Adolf Hitler what? A question with hundreds of corollaries; devastating social implications for the propertied classes and their entrenched political fellow-travellers.

In those boiling months preceding and following D-Day, the island kingdom had

been transformed not only into a mighty industrial and military colossus, but into a gigantic debating society, welded to every conceivable species of socio-political activism. The thrust of the debate was the imperative of social transformation. These highly charged political debates with their extensive organisational networks at all working class, institutional and social levels, flourished over the years as never before, or since. Hence they were anathema to the British ruling class and certainly to a true blue Tory such as Air Marshal Harris, but by the spring of 1944 suppression or deviation of the 'subversive' twist of these debates was simply impracticable. Tens of thousands of servicemen and civilians were classified as subversives or potential subversives by the Home Office, acting in concert with the security apparatus within the armed forces.

The unstoppable Red Armies, with all their ideological overtones, was a cause of official apprehension. An incipient but largely aborted anti-Sovietism merely fuelled the debate. Pro-Soviet sympathies were omnipresent,—given full expression even by those who could not be so easily branded as communist sympathisers or dupes. Joseph Stalin was invariably and deferentially referred to as Marshal Stalin, or more affectionately, as Uncle Joe. Writing 13 years after the war, Marshal Bernard Montgomery could say: "Consider Stalin. A great leader, ruthless maybe, and no kind of gentlemen; but if it had not been for him the Russians might well have left the war in 1942." (*The History of Warfare*, London, 1968.) A debatable proposition, to be sure, but one which nonetheless mirrored the sensibilities of an epoch.

One could never forget, or be allowed to forget, the heroic mobilising battle cry of Winston Churchill: "We shall not flag or fail. We shall go on to the end. We shall fight in France. We shall fight on the seas and on the oceans...we shall never surrender." Those were imperishable fighting words. But as the tide of victory turned after El Alamein and Stalingrad and political consciousness soared to fever pitch it appeared obvious to most that it could not be a Churchill and the decadent social class from which he emanated, and the Imperial order he defended so loquaciously, that could engender a radical reordering of the post-war world.

The war had brought together in a confined space tens of millions of peoples. True, a society of full employment based on a war economy was created overnight. The traumas of the inter-war years with its mass deprivation, economic crises, the upsurge of fascism were burnt into the minds and bodies of almost all; there were few who had escaped the terrors of those years of mass unemployment with no welfare systems to mitigate its savagery.

What imparted strikingly vibrant colours to these debates and organisational activism in a Britain that was still tenaciously provincial was the presence of several nationalities that shared common class aspirations and social animosities: the Free French, Canadians, Americans, Europeans of every assortment, thousands of colonial students and the tens of thousands of jobless Irish (despite their hatred of Imperial Britain) that migrated to the UK in quest of jobs, and who enlisted massively in the British armed forces. The war years were therefore not merely a place of collective encounters, but provided the arena for the igniting of radical politics. Enhancing this radicalisation was that the combatants of June 1944 were in many cases fighting alongside many that had seen the holocaust of 1914-1918. It was this unique symbiosis of the young and the older that had become a source of enormous cultural and political enrichment.

The appeal for a Second Front that mobilised hundreds of thousands since 1942 went way beyond the familiar appeal for helping "our brave Soviet ally that tore the guts out of the Nazi army", to use Churchill's homage. For Krishna Menon, who played a leading role in calling for the Second Front, it was a prelude to colonial independence. In this he was not alone.

This was true of the thousands of politicised colonial students concentrated in London and the Midlands. As the marchers gathered the chant went up: *Second Front: Now, Now, Now. Second Front: Now, Now, Now.* Civilians and military marched and chanted together. Slogans and banners of all radical political persuasions appeared, together with the omnipresent red flags. At the end of every demonstration there was the militant traditional political discourse. As Krishna Menon said many years later to me: "We believed sincerely in the cause of the Second Front, but as colonials we also knew that it provided us with a lever of immense power in the battle for independence." A fact that could not be dissimulated from the Colonial Office.

'The big thing' when it came seemed at first unreal. It was deliverance. It was the Messiah. Despite their youth, the aircrews were tired. The bombs and the V2 rockets had taken their toll. There was the reality of pervasive fatigue in the context of joy inexpressible. The rationing system may have been parsimonious; but it was equitable. The end was coming soon; and with it the hopes that the traumas of fascism and imperialism that reigned supreme before the war would vanish, preparing the earth for a greater share of decency, rectitude and probity.

Certainly the reality did not match the dream in the specific form that many combatants and non-combatants would have wished in the cruel years that followed victory. The dream never matches the reality. What was of the essence however was the destruction of fascism. That was worth fighting for. And that is the authentic meaning of the commemoration of the 50th anniversary.

Modernisation and Media Attraction

Anglo-Malaysian Relations

Vejai Balasubramaniam

The present fracas in Anglo-Malaysian relations is a product of Malaysia's assertive stance on international issues which spells the country's coming of age and the need for the political elite to contend with the demands of domestic politics.

FORMER colonies, especially those which have retained many of the colonial structures, have always tended to be viewed by the ex-colonial condescendingly. Hence they have generally refrained from really asserting their independence *vis-a-vis* the latter.

Modernisation, especially of the economic sector, on the other hand, however, has helped enhance confidence among the political elite and also attracted the attention of the international media to Malaysia. The present fracas in Anglo-Malaysian relations is a product of Malaysia's assertative stance on international issues, thus asserting the country's coming of age, and the need for the political elite to contend with the exigencies of domestic politics.

In the early years of Malaysia formation security was the main concern of the political leaders. Internally the Malayan Communist Party had gone underground, after failing to win the war for the 'hearts and minds' of Malaysians, engaging government forces in a guerilla war. Externally the country faced the Indonesian intention on smashing Malaysia, which it saw as a neo-colony meant at encircling it, and a south-east Asia which was politically unsettled.

At this early stage the Malaysian political elite, who inherited many aspects of the colonial economy and forms of governance, worked very closely with Britain and her allies: the US, and closer home Australia and New Zealand.

Politico-security and economic considerations limited the ability of the political leaders to assert the country's independence. Hence it was inevitable the country came to strongly align herself with the west during the cold war. Accordingly reports on Malaysia in the western media were generally favourable.

However such concentration on the politico-security and economic imperative

by the political elite saw measures to rectify the socio-economic mainly fulfilling, principally, a security function. By not privileging the socio-economy the colonial constructed economic imbalances continued to persist, to the detriment of ethnic relations in the country. It has been argued that this is one of the reasons for the ethnic clashes of 1969.

With the inception of the New Economic Policy (NEP) the government began to direct its attention to modernising society, from the early 70s. The two-fold themes inherent to the modernisation process, that is economic and political development, saw the government directing its resources towards enhancing the country's productive base and creating a culturally homogeneous polity. In this period domestic issues were the main concern of the political leaders.

The modernisation imperative saw the federal government focusing attention on greater centralisation and co-ordination of policy and decision-making. Rather than looking out the federal political elite was more concerned with the 'negeris' (the provincial states): for Malaysia to develop as quickly as possible maximum co-operation from negeri leaders was needed.

In this domestic oriented stage the political elite found it expedient to continue to align with the west. Thus such reports of Malaysia in the western media continued to be favourable. Hence the country's labour laws, forest industry, environment policies, or relations with indigenous peoples, corruption, freedom of press, etc, issues which today are bandied about were hardly ever the subject of the mainstream British media or its politicians in the 60s and 70s.

Ten years on, the conscious attempt to modernise society saw Malaysia by the early 80s fast shedding its image as a producer of primary commodities. Economically the country was on the threshold of the manufacturing stage. Similarly a polity schooled in the Malay language occupying executive and managerial positions in the public and private sectors had entered the middle class and expanded its ranks. However, this notwithstanding society continued to be plagued by ethnic based concerns. Among other things this saw the government coming to pitch the nation's stability on economic growth.

To realise economic growth the ruling elite were of the view that the economy had to make the strategic shift to the industrial stage, and the role of the manufacturing sector expanded. It was in attempting to make this strategic shift that its architect prime minister Mahatir Mohammed provoked controversy with Britain.

To be sure the importance of Britain and to a certain extent the west as a whole, as economic models to be emulated had declined by the 1980s. Their poor economy, and restive labour relations, were looked upon with disdain by . the Malaysian political elite. Japan's remarkable recovery after the second world war, disciplined workforce and work ethic, on the other hand came to be looked on as the ideal model.

Making Japan the model to emulated led to the introduction of the 'Look East' and 'Buy British Last' policies in the early 1980s. These policies which in the main were aimed at reorienting the minds of Malaysians towards the need and virtues of discipline and a paternalistic government however came to be viewed by the British government in particular as anti-British and anti-west—though ironically Japan too was a part of the west—and an indicator of Malaysia's attempt to re-orient her foreign policy.

The failure of the Thatcher government in Britain to understand the scope of the shift towards Japan thus led to a strain in relations with the Mahatir government in Malaysia. The latter was perceived as a dictator and anti-west; and among the Anglophile as someone who had an inferiority complex for not having been educated in Britain, like the prime ministers who preceded him. Naturally such sentiments found their way to the media and exacerbated what was no more than an attempt at social engineering by the Malaysian prime minister.

Such strains in relations arising from misconceptions on the part of the British were soon resolved when following the onslaught of the recession which hit the Malaysian economy in the mid-80s saw members of the Malaysian government jaunting on an investment promotion drive overseas; to be sure Britain was included in their itinerary.

The special concessions, for example tax holidays, repatriation of profits granted to foreign corporations which entered into joint ventures with Malaysian enterprises principally in the manufacturing sector, led to a torrent of foreign capital into the country. By the end of the second half of the 80s the economy had begun to pick up and the country was recording an average of 8 per cent growth from 1989 onwards.

Insofar as this satisfied the economic aspect of the modernisation equation it also provided the structural pre-conditions which enabled the political elite to assert the country's position internationally. By emphasising the role of the manufacturing sector as the engine of growth and foreign exchange earner the country's economic base was diversified. Malaysia had by the early 90s shed its image as a primary commodity producer.

The modernising economy too heightened the confidence of the ruling political elite, imbuing them with the view that Asians too can manage their economies soundly, if not better than the west. To be sure the west, in particular Britain, the US, and Australia, were going through a recession, while the Malaysian economy and Asian economies as a whole were experiencing strong growth. Providing substance to the political elite in the former that success was due to their own and their people's hard work and resilience; and that it was quite independent of the west.

Among others this saw the Malaysian political elite taking a more aggressive stance in international forums, for example: the Commonwealth, Asean, south-south conferences, the OIC, the G15, the non-aligned movement, the UN—a position which culminated in the conceptualisation of the East Asian Economic Caucus (EAEC).

In most of these forums it was the west, in particular its double standards on issues of human rights and democracy which drew the brunt of criticisms from the country's political elite, helping to raise Malaysia's profile, in particular that of Mahatir Mohammed's, internally and among south countries (especially those who for economic reasons had to contain their criticisms). But while modernisation allowed the political elite to take a more assertative stance internationally it also attracted the media to Malaysia.

The reviews and comments on Malaysia in the international media were mixed. Thus while reviews which tended to focus on economic aspects generally tended to be favourable while those which dwelt on politics, culture, and society were generally mixed. The allegations of corruption by Malaysian ministers while an orientalist construct of the north that most business dealings with the south are surreptitious is also a reaction, albeit condescendingly, of sections of the north to Malaysia's assertative stance.

While the validity or otherwise of these accusations is important for the government's credibility the ruling elite's tendency to laud good reviews and reject those which are critical reflects its need to use the media to its own advantage; that is the exigencies of domestic politics. Herein lies the reason why rather than regard the accusations of corruption as stemming principally from greater international media interest in the country's modernisation *The Sunday Times* report had culminated in the present Anglo-Malaysian fracas. As far Mahatir Mohammed is concerned the 'die is cast', there would be no more government contracts awarded to British firms.

The aid granted by the British government under its Overseas Development Aid programme for the Pergau Dam project despite the findings of surveys on its economic logic does raise some interesting questions. Many researchers on aid from countries of the north to the south have pointed out how such aid benefits capitalist interests in the north. But the exigencies of domestic politics does not seem too concerned with exposing such interconnections, or otherwise, between aid and trade. Hence it does appear an excellent opportunity of exposing the surreptitious nature of business dealings in the north seems to have been forgone. Whether Malaysia would want to take the lead in this direction, however, remains to be seen.

May 1994

REVIEW OF INDUSTRY AND MANAGEMENT

Changing Role of Small-Scale Industry

International Influences, Country Experiences and Lessons for India

S Nanjundan

This paper discusses the changing role of small-scale industry in the context of the adjustments called for by the process of globalisation. The first part of the paper reviews the internationally pervasive influences of globalisation, technology revolution and structural reforms. The second part presents eight country case studies of the changing role of small-scale industry. The final part attempts to draw lessons for India from the analyses of the first two parts.

THE oil crisis of the second half of the 70s stimulated profound changes in both developed and developing countries.

In the developed countries a process of restructuring of economies has been taking place based on optimising factor use (energy, materials, capital and labour), reducing costs and improving productivity and efficiency, thereby leading to growth and higher incomes in the 80s and 90s. The technological revolution engendered by the microchip and by rapid telecommunications has aided the restructuring process by underlining the advantages of flexible manufacturing methods over mass production. Moreover, globalisation of financial markets and internationalisation of manufacturing—assisted by computer-integrated but decentralised management technology—have enhanced the importance of the services sectors *vis-a-vis* manufacturing in these countries

In the developing countries (except for the NICs), on the other hand, the oil crisis, among other factors, led to a cumulative chain of balance of payment crises, production crises, reduced productivity, lower incomes and enhanced poverty, at least until the beginning of the 90s. Structural adjustment programmes, assisted by the IMF and the World Bank, have sought improvements through appropriate macro-economic, fiscal, trade, industrial and agricultural policies, oriented to the market mechanism, the private sector and the entrepreneur.

Most sectors of the economies of developing countries have had to drastically adjust to the process of globalisation moving from a state of temporary and involuntary dependence on the more powerful to one of voluntary interdependence. This paper will concentrate on the changing role of small-scale industry in this process of restructuring. The first part of the paper will review the internationally pervasive influences of globalisation, the technology revolution and structural reforms. The second part will present country case studies of the changing role of small-scale industry in eight countries: the US, Germany, Italy, Japan, China, Korea (South), Malaysia and Mexico. The final part will attempt to draw lessons for India from the analyses of the first two parts.

I Internationally Pervasive Influences

Globalisation

The technological, management and information revolution of the 1980s has given overriding importance to knowledge- and information-based manufacturing, marketing, servicing over capital-, material- and labour-intensive operations. Typically the cost of manufacturing is only 25 per cent of the end-user price. Value is added not by labour alone but more by research and development (R and D), engineering, financing and marketing functions. "Such functions as distribution, warehousing, financing, retail marketing, systems integration and services are all legitimate parts of the business system and can create as many and often more jobs than simply manufacturing operations."[1]

Computerisation and the spread of information technology have not only blurred the distinction between manufacturing and services sectors but also increased the share of the latter in GDP in developed economies. Over the last 20 years, manufacturing share in GDP has decreased from 36 per cent to 29 per cent in Japan, from 28 per cent to 20 per cent in the United Kingdom, and from 26 per cent to 19 per cent in the US. "Manufacturing is important for employment, trade, and the creation of wealth. But it is not uniquely important ... nor ... necessarily the most important activity in a rich modern economy... Understanding why manufacturing is no longer all-important begins with the fact that more and more of the output of wealth creators goes into intangible things: computer programmes, telecommunication systems, films, etc."[2]

The globalisation of the world economy has been going apace, megafirms interlinking each other in the US, Japan, Europe, Latin American and the Asia-Pacific region. Interlinking and co-operation are particularly close among the US, Japan and the European Union (EU). "The liberalisation of finance has encouraged the growth of some 600 megafirms which used to be called multinationals and which now account for about one-fifth of value added in agriculture and industrial production in the world... Megafirms are essentially non-national."[3] The globalisation of the world economy has tended to reduce the sovereign power of governments. "Real power is devolving on decentralised groups and subgroups of workers, entrepreneurs and managers linked around the world—the groups of problem-solvers, problem-identifiers and strategic brokers."[4]

Among the global developments, the growth of regional trade blocks must be mentioned, whose members gain economies of scale by trading preferentially among each other in a larger market. The EU and the evolving North American Free Trade Area (NAFTA)—US, Canada and Mexico and Asia-Pacific Economic Community (APEC) are prominent examples. Africa and Latin America have their regional and subregional groupings, but trade is still largely with developed countries. The South Asian SAARC is as yet still-born as far as trade and economic co-operation go.

The effects of globalisation and regionalisation on industrialisation and small industry development emanate from the opening up of the economy and enhancement of such competitive advantages as exist in human and natural resources and their development hitherto. It will be noted in the next section that the advantages of the technological revolution have been mostly to enhance the competitiveness of developed countries through flexible specialisation and computer networking. Liberalisation of trade and freer movement of factors of production as well as networking of decentralised work-units have increased the role of strategic analytic core management and of services, especially financial. At the same time NICs and China have benefited through their infrastructure and skilled manpower in being able to attract industries from developed countries to locations in their countries in well-developed industrial and technology parks. Poorer developing countries have attracted polluting industries such as leather or those using cheap and exploited labour such as in carpets and garments.

Technology Revolution

Scientific progress as well as economic efficiency have come to depend on the broad diffusion of micro-processors. This has

brought about a technological revolution and affected manufacturing methods and enterprise organisation in developed countries in a significant way which tends to favour small-scale production. This technological revolution—popularly known as FS or flexible manufacturing system—will perhaps be the most important development affecting industrialisation and small-scale industry development in developing countries in the coming one or two decades. It provides both challenges and opportunities to developing countries which cannot afford not to adapt their production and management system to the FS paradigm.

The small industry development wave of the 1960s—led by India—was inspired by the lessons of the pre-world war II great depression and the remedies adopted in the western world, particularly the UK and the US. The triad of industrial estates, financing and industrial extension services owe much to the industrial estates programme in the UK and the Small Business Administration programme (preferential government purchases, sub-contracting and subsidised loans to small businesses) in the US.

The second wave in small industry strategies and programmes which must now take place in developing countries—sooner rather than later—will hopefully be inspired by the FS paradigm resulting from recent experiences in Europe (mainly Italy and Germany) which has championed the viability of small-scale industrialisation. It is to be noted that the essential elements of FS include inter-firm co-operation in agglomerations or clusters of related manufacturing in industrial districts, combining competition and co-operation, relationship between small and large enterprises, networking and 'collective efficiency'. Such ideas were a feature of 'functional', 'specialised' and 'ancillary' industrial estates advocated and promoted in India in the late 1950s and 1960s, with only limited success (perhaps because of the closed stifling macro-policy environment). The employment of micro-computers (as a network) with centralised co-ordination and management and fast, flexible, high quality, diversified and low-cost production resulting therefrom seems to have made all the difference to the success of flexible manufacturing programmes in Europe.

To cite the example of Italy,[5] geographic specialisation in various productive sectors through small and medium enterprises has taken place in hundreds of small towns and villages, especially in the north-east and the centre. These enterprises are set up in industrial districts characterised by single-sector production. Examples are metal products, machine tools, musical instruments, textiles and clothing, footwear, leather goods, furniture, jewellery, glassware, ceramic tiles. They are generally highly competitive and of high quality and precision, contributing to enhancing Italian exports. Prato produces 38 per cent of internationally-traded carded wool, representing a quarter of the earnings of the Italian textile industry. Sassuolo meets one-third of the world market for ceramic tiles; Como is famous for high quality pure silk fabrics

It should be noted that these examples are in traditional industries, till recently regarded as labour-intensive and where international comparative advantage lay with developing countries.

One could take other examples from the US[6] where almost complete automation has enabled production of certain products to be shifted back to the US from the developing countries. (Clusters or agglomerations providing collective efficiency through interrelations of small-scale industries do not apply in the cases cited below, but automation and flexible manufacturing are critical.) Tandy shifted production of speaker enclosures from the Caribbean to Texas and exported them to Japan. Arrow shifted 20 per cent of shirt production back to the US after 15 years of out-sourcing. Computerisation enables quick response to changing styles in smaller lots production (batch production) as against the earlier mass production (MP). Asian suppliers require three months to fulfil new orders. Benetton of Italy requires two-to-three months and Hagger Apparel in Dallas three days (as against 7 weeks it once needed) because of its electronic network.

The Italian industrial districts are somewhat different than individual firms in the US in that they comprise of clusters of small firms. The similarity is in being able to respond quickly to changes in market demand and competition through flexibility in manufacturing products and processes.

Technology blending has also contributed to technology innovation. Prato, the textile centre, has a constellation of 15,000 small-scale firms in manufacturing, finishing, dyeing, etc, as well as transport, insurance, banking and other services. 70,000 people are employed, traditional technologies co-exist with the most modern. It is a decentralised production system exhibiting a high degree of flexible integration, especially in the distribution of orders and marketing. The Italian National Agency for Nuclear and Alternative Energy (ENEA) assisted the Prato district in formulating and implementing an energy efficiency system, a computer-aided design (CAD) system for design, robotised system for spinning and carding, automatic looms, and other innovations, diffusing computer and telecommunication systems. Institutional and organisational improvements were made through an association of all those involved (Sistema Prato Innovazione Tecnologica (SPRINT)) for providing leadership and financial backing. Over a period it has been possible to raise productivity and quality and enable fast response to changes in market demand.

The contrasting features of mass production (MP) and flexible specialisation (FS) have been described below.

Ajit Bhalla and Jeffrey James review the alternative economic and institutional mech-

TABLE 1: MASS PRODUCTION AND FLEXIBLE SPECIALISATION—CONTRASTING FEATURES

Mode of Production	Competition	Product Strategy	Attitude to Labour	Division of Labour	Embodied Technology	Factory Layout	Inter-firm Links
MP	Price	Standardisation	Seen as a cost	Single-tasking, single-skilling, hierarchical communication, quality control, specialised	Special purpose, fixed transfer line	Functional	Short-term
FS	Product characteristics	Variety; rapid response; Innovation	Seen as a resource	Multi-tasking, multi-skilling, two-way communication, trust; involvement in technical change, quality at source, labour as a resource	General purpose, flexible transfer line	Cellular	Close co-operation; long-term

Source: R Kaplinsky, *From Mass Production to Flexible Specialisation A Case Study from a Semi-Industrialised Economy*, Institute of Development Studies, Sussex, November 1991.

anism implicit in the application of new technologies for institutional mechanism implicit in the application of new technologies for small-scale industrialisation through three possible routes:

(1) Choice of technology;
(2) FS; and
(3) Decentralisation.

Their analysis in tabular form is reproduced (Table 2) and is self-explanatory.

There has as yet been insufficient research experience in the spread of new technologies or conditions under which FS could be beneficially promoted in developing countries. Computerisation and CAD/CAM applications have fairly spread in NICs. There seem to be good prospects for the spread of micro-computer technologies in developing countries. However, the complementary telecommunication facilities need to be more fully and rapidly established in countries such as India. Indigenous R and D facilities also need to be strengthened and further developed. New wave technologies in electronics, computer, telecommunications, biotechnologies, etc, have to develop rapidly.

The new technologies emphasise external economies of scale and scope which is provided by networking of production. This is possible with small- and medium-sized enterprises and does not necessarily require very large size of individual operations.

The organisation of production in clusters or agglomerations, technical and managerial co-ordination and networking through computers may need an appropriate social and cultural milieu where group dynamics in socio-economic cultural activities (through families, extended families, clans, tribes, etc) is more significant than separate individual activities.

The new technologies of FS lend importance to meso-factors (as contrasted to macro- and micro-factors). The development of clusters and agglomerations of enterprises in regional towns to meet regional/local consumer demands are considered significant and provide potential for small industry growth. The development of town and village enterprises in small and medium towns in China during the 1980s led to considerable industrial growth. In regional development, small enterprises operate in niches, serve small specialised or local markets, exploit local/regional labour and resources and make often specialised and non-standardised products, thus offering opportunities for FS.

Hubert Schmitz,[7] one of the pioneers in the field of research on small firms and FS, has cited the example of Kumasi in Ghana where the small-firm economy has exhibited a remarkable ability to respond quickly to crisis situations as well as innovations and collective efficiency. Schmitz' conclusions from studies in several African, Asian and Latin American countries are the following:

(1) Competitiveness requires the capacity to adapt to disruptive circumstances in developing countries even more than in developed countries;

(2) Sectoral agglomerations of small firms are conducive to development of such capacity due to their potential for collective efficiency and flexibility;

(3) However, fast adaptation and innovation do not necessarily take place in clusters; and

(4) How to foster collective efficiency through public policy is still an open question.

Structural Reforms

Some 35 African countries have been implementing (or are about to implement) structural adjustment programmes under arrangements with IMF. For some 24 countries credits and loans amounted to US $ 7.5 billion. "The common feature of the programmes is their focus on laying the foundation for sustainable development; by their emphasis on reducing financial imbalances, removing structural impediments from private economic initiative, providing a supportive infrastructure, and creating efficient and effective institutions, while making every effort to shelter the poor and the vulnerable."[8]

Structural adjustment programmes in mostly African countries (but also a few other developing countries, including recently India) have been necessitated by a long-term trend (20 years in many African countries) of continuous deterioration of per capita income, growing external indebtedness, fiscal imbalances and decreasing outputs in agriculture and manufacturing. No doubt, in several cases natural calamities and civil/military disturbances have been the main reasons. Basically, past development policies of command economy-type—planning, controls, public sector dominance—have contributed significantly to the malaise in many cases.

Industrialisation policies in many of the affected countries had relied on low agricultural prices and diversion of resources to grandiose public sector projects of import-substitution, raw material processing or basic industry development nature which made considerable losses and added to fiscal and balance of payments deficits of the countries. As regards small-scale industry, supply-side measures of assistance provided

Table 2: New Technologies and Small-Scale Industrialisation—Alternative Economic and Institutional Mechanisms

	Choice of Technology	Flexible Specialisation	Decentralisation
Technological focus	New technology as an expansion of the existing range of techniques	New technology as part of the new FS paradigms	New technology as an expansion of spatial technological possibilities
Unit of analysis	Individual firm	Individual firm as part of a well-defined cluster of firms	Individual firm/community
Organisational change	Not major area	Innovative complementarities	May involve changed relationships between central and dispersed units of production (distribution)
Geographical focus	None	Agglomerative clusters	Dispersion
Inter- and intra-firm linkages	Only insofar as differential rates adoption by small and large firms affect the competitive position of the former	Central issue, competitive and co-operative relationships between small-scale and large- and small-scale firms	Unimportant (with dispersed 'stand-alone' adoption) or important (where dispersed units interact with centrally-located units)
Benefits	Increased profits by individual adopting firms	'Collective efficiency', dynamic gains in export markets, externalities	Regional decentralisation, increased equality
Main constraints	Factor prices, skills, information	Problems of collective action, 'government failures' to induce co-operative behaviour	Lack of infrastructure and effective demand in dispersed locations
Examples	CAD/computer-aided manufacturing (CAM) in newly industrialising countries (NICs); micro-computer technologies in Africa	Prato	Benetton, micro-hydro

Source: Ajit Bhalla and Jeffrey James, *Micro-Electronics, Flexible Specialisation and Small-Scale Industrialisation in the Third World*, World Employment Programme, International Labour Organisation (ILO), 1991.

by centralised government [illegible] failed to catalyse entrepreneurship and to lead to the establishment of viable enterprises Such measures in the form of accommodation in industrial estates, financing, raw material supply, import facilities for equipment and raw materials, training and common facilities were costly and benefited only a select few The majority of existing and potential small enterprises was discriminated against—compared to larger businesses, private and public—and had to pay more for imports, credit and other services, thus rendering their enterprises unviable and unprofitable

Broadly speaking, structural reforms have consisted of external sector reforms (correcting the over-valuation of domestic currency/under-valuation of convertible currency), enhancing availability and liberalising allocations of foreign exchange, demand management (restructuring of demand within the economy away from consumption towards the productive sectors), liberalisation of internal trade and agricultural marketing and processing, and public sector restructuring (removal of protection, adjustment of tariffs, reduction of subsidies, privatisation, reform of civil service, etc)

A recent study[9] categorises the characteristics favoured or penalised by structural reforms in African countries as shown in Table 3 According to the author of the study, the findings suggest that structural reforms favour modern innovative small firms, especially the engineering sub-sector, and penalise traditional micro-enterprise activity On the other hand, another study (United Republic of Tanzania)[10] indicates that the beneficiaries of structural reforms have been mostly micro-enterprises using mainly domestic resources Informal micro-enterprises in the United Republic of Tanzania grew rapidly during 1985-1990, in many cases doubling the employment of labour over the period There has been a boom in forward-linkage industries, e g, grain mills, oil presses, coffee/cashewnut processing and saw mills Developments in other countries, e g, Zambia, Uganda, Senegal and Ghana also confirm the vitality of micro-and informal enterprises One reason is that many of them compelled by the difficult circumstances of the mid-1970s to the mid-1980s learnt to be innovative and make use of domestic resources ('learning by doing') The provision of incentives to these enterprises has had multiplier effects to some extent

The effects of the reforms may be further elaborated on the basis of the studies already cited

(1) External sector reforms Micro-enterprises which have failed to significantly increase the quality of the products, e g, textiles, soap, footwear have lost markets to imported goods. Those which have upgraded technology and found product niches have benefited from the availability of imported components and diversified their production.

(2) Demand management: Small firms catering for the poorer sections of the population or the public sector have suffered. Small firms which have been able to develop linkages with growth sectors and improve technology and quality have benefited, e g, small engineering workshops, tool-makers, machine-tool manufacturers and repairers

(3) Internal trade/agriculture liberalisation Encouragement to forward-linkage industries, e g, agro-processing

(4) Public sector restructuring Opportunities for subcontracting open up, on the other hand, skilled workers, managers and entrepreneurs—retrenched from the public sector—crowd into the small-scale sector

According to IMF, the growth rate of countries under structural reform programmes has been 4 2 per cent per annum in the three or four years following the reforms as against 2 6 per cent in the preceding three-year period[11] Moreover, export performance—particularly non-traditional exports—improved significantly

One important lesson to be learnt from the experience of structural reforms is the relevance of selective targeting of assistance to small-scale enterprises based on needs and potentialities rather than generalised supply-side assistance

II
Country Case Studies

Over the last two decades there has been a considerable impact of global developments on the growth of the industrial sector, particularly the small- and medium-scale industry sector Globalisation of manufacturing, trade and finance and development of new technologies economising on factor use and accenting on knowledge, skills and information have turned the comparative advantage even in traditional industries in favour of the developed countries Many of them have moved from mass production to flexible manufacturing methods through the use of information technology (micro-computers and telecommunication channels) This has enabled flexible responses to changes in market demand which has been characterised by differentiated products rather than standardised products. In this process, the role of small- and medium-scale enterprises has somewhat enhanced in the developed countries The developing countries on the other hand have—except for newly industrialising countries (NICs)—suffered a deterioration in their economic growth There has been a cumulative chain of balance of payments crisis, production crisis and fiscal crisis Structural adjustment programmes assisted by the World Bank/International Monetary Fund (IMF) have been designed to remedy this situation Macro-policies of liberalisation and tighter monetary and fiscal regions on the whole adversely affected in the short term the profitability of existing industries However, experience indicates that realistic pricing, availability of imports and introduction of competition have in the medium term benefited the most dynamic of the industrial enterprises which could link up with the growth sectors and could undertake export efforts The response of the small-scale sector and particularly the informal sector in some countries has been very encouraging They often filled the gap created by the decline of large enterprises In some countries, they have organised themselves into self-help groups, association, etc, to obtain the advantages of co-operation in marketing, financing, supply of raw materials, etc Such co-operation has thus stimulated the growth of non-governmental organisations (NGOs) to assist in the development of small scale industries

United States

US remains the biggest single industrial power and the world leader in technology Its essential features are globalisation of manufacturing increasing role of services, electronic computer-telecommunication revolution

Table 3 Enterprise Characteristics Favoured or Penalised by Structural Adjustment Policies

Characteristics Favoured	Characteristics Penalised
Low import dependence	High import dependence
High linkages with growth sectors of the economy	Low linkages (local demand)
Significant technological enhancement	Low technological enhancement
High barriers to entry	Low barriers to entry
Innovation	Cut throat competition
Serving an import substituting function	

Table 4 Definitions of Small Business in US Labour Legislation and Administrative Practice

	Small Business Administrative Loan Programme
Manufacturing	500 1 500 employees (depending on industry)
Wholesaling	500 employees
Services	$ 3 5 - 14 5 million annual sales or receipts (depending on industry
Retailing	- do-
Construction	$ 17 million average annual receipts for three past years
Agriculture	$ 0 1 - 3 5 million annual receipts

Source SBA, *Business Loans from the SBA*, September 1984

and global influence of its mega firms. This new system of accelerative hi-tech wealth creation has been described by Toffler as characterised by the following elements.

—The new accelerated system for wealth creation is increasingly dependent on the exchange of data, information and knowledge. It is 'super-symbolic'.

—The new system goes beyond mass production to flexible, customised, or, 'demassified' production. Because of the new information technologies, it is able to turn out short runs of highly varied, even customised product at costs approaching those of mass production.

—Conventional factors of production—land, labour, raw materials, and capital—become less important as symbolic knowledge is substituted for them.

—Instead of metal or paper money, electronic information becomes the true medium of exchange. Capital becomes extremely fluid, so that huge pools of it can be assembled and dispersed overnight.

—Goods and services are modularised and configured into systems, which require a multiplication and constant revision of standards.

—Slow-moving bureaucracies are replaced by small (demassified) work units, temporary or 'ad-hocratic' teams, increasingly complex business alliances and consortia. The bureaucratic organisation of knowledge is replaced by free-flow information systems.

—The number and variety of organisational units multiply. The more such units, the more transactions among them, and the more information must be generated and communicated.

—Workers become less and less interchangeable. Industrial workers owned few of the tools of production. Today the most powerful wealth-amplifying tools are the symbols inside workers' heads. Workers, therefore, own a critical, often irreplaceable, share of the 'means of production'.

—The new hero is no longer a blue-collar worker, a financier, or a manager, but the innovator who combines imaginative knowledge with action.

—Wealth creation is increasingly recognised to be a circular process, with wastes recycled into inputs for the next cycle of production, necessitating computerised monitoring and a depth of scientific and environmental knowledge.

—Producer and consumer, divorced by the industrial revolution, are reunited in the cycle of wealth creation, with the customer contributing not just money but market and design information vital for the production process.

—The new wealth creation system is both local and global. Powerful microtechnologies make it possible to do locally what previously could be done economically on a national scale. Simultaneously, many functions spill over national boundaries and fuse into a single productive effort.

The characteristics described above have tended to accentuate, on the one hand, the role of innovative small scale work centres in the economy, and, on the other hand, to underline the importance of inter-linkages, both horizontal and vertical, amongst firms of different sizes and between different locations inter-regionally and internationally. While small business is an integral part of the economic system, it is not regarded as a distinct category in the actual organisation of the US, politically, economically or socially. This is true despite the operations of the Small Business Administration created in 1953 to provide low interest loans, technical assistance and help in tendering to government contracts, to defined categories of small enterprises. A small business is defined broadly as one which is independently owned and is not dominant in its field. A more detailed definition is given in Table 4.

Small enterprises are important in the US as a seed-bed for growth, initiator of ideas and innovations, a countervailing force against cartels, and as a means to ensure 'fair trade' practices. The vitality and net growth of small business is due not mainly to small business policy, but to the key role in the polity of individual initiatives and entrepreneurship, the infrastructural facilities provided by state and local governments, the activities of area-based corporations and associations, trade union activities, etc. The major impact of SBA programmes has tended in recent years to be on the promotion of business by minorities (e g, blacks, hispanics) and by women.

In the US economy only a quarter of total employment is provided by manufacturing. In the size category less than 100, only 14.7 per cent of employment is by the manufacturing sector; in the category less than 500, it is about 18 per cent. Construction, trade and services sectors are far more significant for small business employment. Employment in small business dominated sectors increased from 48.6 million to 50.1 million between 1988 and 1989 but this was almost entirely accounted for by the trade and services sector. There was little change in manufacturing, which means there has been a shift in employment away from manufacturing. However, within the manufacturing sector there has been a slight shift towards smaller sized establishments due to deconcentration and decentralisation. In 1986 establishments employing 500 or more workers accounted for 65 per cent of the total employment in manufacturing, although they constitute only 15 per cent of the total number of manufacturing establishments.

Micro-studies in the US lead to the conclusion that net new job creation has been in small enterprises, which account for the bulk of employment growth. The reasons are: (a) the move towards flexible specialisation (away from mass manufacturing), (b) decentralisation of activities by large companies, (c) small optimum sizes for new products, (d) deregulation of economic activities, and (e) managerial techniques favouring small business.

Changes in American business have been perceived as responses to competitive pressures emanating from external environment. Flexibility to adjust quickly to the shifting business environment is facilitated by cross-training workers to operate on several products. Cost reductions have taken place through lower wages and reduced profit margins for subcontractors and vendors. The specific changes include: (a) a reduction in the number of subcontractors, (b) the adoption of the (Japanese) Kan-Ban system of inventory control; (c) greater collaboration in production design with vendors; (d) greater freedom to subsidiaries to make independent business decisions; (e) encouraging and assisting employees to set up their own companies for manufacture of parts/components, and (e) recasting a company's basic business activity and 'de-conglomerising' its structure.

The positive role of trade unions in small business dominated industries, e g, garments, construction, shoes, has contributed to increased efficiency and productivity, through organisation of training and R & D activities, as in Germany. Furthermore, area-oriented industry studies by local/municipal/state authorities and corporations have led to setting up of infrastructure for hi-tech industrial estates

TABLE 5: PERCENTAGL SHARES OF ESTABLISHMENTS AND EMPLOYEES
(By size of employment)

	Establishments				Employment			
	1907	1933	1950	1970	1907	1933	1950	1970
1	51 9	50.5	38 2	27 0	12.4	12.3	6.4	2.5
10 -	43 6	45.8	54.2	58.9	32.6	35.3	30.4	20.3
50-	3 5	2 9	6 3	11.1	17.9	14.4	20.0	20.8
200-	0 8	0.6	1.1	2.3	16.8	14.4	16.2	19.6
1,000-	0 2	0.2	0 2	0.6	13.8	15.2	14.8	20.6

TABLE 6: EMPLOYMENT SHARES IN MANUFACTURING
(BY ENTERPRISE SIZES)

	20-49	50-99	100-199	200-499	500-999	1000+
1977	7.4	7.9	9.3	14.4	10.3	50.6
1980	7.1	7.9	9.4	14.4	10.5	50.7
1984	7.5	8.1	9.8	14.3	10.1	50.2

and agglomerations of interrelated industries and services. Agglomerations in California and Massachusetts provide examples of the success of small enterprises, which do not thrive in isolation, but through obtaining external economies.

The fundamental purposes of the Small Business Administration (SBA), created in 1953, are to aid, counsel, assist, and protect the interests of small business; ensure that small business concerns receive a fair portion of government purchases, contracts, and subcontracts, as well as of the sales of government property; make loans to small business concerns, state and local development companies, and the victims of floods or other catastrophes, or of certain types of economic injury; and license, regulate, and make loans to small business investment companies. Its main activities are briefly outlined below:

—*Financial Assistance:* SBA provides guaranteed, direct, or immediate participation loans to small business concerns to help finance plant construction, conversion, or expansion; and acquire equipment, facilities, machinery, supplies, or materials. It also provides them with working capital. It makes direct loans to handicapped individuals and non-profit organisations employing the handicapped in the production of goods or services. Direct loans are also available to Vietnam and disabled veterans and to eligible contractors.

—*Disaster Assistance:* SBA lends money to help the victims of floods, riots, or other catastrophes, repair or replace most disaster-damaged property.

—*Investment:* SBA licenses, regulates, and provides financial assistance to small business investment companies, and minority enterprise small business investment companies. The sole function of these investment companies is to provide venture capital in the form of equity financing, long-term loan funds, and management services to small business concerns.

—*Surety Bonds:* Through its Surety Bond Guarantee Programme, helps to make the contract bonding process accessible to small and emerging contractors who find bonding unavailable.

—*Procurement Assistance:* SBA works closely with purchasing agencies of the federal government and with the nation's leading contractors in developing policies and procedures that will increase the number of contracts going to small business. SBA sets aside suitable government purchases for competitive award to small business concerns and provides an appeal procedure for a low-bidding small firm whose ability to perform a contract is questioned by the contracting officer. The administration develops subcontract opportunities for small businesses by maintaining close contact with prime contractors and referring qualified small firms to them. SBA maintains a computerised small business source referral system that provides qualified sources for federal government and large business procurements.

—*Business Initiatives, Education and Training:* SBA develops and co-sponsors courses and conferences, prepares informational leaflets and booklets, and encourages research into the operations of small business concerns, utilising the private sector to obtain maximum leverage.

—*Minority Small Business Development:* The programme is designed to promote business ownership by socially and economically disadvantaged persons. Participation is available to small businesses that are at least 51 per cent unconditionally owned, controlled, and managed by one or more individuals determined by SBA to be socially and economically disadvantaged. Programme participants receive a wide variety of services including management and technical assistance, loans, and federal contracts.

—*Advocacy:* The Office of Advocacy evaluates the impact on small businesses of legislative proposals and other public policy issues by preparing policy papers and by conducting research having an impact on small business. The office conducts economic and statistical research into matters affecting the competitive strength of small business.

—*Women's Business Ownership:* The Women's Business Ownership Programme, with a constituency of more than 4.5 million women business owners generating over $81 billion in gross receipts, was formed to implement a national policy to support women entrepreneurs. The office develops and co-ordinates a national programme to increase the strength, profitability, and viability of women-owned businesses while making maximum use of existing government and private sector resources. The Women's Business Ownership Act of 1988 provides $10 million for demonstration projects over a 3-year period and a guaranteed loan programme for loans not exceeding $50,000. It also established a National Women's Business Council, whose mission is to submit annual recommendations to the president and Congress on ways to improve opportunities for women-owned businesses, and to develop a long-range strategy for supporting such businesses.

—*Veterans Affairs:* The main objective of the Veterans Affairs programme is to advocate for assistance to veterans in business or those who wish to start business.

—*Innovation, Research and Technology:* The Office of Innovation, Research and Technology has authority and responsibility for co-ordinating and monitoring the government-wide activities of the Small Business Innovation Research Programme. In accordance with the Small Business Innovation Development Act of 1982, the office develops and issues policy directives for the general conduct of the programme. Information is supplied to each eligible and inter-

TABLE 7: EMPLOYMENT CHANGES BETWEEN 1975 AND 1986 BY SIZE OF ESTABLISHMENT MANUFACTURING INDUSTRY IN THE FEDERAL REPUBLIC OF GERMANY

	Under 20	20-49	50-99	100-199	200-499	500-999	1000 and +	Total
...ss increase	6 528	7 505	8 846	9 632	11 846	12 483	60 015	116 855
...oss losses	–898	–2 964	–3 957	–4 569	–8 118	–9 734	–46 063	–76 303
...t change (absolute)	5 630	4 541	4 889	5 063	3 728	2 749	13 952	40 552
...are of employment ...ock in 1975	1 7	4.6	5.6	7.8	13 1	12 0	55 4	100 0
...are of employment ...ock in 1986	2.6	5.1	6.0	8.1	12.8	11 6	53 9	100 0
...are of gross increase	5 6	5.4	7.6	8 2	10.1	10 7	51 4	100 0
...are of gross losses	1.2	3.9	5 2	6.0	10.6	12 8	60 4	100 0
...t change ...percentage)	65.3	19.2	17.1	12 7	5.5	4 5	4 9	7 9
...are of gross increase/ ...are of employment ...ck in 1975	3.4	1 4	1.4	1 1	0.8	0 9	0 9	
...e of gross losses/ ...are of employment ...ck in 1975	0.7	0 8	0.9	0.8	0 8	1.1	1 1	

ested small business concern on opportunities to compete for awards. The programme has four main objectives: to stimulate technology innovation, use small business concerns to meet federal research and development needs, encourage participation by minority and disadvantaged persons in technological innovation, and increase private-sector commercialisation of innovations derived from federal research and development.

—*International Trade*. The office of international trade develops new methods and techniques for assisting small businesses entering international markets, and plans, develops, and implements programmes to encourage small business participation in international trade.

—*Small Business Development Centres*. In accordance with the Small Business Development Centre Act of 1980, SBA establishes standards for the selection and performance of centres, develops alternative forms of centres involving state governmental bodies and private non-profit organisations, and implements new approaches to improve operations of existing centres.

Conclusion

US experience indicates that there is a great diversity in the form which dynamic, independent small business organisations can take. Business is shifting towards smaller production units both in search of lower labour costs and to implement new production techniques and organisational reforms. But small businesses do not thrive in isolation, they need large agglomerations and exogenous inputs of local/state governments, corporations, universities, hi-tech R and D institutions, consultancy firms, industrial estates, etc. Only in this milieu does entrepreneurship and venture capital financing fructify into successful small enterprises. Social networks in communication with each other and building interrelationships are necessary. US experience also provides examples of successful efforts to expand participation of minorities and women in small business. With the decline of manufacturing *vis-a-vis* services, small businesses could play a relatively more significant role.

Germany (West)

Germany has a long and strong craft tradition especially in the manufacturing field. This has made it possible for the country to take advantage of the change in demand away from mass produced goods towards customised goods in the 80s using microelectronic technology. The craft sector has expanded with the addition of decentralised units of large firms, and by taking advantage of flexible manufacturing systems through networking and striving for collective efficiency.

Heterogeneity rather than homogeneity characterises the small firm sector in Germany. While over the past 100 years an increase in the size of establishments has been observed, there has at the same time been a remarkable overall stability in the size of the small and medium sector. Very small establishments have declined dramatically, but existing firms have grown and new ones are constantly created. This has happened despite no special dispensations in favour of small firms, except the very small. Labour and social security regulations are equally applicable to all size categories above 20 employees. Legal provisions regarding payment of wages during illness, and dismissal of workers, are procedurally simplified for small firms. But only firms with up to five employees are exempt from the law on dismissal and from the obligation to establish a works council. There is no differentiation as regards taxation except that higher allowances mean virtual exemption for very small firms. The stability of small firms in the total economy is shown in Table 5.

If manufacturing alone is considered there has been a definite increase in share of small enterprises. The data in Table 6 exclude below 20 size category but include crafts. According to the Federal Statistical Office, there was a net increase in employment in establishments below 20 employees of 2.5 per cent between 1977-1980 and of 1.9 per cent between 1980-1984. No later figures are available.

Information on employment changes in manufacturing, by size categories, is available for the period 1975-1986. This is shown in Table 7. It may be seen that between 1975-1986 there has been a net increase in employment (as proportion of total employment) in the size categories <20, 20-49, 50-99 and 100-199, while there has been a decrease in categories 200-499, 500-999 and 1,000 or more.

There is no size definition as such in Germany. However, if the census data are considered by employment size, over 98 per cent of establishments/enterprises are in the category below 100 employees, which also accounts for more than 50 per cent of employment. In the manufacturing sector alone, however, over 70 per cent of enterprises but only 15 per cent of employment is accounted for by small enterprises. Craft firms constitute 31 per cent of the number and 42 per cent of employment in all small firms, while 77 per cent of the numbers and 54 per cent of employment are in small manufacturing.

Craft enterprises are typically small-scale, usually employing less than 20 workers. They predominate in metal (31 per cent), construction (30 per cent), services (14 per cent), food (12 per cent), wood (6 per cent) and textiles/leather (4 per cent).

Uniquely among developed countries, Germany has a special Chamber of Commerce for smaller or craft sector enterprises referred to in German as the Handwerk. All such craft sector enterprises must register locally with the Handwerkskammer (or Chamber of Crafts). The legal basis for the Handwerk organisation is a code developed in 1953.

The Handwerkskammer grew out of the guild system in Germany, whereby self-employed craftsmen from the same trade formed a 'Handwerk' or Craft Guild, which aimed to look after the interests of their

Table 8. Employment in Industries and Services for Marshallian Industrial Districts (DIM) and Italy, 1981

Divisions	DIM (a)	Italy (b)	Percentage (a/b)	LQ (*)
Agriculture, forestry and fishing	13 066	175 080	7.5	1.39
Energy and water supply industries	4 841	209 366	2.3	0.43
Extraction of minerals	1 438	55 149	2.7	0.50
Manufacturing industries	496 605	5 763 988	8.6	1.61
Manufacture of metals, mineral products and chemicals	50 142	841 348	6.0	1.11
Metal goods, engineering and vehicles industries	106 253	2 221 233	4.8	0.89
Other manufacturing industries	340 210	2 701 407	12.6	2.35
Construction	69 753	1 192 398	5.8	1.09
Distribution, hotels and catering, repairs	146 960	3 751 146	3.9	0.73
Transport and communication	29 940	1 148 489	2.6	0.49
Banking, finance, insurance, business services and leasing	27 778	951 016	2.9	0.54
Public administration and other services	115 583	3 636 654	3.2	0.59
Total employment	906 009	16 883 286	5.4	1.00
Total population	2 435 211	56 335 678	4.3	
Employment rate (**)	37.2	30.0		

Notes: (*) The location quotient (LQ) is defined as $(E_{ij}/E_i)/(A_j/N)$ where E_{ij} = employment in industry i in area j
E_i = employment in industry i in nation
A_j = total employment in area j
N = total national employment
(**) Proportion of total population in employment.

Sources: The data have been calculated from: ISTAT, *6° Censimento General dell'Industria, del Commercio, dei Servizi e dell'Artigianato*, October 26, 1981. Cited in Giacomo Becattini, 'The Re-emergence of Small Enterprises', a chapter in a publication of the same title, International Institute of Labour Studies, Geneva, 1990.

members. At the national or federal level the associations for each state (land) form an occupation affiliate or national guild association. There were 65 such associations in 1980. All self-employed craftsmen and owners of handwerk related firms must be members of these chambers. The main task of these chambers as defined by the 'public law' is to represent the interests of the handwerk sector, to supervise training and to issue and control the regulations for the examination and certification of all 'craftsmen'.

The Central Association of German Handwerk (ZDH) is the headquarters organisation of the handwerk sector and has the role of presenting uniform policy recommendations and of representing interests of handwerk to the federal government of Germany The ZDH is powerful and one of the largest central organisations in the economy It is organised in departments, covering support network for (1) technical education and training, (2) insurance, (3) information, advice, consultancy and management education, (4) business promotion, (5) research, development and innovations and (6) finance and savings The education and training activities are among the most important of the Handwerkskammer since they are the basis for the education, examination and certification of craftsmen

Thus, the disadvantages arising from smallness in regard to access to capital, supplies and technology have from the beginning been countered through collective and co-operative action of a self-help nature initiated and encouraged by government The state's role has been in requiring compulsory membership of these organisations, and in the transfer of state functions to these self-governing organisations of the craft sector

The centralised system of collective bargaining in the country, the absence of significant differences in working conditions between large and small firms, the continuous enhancement of the competitiveness of the craft and small sector through co-operative and self-help measures, account for the stable share of the small sector in the economy Furthermore, the delayed industrial 'conquest' in Germany (mainly after the second world war) had provided sufficient time for the traditional craft and small sector to modernise itself, in terms of both production and management The inherent strength of the craft sector is due in no small measure to the development of the formal off-the-job vocational training system which is more suited to the skill requirements of small industry Finally, the craft sector itself has experienced restructuring, traditional lines like textiles declining, and metal, electrical, electronics, repair and personal services increasing considerably The trend towards smaller firms has been noted in plastics processing, foundries and metal working, steel and light steel construction, mechanical engineering, precision engineering, printing, food and luxury goods

There has, however, been increased penetration of small business markets by large firms through takeovers, acquisition of financial interest, splitting up of large firms and creation of rump companies to take advantage of provisions of tax and company law This has happened particularly in the textile, clothing and woodworking industries

The influence of large companies on the establishment and expansion of small firms, including craft enterprises, has been and is expected to continue to increase, for cost and tax reasons, as well as technology and management reasons A substantial increase in contracting out services as well as sub-assemblies and assemblies will develop necessitating data-processing links Subcontracting of innovation to small firms, financed by large independent venture capital companies, is likely to increase

The basic motivation governing state policy towards the small enterprise sector has been the contribution that the sector makes towards the creation of new jobs, in an economy undergoing structural change, rationalisation and fall in employment in the large-scale sector, and movement from the secondary to the tertiary sector due to technological and organisational reasons The following special measures have been taken by government in recent years

(1) An overall research and technology plan for small and medium firms has been implemented through federal grants for civil R and D, representing 25 to 30 per cent of total R and D grants

(2) Support measures to new companies through loans from the business set-up programmes (funded from Counterpart Funds of European Recovery Programme), amounting to DM 807 million in 1984, a five-fold increase over a decade The federal programme is supplemented by state and other programmes, so that about 37 per cent of new companies received assistance in a year

(3) Fiscal measures, such as reduction of trade tax, relief in property tax, special depreciation allowance of 10 per cent

(4) Policy of deregulation leading to exemptions and relaxations for small firms, on e g, employment contracts, protection against dismissals, social plan for workers, etc, enabling reduction or savings in cost of operation

With a view to influencing small firms, the trade union movement has in recent years established Technology Information Centres, to provide information on technical questions to works councils, shop stewards and employees

Conclusion

The legal basis of the craft sector, its continuous upgradation through its own organisations state assistance through loans, training institutions and R and D grants, and working conditions and productivity levels almost on par with large industry, are worthy of note It has to be recognised that the craft and small scale enterprises sector has to shift in response to structural change from traditional industries to those viable on flexible manufacturing systems, e g, engineering, design, parts and components, computer software, etc, as well as the growing services sector Germany is unique in the inherent strength of its individual enterprise in terms of quality productivity, innovativeness and competitiveness Inter-industry relationships are based on equality and one-to-one basis (between small and large) rather than on dependency

TABLE 9 PERCENTAGE SHARES OF EMPLOYMENT IN DISTRICT DOMINANT MANUFACTURING INDUSTRIES BY CATEGORIES OF LOCAL SYSTEMS 1981

Dominant Manufacturing Industries	Proto	DIM	URBAn	URBAs	INDU	RdI	Italy
Metal goods	16 9	6 0	48 9	8 5	11 3	14 4	100 0
Mechanical engineering	17 1	7 0	60 6	5 2	7 5	9 6	100 0
Electrical engineering	9 6	3 9	61 2	13 5	4 8	10 9	100 0
Textiles	30 7	17 9	42 3	4 1	14 3	8 7	100 0
Clothing	28 4	11 5	37 2	10 6	7 1	16 7	100 0
Tanning	52 7	43 1	23 2	4 6	4 8	14 6	100 0
Footwear	57 6	37 0	20 0	9 4	1 9	11 1	100 0
Leather goods	25 1	10 4	53 7	8 9	2 6	9 7	100 0
Wooden furniture	26 4	12 2	38 3	9 8	7 5	18 0	100 0
Ceramic goods	39 0	26 7	25 1	7 1	5 3	23 6	100 0
Musical instruments	63 2	54 5	25 7	0 6	2 1	8 4	100 0
Toys and sports goods	31 8	9 4	48 5	2 1	6 0	11 6	100 0
Manufacturing industries	19 5	8 6	48 5	10 3	7 1	14 5	100 0

Notes The figures for Proto-districts (PROTO) include those for Marshallian Industrial Districts (DIMs), and the figure of DIMs is not included in the total figure in the right hand column
Proto-Districts - 955 Light industrialisation local systems
DIM - 61 Marshallian Industrial Districts
URBAn Northern and Central Urban Systems
URBAs Southern Urban Systems
INDU - Northern Manufacturing Local Systems
RdI - Rest of Italy

Source Same as for Table 8

Italy

Italy has experienced rapid structural change in recent years. Between 1951 and 1981 the share of total employment declined from 48 per cent to 15 per cent in agriculture, but increased from 26 per cent to 34 per cent in industry and from 26 per cent to 50 per cent in services. The share of small enterprises increased considerably, in manufacturing from 50 per cent to 55 per cent of total employment, and in the total economy from 67 per cent to 72 per cent. (Small is here defined as enterprises with less than 500 employees.)

Italy provides the most successful example of the re-emergence of SSEs in the developed world through the application of flexible manufacturing (FM) systems in territorial concentrations of industrial districts where collective efficiency is obtained by modern electronic communications and increased computerisation, mainly directed towards export promotion. An important role in this achievement has been that of regional research institutes and of ENEA the national agency responsible for R & D and dissemination of information in the areas of energy, environment an technological innovation.

The remarkable Italian achievement has been through the establishment of industrial districts in the NEC region, (the North-East Central) or the third Italy. The social factors responsible were the disappearance of the sharecropping system of land tenure in the region, releasing a mass of workers ready to be employed in small firms and to acquire skills on the job. Furthermore, political and religious organisations created a system of socialising agencies, e g, National Artisans Federation, Association for Recreation and Culture, thus accentuating values of work and family ethics, group solidarity, etc.

The old industrial region of Italy is formed by the triangle of Milan, Turin and Genoa. The South or the Mezzogiorno has continued to remain less developed. The new wave of growth of the last 30 years or so has been in and around Bologna, Florence, Ancona and Venice. A vast network of small enterprises spread through villages and small cities has expanded rapidly. The products range from shoes, ceramics, textiles and garments on the one side, to motor cycles, agricultural equipment, automotive parts and machine tools on the other side. The average size of firms is small, often with 10 or less workers. However, agglomeration and centralised management enables them to achieve economies of scale and to respond quickly to changes in market demand. Data banks, information and communication system, joint purchase and marketing, capital and credit facilities, have all been made possible through the assistance of research institutes and consultant services. In the textiles, garments, leather products and machinery and components branches, export achievements have been possible through these industrial districts.

The transformation of the NEC region of Italy has not affected the traditional north which has remained a region of large mass production industries with its labour and cost problems. The traditionally poor south, where mafia culture remains an obstacle to entrepreneurial development, has not been affected. What has been developed in NEC region is a system of interrelated small enterprises centrally co-ordinated and deriving the economies of agglomeration, of scale and scope, external economies in the neoclassical Marshallian sense.

The explosion of demand for differentiated, personalised consumer goods on the one hand, and the development of flexible specialisation (in production systems) on the other hand, propelled the Italian experience. To quote Beccatini, "What determined the expansion of the Italian population of small firms was the co-operation of two factors: (a) a world-wide tendency towards the decentralisation and disintegration of the firm which was especially strong in Italy due to special circumstances in the labour market; (b) an explosion of small entrepreneurship, which was fostered by historical cultural inheritance, by a very stable local political environment that was not hostile to an industrialisation of lowly origin by a polycentric urban structure, and last but not least, by a habit of contacts and exchange with foreign countries."

Territorial, regional or area planning methods have been employed in identifying Marshallian industrial districts primarily to obtain external economies through localisation of industry. First, 955 Local Labour Market Areas (LLMA's) were defined through the functional regionalisation of journey-to-work flows connecting places of residence and of work. Thus, 955 LLMA's represent geographically and statistically comparable spatial entities and spatially-coherent systems of location. Second, the socio-economic structure of the local systems have been investigated in order to identify problems and factors (e g, the presence of entrepreneurs and workers in small firms, working wives, young workers, large households with elders, and the kind of amenities available). Thus, the 955 LLMA's have been categorised into 15 different groups of local systems according to their socio-economic characteristics. These local systems suitable for light industrialisation are considered as candidates for selection of Marshallian Industrial Districts (DIM), i e, having domestic manufacturing specialisation. A total of 61 Marshallian Industrial Districts have been identified, mainly localised in North-East and Central Italy, but also a few in North-Western Italy.

The Marshallian Industrial Districts account for 8.6 per cent of manufacturing employment of Italy, and 5.4 per cent of total employment. However, the proportion of total population in employment in the Marshallian industrial districts is 37.2 per cent, as against 30 per cent for Italy as a whole (Table 8).

The relative importance of the different categories of local systems and their shares in dominant manufacturing industries are shown in Table 9. While there are variations between industrial districts, typically it has 10,000 to 20,000 workers, in 1,000 to 3,000 firms with fewer than 20 employees each. The district is a cluster of firms interrelated to each other. There is both co-operation and competition. Co-operation occurs through commissioning and subcontracting, but also in functions such as bookkeeping, accounting, purchasing, marketing. In many districts, services are provided centrally through supply of information on equipment and markets, assistance in tendering for contracts, monitoring market changes, etc. The success of many districts has been due to the adoption of an institutional strategy involves co-operation of local and regional administration, unions, as-

Table 10: Employment, Value Added and Productivity Differentiated by Size of Enterprises

(Percentages)

	Employment			Value Added			Production Differentials		
	Mid-1970s	Late 1970s	Mid-1980s	Mid-1970s	Late 1970s	Mid-1980s	Mid-1970s	Late 1970s	Mid-1980s
Cottage (1-9)*	19.1	19.6	13.7	9.6	9.6	7.5	67.3	64.6	77.3
Small (10-49)	25.5	26.9	29.0	19.1	20.3	20.6	100.0	100.0	100.0
Medium (50-99)	11.1	11.4	12.6	9.4	9.7	10.7	113.2	112.5	119.3
Large (100 +)	44.4	42.1	44.8	61.8	60.5	61.2	185.7	190.4	192.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	132.2	132.5	140.6

Note: * In 1986, 4-9 workers.
Source: A Barry and D Mazumdar, 'Small Scale Industry in the Asian-Pacific Region', *Asian-Pacific Economic Literature*, Vol 5, No 2, September 1991.

sociations of small enterprises, co-operative leagues and universities.

Conclusion

The Italian success may be largely attributed to the advantages of collective agglomeration. The industrial districts have three broad characteristics: (a) the clustering and renewal of small firms specialising in different phases of a particular industry; (b) social structure characterised by a high level of small entrepreneurs, artisans, skilled workers, working wives and extended family or youth labour; and (c) proximity between home and work in the labour market. The common aspects of industrial districts are (a) extensive and elaborate co-operation on a flexible basis between small specialised firms; (b) flexible use of micro-processor-based technologies in combination with craft skills; (c) expansion of collective business services provided privately or by public agencies; (d) strong informal or institutional structures to ensure the provision of minimum pay scales and acceptable working conditions to regulate inter-firm co-operation and competition; (e) development of long-term collaborative relations with larger firms in or outside the area/region. Clustering of small firms in industrial districts, their use of flexible manufacturing systems, inter-firm co-operation and provision of services, enables them to derive the benefits of collective agglomeration, i e, external economies of scale and scope. The industrial districts in Italy provide a viable means for small enterprises to be competitive and successful in a globalising economy while the MNCs and mega firms also play a significant role. Territorial agglomerations, such as industrial districts, can provide viable links to the national and international economy in a country like India.

JAPAN

The outstanding characteristic of Japanese development is the leading role played by the state through long-term strategic planning, policy formulation, programme direction and facilitating implementation, by means of close co-operation of the Ministry of International Trade and Industry (MITI) with business and industry. While enterprises are owned and managed privately, the state plays the key role through monitoring the strategic plan and its targets, through assisting R and D implementation, through industry and trade policies, through wage-market policies, through provision of financing from the financial sector, etc. Over the last 35 years, material- and energy-intensive development has gradually given place to knowledge- and information-based development, through increasing use of electronics, computers and telecommunications. Japan is becoming the leader in moving further to environment friendly and earth friendly technologies.

Dualism in the economy, providing for mutually beneficial and inter-active co-existence of capital-intensive, high wage, highly productive large and heavy industries on the one hand, and labour-intensive, low wage, less productive SSEs on the other hand, has been a marked feature of Japanese development till very recently. Such a dualistic development was considered necessary to provide employment opportunities in small business for the rapidly decreasing farming population. Over the last 10 to 15 years, however, structural changes in the economy with the rapid growth in per capita income and the shift to the services sector, encouraged by developments in technology and management (computerisation, inter-linking, communications, decentralisation, flexible manufacturing system, etc.), are reported to have reduced the gap in productivity and wages between the large-scale sector and the small-scale sector. Differences which still exist reflect largely differences in productivity.

Small and medium-sized enterprises are defined under Japanese basic law separately for manufacturing and trade. In manufacturing, they include firms employing fewer than 300 persons and capitalised with less than 100 million yen. In retail trade and services, the limits are 50 employees and 10 million yen. For statistical purposes very small firms (VSFs) are those employing less than 30 and extremely small firms (EXSFs) are those having below 5 persons.

As regards manufacturing industry the data in Table 10 points to the relatively balanced structure of Japanese manufacturing industry as compared to other countries. However, there has been a decrease in employment provided by the manufacturing sector, which has affected large-sized categories more than the small-sized enterprises. Structural changes in the economy towards the services sector are responsible for this phenomenon.

The Japanese structure is the result of both economic and social factors. Cohesiveness, affiliation, education and training are some of the social factors. Economic factors are the close inter-industry relations (subcontracting), wage differentials, equitable access to capital and other inputs. Industrial subcontracting plays a crucial role in small-scale industry. Table 11 indicates that 50 per cent to 60 per cent of SSEs are sub-contractors and 70 per cent to 80 per cent of them are dependent on subcontracting for 80 per cent or more of their output. However, by 1981 independent subcontractors were 34.9 per cent and partially dependent 11.5 per cent, as against 54 per cent fully dependent subcontractors.

Structural changes in the Japar-se economy have meant that employment provided by manufacturing has declined while employment in the services sector has increased. For the manufacturing sector data available up to 1986 indicate that percentage share of employees increased in small enterprises and decreased in larger enterprises (Table 12).

Increasing per capita income and development of new technology are two factors which have influenced the expansion as well as improvement in efficiency of SSEs. The expansion of the domestic market arising from increased incomes provided opportunities to the extensive network of suppliers and subcontractors in the metal fabricating, machinery and transportation industries, and related trades and services. The

TABLE 11: JAPAN—STATISTICS ON SUBCONTRACTING

(Percentages)

Scale and Industry	Share of Sub-Contractors			Share of Enterprises with 80 Per Cent or More Dependence on Subcontracting		
	1971	1976	1981	1971	1976	1981
Manufacturing industry	58.7	60 7	65 5	76 7	81.3	54 0
By number of employees						
1-19	59 2	61 9	—	78 1	82 0	—
20-299	53 2	50 8	—	61 0	71 5	—
(20-49)	56.9	50 4	—	62 1	70 3	—
(50-299)	47.1	51 4	—	58 6	73.8	—
By industry						
Textiles, apparel and other textiles products	71.4	83.9	84 9	83 8	89.2	80.0
Lumber and wood products	43 8	42.9	—	72.1	69 7	—
Chemicals	39.0	37.1	—	57 0	56.4	—
Iron and steel	66.0	70.4	—	61 3	74 8	—
Metal products	71.7	74.8	—	71 1	78 3	—
General machinery and equipment	75.9	82.7	84 2	78 2	79 8	70.7
Electrical machinery and equipment	79.0	82.3	85 3	80.5	85 0	75 6
Transport machinery and equipment	77.9	86.2	87 7	81.8	88 4	75.7
Precision machinery and equipment	70.8	72.4	80 9	78 8	86 9	71.4

Notes: Share of sub-contractors—no of small sub-contractors/no of small businesses x 100 Share of enterprises with 80 per cent or more dependence on subcontracting—no of enterprises with 80 per cent or more dependence on subcontracting/no of small sub-contractors x 100

Source: JETRO , *Promotion of Small and Medium Enterprises in Japan*, Tokyo (no date given).

availability of a reservoir of trained labour enabled expansion of small labour-intensive business. As regards new technology (in micro-electronics and bio-chemistry) its very nature enabled enterprises to establish new businesses with relatively small amounts of capital. Consumer tastes also changed favouring differentiated products (from flexible manufacturing) rather than homogeneous mass-production goods. As regards subcontractors, labour shortages since the later 1970s, the development of flexible manufacturing methods, differentiated markets, demand for durable goods, etc, led to investment in machinery and equipment, precision tools, etc, and thereby to increased productivity and wages. The large increase in the number of independent subcontractors has resulted in more competition among suppliers as well as among contractors, and reduced the dependency-relationships. The appreciation of the yen in the 1980s forced measures for reduction in costs, thus encouraging more efficient subcontractors.

The Law to Promote Modernisation of SMEs (1968) designated 185 industries and trades as the target of modernisation; 72 of them are the object of emergency measures. Two special government banks provide loans to firms in the designated industries and trades in order to modernise production facilities and equipment The SME Financing Bank provides 10-year loans up to 350 million yen at below-market interest rates. The National Financing Bank provides low interest 10-year loans of up to 30 million yen per firm. Special loans are available for structural reforms for a group of firms.

The SME Undertaking, established in 1980, helps to develop land for groups of SMEs to integrate SMEs into co-operative unions, construct joint warehouses, modern shopping centres, etc. Such loans are provided jointly by the SME Undertaking and Prefactural Governments at low interest rates. Management expertise and consultancy services are also offered. The agency of SME's provides Prefectural Governments with financial aid to renovate local specialised industries.

Three kinds of institutions provide SMEs access to financial resources. There are (i) 69 mutual banks (law of 1951) for loans to SMEs up to a maximum of 15 billion yen, (ii) 561 credit banks (Law of 1951) giving similar loans to members of credit co-operatives, and (iii) 464 credit unions (1949 law) giving smaller loans of up to 400 million yen.

Furthermore, an association to guarantee credit for SMEs has been set up in each Prefecture. This is supported by Public Insurance Institution for SMEs (Chusho Kigyo Shinyo Hoken Koko). The SME Financing Bank and the National Financing Bank are government banks provided with regular source of funds (e g, postal savings and pension funds) for lending directly to small businesses. There is also the Central Bank for Commercial and Industrial Co-operatives for providing loans to member co-operatives.

SME Investment Promotion Companies have been established in Tokyo, Nagoya and Osaka, for providing equity capital, technical and managerial consultancy, in 28 industries or trades, for small enterprises with capital of less than 100 million yen. These three companies help preferably venture business firms which have unique technology or products and spend more than 3 per cent of sales revenue on R and D.

Tax exemptions (lower income tax rates) are also available to small businesses with capital less than 100 million yen, the tax varying with income.

To sum up, SSEs play a pivotal role in the Japanese economy, particularly in employment generation. In its plan for the 1990s, MITI underlines the need to activate SMEs, which it describes as 'the mother of creation'. Small companies must provide the requirements of 'fulfilling rich life styles'. While noting the relative decline in manufacturing *vis-a-vis* services, MITI emphasises the essential and leading role of manufacturing in technological innovation and plans to support the international activities of SMEs.

Conclusion

The Japanese success is due to several factors: high savings, highly cartelised society yet devoted to intensive market competition amongst the giants, long-term planning for structural changes and efficient allocation of resources in the economy. The lessons that may be derived for SSI development in developing countries are: (i) the importance of agricultural development and rural transformation in creating the demand conditions for SSI; (ii) the role and initiative of government in expansion of markets, in facilitating transfer of technology and other institutional arrangements for continuous adaptation, creativeness and progress; (iii) efficient allocation of resources through macro-policies; (iv) the role of large industry and of subcontracting, and (v) the role of a unique financial system.

China

Rapid industrialisation in the past two decades has transformed the structure of the Chinese economy. Between 1970 and 1990 the share of agriculture in GNP decreased from 40.4 per cent to 28.4 per cent, and of industry increased from 40.9 per cent to 44.3 per cent (47 per cent in 1988). During the same period, the labour force in industry increased from 10.2 per cent to 21.4 per cent, and decreased in agriculture from 80.8 per cent to 60 per cent. Chinese share of world industrial output more than doubled between 1977 and 1986, the country ranking seventh in World MVA. The state-owned sector still accounts for the largest share of gross industrial output (54.5 per cent in 1990). However, ownership by the state had declined during 1985-1990 from 64.8 per cent to 54.5 per cent.

Table 13 shows the distribution of gross and net value of output in 1990 amongst (1) state-owned, collective and other enterprises; (2) light industry and heavy industry; (3) large-scale, medium-scale and small-scale industries.

The classification into large, medium and small categories is determined separately for different products on the basis of production capacity. Where the products are not homogeneous or a variety of products is

Table 12: Percentage Distribution of Employment in Size-Categories in Manufacturing Enterprises

Year	Employment in Size Categories			
	1-30 Persons	30-99 Persons	100-499 Persons	500 and Above
1972	26.5	17.2	19.4	36.8
1981	28.2	19.1	19.9	32.7
1986	27.3	19.5	20.3	32.2

Source: K Koshiro, *The Re-emergence of Small Enterprises*, IILS, Geneva 1990.

Table 13. Gross and Net Value of Industrial Output (Rmb 1,000,000 at current prices)

Type	Gross Value of Output 1990	Net Value of Output 1990	Net Value as Percentage of Gross Value Added 1990
State owned	1,257,045	356,870	28.4
Collective	524,650	132,338	25.2
Other	87,227	20,117	23.1
Light industry	877,676	221,250	25.2
Heavy industry*	991,247	288,075	29.1
Large-scale industries	650,921	199,998	30.7
Medium-scale industries	369,393	96,238	26.1
Small-scale industries	848,608	213,088	25.1

Note: * Including mining and logging.
Source. State Statistical Bureau of China, *China Statistical Yearbook* (various issues).

manufactured the criterion of book value of fixed assets is used. No further details are available.

Township enterprises include:

(1) Enterprises previously run by communes and production brigades;

(2) Co-operative enterprises run by rural labourers;

(3) Individual-run enterprises and enterprises of other ownership at or below the township level.

China's development strategy since the early 60s has not only given equitable importance to agriculture and industry, but also emphasised the role of SSI. Rural non-agricultural development has become a key component of China's development strategy. Chinese policy is to transform its agriculture from 'self-sufficient and semi self-sufficient' production to 'large-scale commodity production'. This involves increase in farm size and a substantial share of agricultural population moving out of cultivation. Specialisation of households in crop production, forestry, fishery, livestock and sideline production (handicrafts, commercial, food and beverages, services, repair, transport, house renovation) is encouraged. Private undertakings in these lines are helped by local governments with credit, tax concession, technical assistance and favourable prices. Besides individuals, community and brigade enterprises (CBEs), hitherto owned collectively by members of a commune or brigade, are being encouraged since 1984 under different forms of ownership arrangements viz, joint ownership by individual households or ownership by several brigades or communes, equity and dividend being distributed according to capital contributed. Communes are now in townships and brigades in villages. The term CBEs has been replaced by respectively township-town enterprises and township-village enterprises (TVEs). Peasants involved in commerce, services or industry could establish household registration in market towns, while continuing to be responsible for their own grain (food) requirements. This is part of a general policy to revive market towns, regarded as essential for agricultural commercialisation and non-agricultural rural development. Market towns provide the sites for most TVEs, they are the centres for rural-urban trade and provide essential services to agriculture. The 53,000 market towns existing in China are not classified as urban areas—they are being developed as alternatives to urban cities, with provision of social infrastructure. It is projected that by the year 2000 the share of the rural labour force in non-agricultural activities should increase (from 11 per cent in 1982) to 44 per cent.

The ideological foundations of the rural economy of China changed from central planning and large agricultural collective farms to market mechanism and independent farms and firms. The rapid growth of rural industrial and other non-agricultural activities has been accompanied by significant increases in rural personal incomes and major shifts in the structure of the labour force. Fresh employment opportunities in non-agricultural activities absorbed over 30 million persons during 1978-1986. For the same period, gross value of rural industrial output grew by 23 per cent per annum in real terms. Among rural enterprises, the township- and village-owned enterprises and farmers' joint-stock enterprises have a dominant position.

The emergence of millions of rural firms in the last decade contributed a new force in reshaping the structure of the Chinese rural economy. New activities and technologies have become operative along with the emergence of a large number of entrepreneurs, managers, technicians and skilled labour force. Rural industry has been the most rapidly growing segment of Chinese industry and became an integral component of the rural economy in the 1980s.

Technological constraints have been gradually eliminated through a process of choosing and adapting technology appropriate to local conditions. The 'Spark Plan' aimed at the gradual transformation of traditional agriculture, poultry farming, forestry and fruit growing has promoted a number of local resource-based key industry. The plan has injected new technologies into the production process of rural enterprises and focused attention on preventing pollution. Between 1986 and 1989, of the 20,000 projects launched under the 'Spark Plan', 10,346 projects have been completed. The increased output was valued at Rmb 22.18 billion, net of Rmb 5.53 billion in profits and taxes. Exports from these projects fetched around $740 million in 1989, equivalent to 45 per cent of the total export volume of township enterprises in the preceding three years.

Conclusion

The development strategy has focused successfully on massive rural transformation through area planning, rural infrastructure investment, technology upgrading, commercialisation of agricultural production, stimulation of rural non-farm activities, setting up town-village enterprises in nodal towns and moving away from total state ownership and control to individual, group and co-operative ownership and management. The intensive and large-scale operation of the 'Spark Plan' since the mid-80s contributed significantly to growth in incomes.

South Korea

South Korea has emulated Japan in vigorously pursuing policies of export-led industrialisation. However, unlike Japan (and Taiwan) the small-scale sector did not play a significant role, although its share in manufacturing has begun to increase in the 80s. As compared to Japan and Taiwan, income distribution has been more concentrated, rural transformation less intensive and export dependence much greater in Korea. The share of exports in Korea's GDP rose steadily to almost 50 per cent in 1988, before falling back to one-third, as the source of growth shifted somewhat towards domestic demand. Imports accounted for over 40 per cent of GDP in 1990, an increase from

Table 14: Percentage Shares of Different Size Classes of Manufacturing Establishments in Aggregate Manufacturing by Number of Establishments, Employment and Value Added, 1963-1987

Item / Size Class (by number of workers)	1963	1966	1968	1970	1973	1976	1978	1982	1983	1986	1987
Number of establishments											
Small (5-19)	80.4	80.1	77.9	75.8	72.2	61.7	57.9	62.6	59.2	56.7	56.0
Medium (20-199)	18.3	18.3	19.8	21.1	23.4	32.4	35.7	32.6	36.2	39.2	39.9
Large (200 +)	1.3	1.6	2.3	3.1	4.4	5.9	6.4	4.8	4.6	4.1	4.1
Number of workers											
Small (5-19)	29.0	25.6	22.2	18.1	12.2	8.0	7.5	10.9	10.1	10.3	10.2
Medium (20-199)	37.4	34.7	32.0	30.1	27.2	29.6	30.6	33.9	36.1	39.6	39.6
Large (200 +)	33.6	39.7	45.8	51.8	60.6	62.4	61.9	55.2	53.8	50.1	50.2
Value added											
Small (5-19)	19.3	15.2	12.1	7.9	5.6	3.6	4.2	4.6	4.6	4.7	4.9
Medium (20-199)	33.5	27.3	23.6	20.1	21.6	20.1	22.2	23.3	24.0	26.8	27.5
Large (200 +)	47.2	57.5	64.2	72.0	72.8	76.3	73.5	72.1	71.4	68.5	67.6

Sources: Economic Planning Board, Report on Mining and Manufacturing Census for census years 1963, 1968, 1973, 1978 and 1983 and Report on Mining and Manufacturing Survey for 1966, 1970, 1976, 1982, 1986 and 1987. As cited in Jeffrey B Nugent, 'Variations in the Size Distribution of Korean Manufacturing Establishments Across Sectors and Over Time', Korean Development Institute, Working Paper No 8932, August 1989.

10 per cent in the early 1960s Export growth has been highly import dependent, for capital goods, raw materials and components Liberalisation has led to specialisation in higher value added products with a substantial import content As regards rural transformation, it followed the first phase of industrialisation and did not precede it, unlike in Japan and Taiwan In South Korea there is a heavy concentration of large and small establishments in and around the largest cities

For a decade up to the mid-60s import substitution policies were followed leading to rapid growth of consumer goods and intermediate goods The outward-looking policies followed thereafter included more realistic foreign exchange rates, liberalised import controls and export incentives (tax reduction and exemptions, improved access to credit and imported inputs) The export-induced industrial growth has been extremely successful in creating employment, since manufactured output (for exports) has been increasingly labour-intensive Larger markets increased the importance and advantage of large plant size and some SSEs may have expanded to larger sizes Unlike Japan, subcontracting and division of labour between small and large enterprises is infrequent The degree of vertical integration is high, large companies carrying out most of the operations within the plants However, international subcontracting by large and medium companies catering to Japanese and US multinationals took place

As stated in the beginning, the increasing dominance of large industry seems to have been reduced in the 80s Table 14 indicates that employment in small firms (5-19 workers) after falling from 29 per cent in 1963 to 7 5 per cent in 1978, increased to 10 per cent in 1987 The share of medium enterprises (20-199 workers) increased much more while the share of large enterprises (200 + workers) decreased But the value added in SME has increased less remarkably Even in 1987 more than two-thirds of value added came from large enterprises However, the share of the largest enterprises (500 + workers) decreased over the period 1976-86 from 45 1 per cent to 35 per cent in employment and from 58 1 per cent to 52.4 per cent in value added

Over the period of industrialisation the share of heavy and chemical industries has continuously increased from 40 per cent in 1963 to 54 per cent in 1986 in total employment and from 35 per cent in 1963 to 62 per cent in 1986 in total value added by manufacturing Steel, electrical machinery and transport equipment have conspicuously increased, while textiles, beverages and tobacco have conspicuously decreased The percentage share of large enterprises (200 + workers) in manufacturing employment and value added has expanded considerably over the period 1963-86 for each of the 30 industries However, decrease in some industries are perceptible in the 80s These are in textiles, weaving apparel, leather and footwear, wood, printing, plastics, clay products, metal products and scientific instruments

The definition of small and medium enterprises in Korea is based on the SMI Act of 1979 Those enterprises in manufacturing, mining and transportation which have 20 full-time employees or less are defined as small, while those with less than 300 (less than 200 prior to 1979) but more than 20 full-time employees are medium However, the limit for medium enterprises could be extended up to 700 employees, provided a total assets criterion ranging from W5 to W8 million for different branches of industry was met

In 1989, the Ministry of Trade and Industry formulated a 10-year Promotion Plan for SMEs, the goal being to increase the share of SMEs in 1991 to 54 3 per cent of employment and 44 8 per cent of value added The Plan contained a package of measures including a product reservation scheme ('designated areas'), credit allocation from banks, a loan guarantee programme, a special bank for SMEs, a subcontracting programme, a technical extension service programme, preferences in government procurement and setting up a special trading company for assisting SME exports

The 'designated areas' or product reservation programme is regarded as a negative measure Details are not available, but it seems to be indirectly implemented through the registration procedure of the Ministry of Trade and Industry There is a negative or prohibited or restricted list of industries (e g, ginseng, tobacco, flour milling) for foreign investment. Large enterprises are not permitted to expand in items, e g, leather, shoes, toys, etc In any case product reservation makes little sense in a country like South Korea where the SMI definition is so wide.

Regarding financial assistance, a credit guarantee scheme has been developed. Commercial banks have to lend a certain proportion of their funds to SME, and a separate bank, the Small and Medium Industry Bank, operates as a public sector bank Interest rates are lower for SMI (9 per cent as against 11 5 per cent for large enterprises in 1985) The Small and Medium Industry Bank provides loans—through the Small and Medium Industry Investment Corporation (SMIPC)—of up to W300 million, covering 6-90 per cent of the project cost for a modernisation programme for a small and medium enterprise

Financial assistance is also made available to help SMEs train their technicians in domestic or overseas centres Support for R and D and extension services are provided, and formation of research co-operatives to undertake R and D encouraged Risk capital and financing of R and D are provided by the Korea Technology Financing Corporation (a private institution) and by the Korea Development Investment Corporation (a subsidiary of Korea Development Bank) Such financing is available for 10 years (plus 3 years grace period) for 100 per cent of amount required (70 per cent in local currency)

The Small and Medium Industry Promotion Corporation (SMIPC) established in 1979, has the following functions

—Promotion of co-operatives of manufactures of similar products in order to centralise purchasing, marketing or capital-intensive operations

—Provision of extension and information services

—Management training through the Institute for Small- and Medium-scale Enterprise Training

—Liaison with the Korean Federation of Small Businessmen

—Operation of offices abroad dealing with

Table 15 Size Structure of Manufacturing Firms

(Percentages)

	Number of Establishments		Employment			Value Added			Fixed Assets		Productivity Differentials (Small = 100)		
	1978	1986	Mid 70s	1978	1986	Mid-70s	1978	1986	1978	1986	Mid-70s	1978	1986
Cottage (1-4)	—	—	3 9	18 9	—	1 3	(6 7)*	—	—	—	48 9	39 1	—
Small (below 50)	66 3	64 4	26 0	32 4	16 2	17 0	11 7	9 4	10 3	8 4	100 0	100 0	100 0
Medium													
50-99	16 3	16 7	26 7	21 7	14 3	30 7	14 2	11 3	12 5	9 4	176 1	164.0	144.4
100-199	8 7	11 3			18 5		17 8	17 5	16 3	16 4			
Large (200 and above)	8 7	7 7	43 4	26 9	51 1	51 0	56 2	61 8	60 9	65 9	179 4	130 2	207 8
Total	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0

* Included under Small in this column

Source A Berry and D Mazumder, *Small-Scale Industry in the Asian-Pacific Region*, 1991

market prospecting and technological information.

—Granting credit for the hire purchase of equipment.

—Operation of a modernisation programme, consisting of technical, training and financial assistance for small- and medium-scale industrial enterprises wishing to modernise their structure and production (in a fairly long list of priority branches of industry).

1,000 to 1,500 enterprises are assisted every year with technical and management advice by SMICP. There is increasing emphasis on technological and management innovation in order to increase productivity and competitiveness. More than 60 per cent of all assistance goes to machinery, metal, electrical and electronics industries.

The Korean Institute of Economics and Technology (KIET), established in 1981, collects, processes and supplies to business (especially SME), information on trade, technology and industry. KIET maintains satellite-connections with data systems abroad, has built a library as well as its own data base.

The Korean Federation of Small Business (KFSB) is a very active organisation with over 16,000 members. Its activities involve the co-ordination of subcontracting, collective purchasing and selling, establishing contact with overseas buyers and investors, information services, technology transfer and policy recommendations to the government. KFSB has a Systematisation Promotion Council which assists the Ministry of Trade and Industry (MTI)'s industrial systematisation programme. The project involves stimulating the production of parts and components in about 1,000 SMI companies, and integrating parts production with prime manufacturing by large enterprises. The project is related to import replacement in automobiles, electronics, machinery and building industries. Tax privileges, e g, exemptions from import duty on equipment are made available. The KFSB regularly examines business transactions and assists in resolving disputes between large firms and their suppliers.

The role of SMI has been receiving continuing attention in recent years. The government of Korea announced the following programme in 1992 to enhance the productivity and international competitiveness of small and medium manufactures.

—To make more funds available through capital increase of the Industrial Bank of Korea and activation of the over-the-counter (OTC) stock market as part of measures to expand funds to SMI which is likely to face a credit squeeze in the wake of interest rate liberalisation.

—To establish task force within the Korea Federation of Small Business to deal with possible inroads that SMI face due to import liberalisation.

—To accentuate technological development, the government will bolster technical guidance, activate the provincial industrial research centres and develop an information distribution system for SMI.

—Various laws related to SMI will be streamlined so that the government can push ahead with the readjustment project for this sector.

—Assistance will be given to SMEs which are developing world class top quality goods. Effective assistance to promising SMEs will be made.

Conclusion

Korean experience exemplifies the success of an approach combining appropriate macro policy measures, creation and maintenance of suitable environmental conditions, continuous upgrading of skills and technology, operation of viable financing systems, and direct government intervention through public sector institutions. With emphasis on optimising factor use and on total factor productivity, specific attention to assist and promote small enterprises came later in the development process, yet perhaps in time to take advantage of the transition (in developed countries) from a mass production system towards flexible manufacturing. While keeping in mind the skewer distributional effects of these policies in the 60s and 70s, Korean experience indicates that efficiency is related to technology absorption and diffusion and upgrading of skills, and that a range of sizes are suited to different product and market characteristics.

MALAYSIA

Since early 70s Malaysia has pursued a long-term strategy under the New Economic Policy for the period 1970-1990 and the Industrial Master Plan for the period 1986-1995, with the twin objectives of eradicating poverty and restructuring Malaysian society. It was felt by the end of the 70s that growth strategies—largely export-led—rather than redistribution measures would contribute more to increase in incomes and poverty eradication. The 80s witnessed a movement away from inward to outward orientation. The Industrial Master Plan (1986-95) is contributing a great deal to a pragmatic orientation.

The policies for industrial development focus on:

(i) widening the range of manufactured products for exports;

(ii) strengthening the industrial base, moving away from mere assembly type processes to more in-depth manufacturing, processing, producing components and parts locally;

(iii) encouraging both vertical and horizontal inter-firm relationships in order to increase value added in manufactured exports;

(iv) enhancing the participation of small and medium enterprises in mainstream industrial activities by developing ancillaries capable of supplying quality components and parts to large enterprises;

(v) creating a congenial environment for private sector investment and R and D activities; and

(vi) developing technically competent personnel.

The GDP of Malaysia grew at a rate of 5.4 per cent per annum during 1979-86. Since 1988 it has grown at 8 per cent to 9 per cent. The growth of manufacturing was 6.7 per cent during 1979-86, 13.4 per cent in 1987, 17.6 per cent in 1988, 12.0 per cent in 1989 and 11.0 per cent in 1990. The share of manufacturing in GDP increased from 13.9 per cent in 1970 to 25.8 per cent in 1990. Manufacturing employment has increased at an average rate of 6.7 per cent over the last 25 years accounting for over 13 per cent of the total employed in mid-80s as against 6.5 per cent in the late 1950s. Being a resource-rich country with a favourable land-man ratio, Malaysia does not suffer from population pressure.

The SSI sector is relatively under-developed in Malaysia. The policy has been directed towards development and employment of Bumiputras (Malays) rather than of small-scale manufacturing enterprises as such. Bumiputra employment has increased in trade and services and in agriculture, rather than in manufacturing. Outward orientation has encouraged skill-intensive and relatively capital-intensive middle-sized enterprises, which are efficient, productive and competitive. Account has also to be taken of relatively higher wages in the country. The programmes for industrial estates, industrial incentives (except financing of Bumiputras) and extension services have been available for all sizes of enterprise and not specifically oriented towards SSI. Changes in the size structure of manufacturing firms

TABLE 16. SHARE OF ENTERPRISE SIZES IN MEXICAN MANUFACTURING ESTABLISHMENTS, EMPLOYMENT AND INCOME IN 1990

(Per cent)

	Establishments	Employment	Income (value added)
Micro	77 2	11 3	7 2
Small	17 8	23 6	19.2
Medium	2.9	16.0	15 1
Large	2.1	49.1	58.5
Total	100 0	100 0	100.0

Source: SECOFI, Ministry of Commerce and Industrial Development.

since mid-70s are analysed in Table 15.

The declining share of SSI and the increasing shares of large- and medium-scale industry are obvious from the date in the table. Large-scale industry accounts for more than half of employment, over 60 per cent of value added and over 65 per cent of fixed assets, in the total. It is also twice as productive as small-scale industry.

One reason for relatively slower growth of SSI is the lack of backward linkages with large industries, which are mainly engaged in exports and have their relationships with firms in developed countries. SSI produce mostly finished goods, e g, foodstuffs, furniture, handicrafts, fabricated metal products, wood-based products and textiles. The medium-sized industries are involved in beverages, electrical and electronic products, chemicals, non-metallic minerals and automobile components.

There appears to be scope for development of SSI to supply castings, components, parts and services to LSI. Most of the foundry and engineering, machinery and medium-tool industries have remained small and need modernisation and diversification. The Industrial Master Plan (IMP) recognises their needs and recommends the preparation of specific programmes. The Malaysian Subcontracting Exchange Programmes (SCS) was initiated in 1986 in response to the recommendations of the IMP on inter-industry linkages and the promotion of ancillary industries. The SCX activities are closely co-ordinated with those of other related agencies.

The inadequacy of SMI providing support services and inter-industry linkages, and the likely shortages of engineers and managers, are constraints in the industrialisation of Malaysia.

SSEs are defined as those with capital investment below M$ 250,000 and having less than 25 employees. Like large enterprises SSEs enjoy reduced location tax, pioneer status, etc. They are exempted from paying sales tax if the value of turnover is less than M$ 100,000 per annum or payroll expenditure is less than M$ 20,000. They are also exempted from import duties on imported machinery and raw materials.

Assistance to SSI is now provided in an integrated manner as follows:

—Financial assistance: Funds are earmarked from the financial system under government guidelines for the use of SMI. In 1988 M$ 300 million was allocated from commercial banks. An Enterprise Rehabilitation Fund (ERF) of M$ 500 million has also been set up to encourage the banks to extend assistance to ailing Bumiputra enterprises. Commercial Banks are required to lend at least 20 per cent of the total loans outstanding to Pumimutra and for food production. Commercial banks must deploy 50 per cent of the total for small, unsecured loans under a Special Loan Scheme, backed by credit guarantees, which provides up to a maximum of M$ 50,000 at a subsidised interest rate of 7.5 per cent.

—Project development: Assistance takes the form of feasibility studies, entrepreneurial development, market promotion and provision of industries sites.

—Training: Areas covered include courses in management, accounting, salesmanship, marketing, and also advisory services on business practices and the dissemination of business management information.

The main institutions involved in SSE development are:

—Small-scale Enterprise Division (SED), Ministry of Trade and Industry: Set up in 1981, it is responsible for the promotion of SSEs in line with national economic policy. SED identifies investment opportunities, provides incentives, advice and information to small entrepreneurs and fosters interest in SSI. SED is also responsible for the co-ordination of activities of various agencies.

—Malaysian Development Bank (BPMB): The Bank, which is supported by the government, provides credit and other assistance to small Bumiputra entrepreneurs (e g, for buying stocks).

—Credit Guarantee Corporation (CGC): CGC provides backing to commercial banks which supply credit to small firms, for viable projects for which adjacent collateral is not available.

Other agencies providing support to SSI include Malaysian Entrepreneurship Development Centre, Malaysian Industrial Development Authority (MIDA), Malaysian Industrial Development Finance Company (MIDF), National Productivity Centre (NPC) and Standards and Industrial Research Institute of Malaysia (SIRIM).

A unique scheme combining provision of venture capital with a continuing training programme has been launched on a commercial basis in 1992 to speed up development of Bumiputra enterprises. Perbadanan Usahawan Nasional Berhad (PUNB) or Entrepreneur Development Corporation has been set up as a company wholly owned by the Foundation for Bumiputra Investment. With an authorised capital of M$ 200 million, the objective is to help establish viable Bumiputra enterprises. Companies with equity of M$ 250,000 to M$ 10 million are eligible for assistance. The company could finance up to 80 per cent of project cost as equity loan for a period of 3 to 10 years. The loan is dependent on implementation of a structured training programme and institution of a management and administration system. Holdings by the company will be sold to shareholders at the end of the loan period upon completion of training and operation of the enterprise on a viable basis. Joint ventures between Bumiputras and non-Bumiputras are possible.

Conclusion

Malaysia is a special case of a developing country relatively rich in natural resources and with a favourable land-man ratio. Its special programme for increasing the participation in the economy of the indigenous Malays (Bumiputras) may provide lessons for other countries with backward or disadvantaged groups.

Mexico

Mexico provides a successful example in Latin America of the resurgence of SMI in the 80s. Even in a period of import compression to overcome the debt problem, when large industries languished and there was some

Table 17: SMI Share in Manufacturing Output and the Domestic Input Coefficients

	Small	Medium	SMI	Domestic Input Coefficients
Wood and cork products	4.8	78.1	82.9	0.56508
Leather products	12.3	67.4	79.7	—
Non-metallic furniture	24.8	54.0	78.8	0.46694
Footwear/apparel	11.7	59.1	70.8	—
Food products	6.7	63.4	70.1	0.62416
Printing and publishing	15.4	50.8	66.2	0.40316
Textiles	14.2	40.9	55.1	0.52015
Other industries	9 6	34.7	44.3	0.46468
Metal products	15.2	28.4	43.6	0.35506
Non-metallic minerals	4.2	35.6	39.8	0.38604
Chemicals	13.5	23.3	36.8	0.42190
Non-electrical machinery	9.2	22.3	31.5	0.32268
Coal and oil subproducts	12.9	17.2	30.1	0.69349
Beverages	5.5	20.0	25.5	0.32347
Basic metal industries	4.2	17.4	21.6	0.54365
Paper	10.1	11.0	21.1	0.46027
Rubber products	6.3	14.6	20.9	0.34815
Electrical machinery	10.3	9 2	19.5	0.42854
Pharmaceuticals	5.3	8.5	13.8	—
Transport equipment	2.8	5.9	8.7	0.42854
Tobacco	0.4	2.2	2.6	0.42780
Total	8.2	35.3	43.5	—

Source: J Casar et al, *Le Organizacion Industriel en Mexico*, ILET, Mexico, 1990.

deindustrialisation, SMI filled the gap to some extent. SMEs expanded under the export-oriented strategy pursued since mid-80s.

The share of industrial output in GDP which had increased steadily from 19 per cent in the 1960s to 23 per cent in the 1970s declined thereafter to 20 per cent in 1983. The economy recovered in the late 80s and by 1990-91 the share of manufacturing in GDP was back to 23 per cent (as against 8 per cent in agriculture). Manufacturing accounted for 11 per cent of the total employment in 1990-91 as against 27 per cent in agriculture.

The size categories of industry in Mexico are defined as follows: a micro-enterprise is one with employment up to 15 persons and gross income/total sales below 110 times the annual minimum wage (equivalent to $ 1,75,000 in June 1992); a small enterprise is one with employment below 100 persons and income/sales below 1,115 times annual minimum wage; a medium enterprise is one with employment below 250 and income/sales below 2,010 times the annual minimum wage. The non-government institution in charge of the promotion of micro-enterprises, Asesoria Dinamica a Microempresas (ADMIC), however, has a more clear-cut definition, viz, Micro-enterprises (5 or less workers), Small enterprises (6-100 workers) and medium enterprises (101-250 workers).

Table 16 illustrates the relative importance of micro, small and medium enterprises. While they account for 98 per cent of the number of enterprises, employment provided by them is about 50 per cent of the total, but value added is only 41.5 per cent of the total. Of the three categories, the order of importance is small (1), medium (2) and micro (3) in relation to employment and income.

The distribution of SMI establishments and employment by economic sectors shows a concentration in five branches: food products (20.7 per cent); metal products (17.5 per cent), apparel and other textiles (10.2 per cent), printing and publishing (7.0 per cent) and footwear (5.7 per cent). The share of SMI in the output of different products—arranged in order of the extent of the share—and the domestic input coefficients are given in Table 17.

The larger the share of SMI in output, there is also a larger domestic integration of the industry. In other words, a larger share of SMI is related to a larger domestic input coefficient.

In the Federal district, about 75 per cent of micro-enterprises employ 5 or less persons, 80 per cent have a sole proprietor, and 93 per cent were oriented to domestic markets. They mainly compete with each other in a highly segmented market, operating in 66 per cent of the cases on a cash basis.

The situation is somewhat different for micro-enterprises located in the US-Mexico borders. These have a stronger export-orientation and roughly half of them produce for the foreign market. They have informal with sub-contractors and credit arrangements with the medium- and large-scale Maquiladora industry (plants set up in border regions by American and other companies which assemble imported products, tax-free, for immediate re-export duty-free except on the value added in Mexico).

Until the oil boom of the late 1970s and more particularly until the debt crisis of the mid-80s, Mexico followed an Import Substitution Industrialisation (ISI) policy, involving protectionism and licensing and in practice favouring large-scale industries to earn monopoly profits through providing preferential access to resources and through subsidisation. Although there was a programme for SMI development, it was marginal until the adoption of the Export Orientation Strategy (EOS) in the mid-80s.

It is only very recently that Mexico has developed an integrated programme for development of micro, small and medium (MSM) enterprises. Financing programmes have been there since the 50s, but these were benefiting the larger of the MSM enterprises. These have recently been made specifically oriented to different sizes of enterprises under the Federal Law for the Development of Micro-Industry of 1988 and its successor of July 1991. In addition, there are programmes from Non-Government Organisations (NGOs). These programmes will be outlined below.

Programmes for MSM enterprises have been set up by

—Ministry of Commerce and Industrial Development (SECOFI).

—Nacional Financiera (NAFIN).

—National Solidary Programme (PRONASOL).

—Inter-American Development Bank (IDB).

—Asesoria Dinamica a Microempresas (ADMIC).

The specific objectives of the SECOFI programme for 1991-94 are to (i) promote growth in both domestic and foreign markets through improved forms of purchasing, production and commercialisation; (ii) increase the levels of technology and quality; (iii) strengthen deregulation, decentralisation and simplify administrative measures; (iv) encourage development in the regions through deconcentration taking into account environmental considerations; (v) promote productive and long-term employment, based on the lower investment requirements per job created; and (vi) promote investment in social sector manufacturing activities. The main strategic mechanisms that are to be promoted include: formation of entrepreneurial groupings and associations in areas of credit, purchasing and commercialisation such as credit unions, limited liability companies and common purchasing centres as well as joint marketing, subcontracting and public procurement arrangements; promotion of technological services through the creation of a national industrial technology consultation service involving a variety of institutions including LANFI (Laboratorios Nacionales de Fomento Industriel), CONTAT (Consejo Nacional de Ciencia y Technologia) and other R and D and educational institutions and centres; total quality control; business management and training; financing and investment promotion through the development of financial intermediaries supported primarily by National Financera (NAFIN) and programmes such as the National Solidarity Programme; and others aimed at agro-industry, deregulation and decentralisation. As regards technological services, LANFI currently provides services at 50 per cent discount to micro-enterprises and 25 per cent discount to small enterprises.

SECOFI has also set up in 1991 two mixed commissions: Comision Mixta para la Promocion de las Exportaciones (COMPEX) for promoting exports and Comision Mixta para la Modernizacion de la Industria, Micro, Pequene y Mediane (COMIN) to assist modernisation. COMIN is a forum where entrepreneurs can present problems to be solved within 10 days; some 400 out of 900 cases submitted have been so resolved. For micro enterprises the Federal Law for the Development of Micro industry and Handicraft Activity (July 1991) foresees the establishment of a special Intersecretarial Commission. It proposes (a) fiscal, financial, technical assistance and commercialisation support; and (b) administrative simplification for the establishment of such enterprises.

In the area of industrial training for micro and small enterprises a joint programme (CIMO or Capacitacion Industriel de Mano de Obra) is being implemented using 70 per cent World Bank finance and 30 per cent contribution by industrial chambers, associations and enterprises.

NAFIN, the most active institution in granting preferential credits to micro and small enterprises, instituted a programme in 1990 for the Micro and Small Enterprise (PROMYP), to channelise specialised credits to these establishments through commercial banks and other financial intermediaries such as credit unions. Within this programme, specialised support facility exists for micro enterprises which have not had access to bank credit. The credit available covers working capital, machinery, equipment and plant and is backed 100 per cent by NAFIN up to a maximum of 480 million Pesos. NAFIN credits are extended through trust funds (a mixed fund of the State and NAFIN) known as Programma de Apyo a le Micro-industrie (PROMICRO) and meant to support micro industry. Almost 60 per cent of NAFIN credit in 1991 was allocated to the micro and small industry programme.

PRONOSAL (The National Solidary Programme) assists underprivileged groups through a system of matching grants to groups of producers in depressed areas pro-

vided through the National Fund for Support to Solidarity Enterprises (FONAES) established in December 1991. FONAES operates through NAFIN and its regional funds, which provide the technical and financial monitoring and backstopping.

The Inter-American Development Bank (IDB) has since 1978 provided soft loans of a maximum of US $ 5,00,000 for each micro/small enterprise through non-profit intermediaries, e g, co-operatives, associations and foundations. In 1991 Mexico received US$2.5 million through 5 projects. These are long-term loans for a period of 20 to 25 years, repayable in local currency. The IDB's experience indicates that programmes concentrating on the widest possible coverage (the so-called 'minimalist' programmes) could achieve results as good as programmes which focus more on training or technical assistance. The main lesson which it has drawn is that micro enterprise credit programmes should be managed as a business and should be separated from philanthropic activities. The bottleneck has been the limited capacity of NGOs to manage the programme.

ADMIC, the largest non-government institution in Mexico that provides direct assistance to micro-enterprises, covers eight states (in the centre and north), and from 1980 to mid-1991 provided credit to about 7,300 micro-enterprises, mostly in the last four years. ADMIC's main source of credit is NAFIN, with which it has established a trust fund of US$6.7 million. It has also received an IDB credit under the IDB small loans programme. ADMIC's loans tend to start below $500. In addition to credit, it also provides technical assistance and training.

Fundacion Mexicana para el Desarrollo Rural (FMDR) is the other major NGO in Mexico. It is a federation or network of autonomous foundations or centres which operate in a decentralised manner in the field of rural development. FMDR aims at promoting the creation of such centres. It provides them certain services and facilities and access to institutionalised credit (NAFIN, IDB).

Mexico's comprehensive programme for promoting and assisting MSM industries is of recent origin. Mexico's joining NAFTA (North American Free Trade Area—US, Canada, Mexico) is not likely to affect micro-enterprise catering to local markets. On the other hand, it will provide further opportunities to them as well as to MSM in export orientation of industries through linkages with larger firms as well as foreign enterprises and multinationals. Regional and local institutional arrangements will have to be strengthened, small and medium enterprises encouraged to be upgraded technologically and advantages of clustering or collective agglomeration realised by all the three segments—micro, small and medium.

Conclusion

Mexico's programme is of recent origin. The specific attention paid to micro-enterprises is noteworthy for other countries. Assistance is carried to the local level through arrangements with NGOs and co-operatives of enterprises. Funding is provided through multiple participation: national development bank, regional or state governments, NGOs, associations and commercial banks. Provision of credit and services has been decentralised through intermediation by financial and regional agencies. Provision has been made for venture capital financing, separation of commercial loans from grants, R and D and technology development. The Ministry of Industry has created joint commissions to co-ordinate the activities of the large number of agencies involved in the programme, which has not been in existence for long enough to provide an evaluation of experience.

III
Lessons for India

There are wide variations in the size-structure and size-composition of enterprises between countries, even among the countries of more or less the same level of economic development. This is due to the interplay of historical, legal, institutional, cultural, social and economic factors which are specific to countries or regions. A conclusion of country case studies is that the size of enterprises or establishments does not crucially determine business performance measured either in economic or social terms. Instead, business performance depends decisively on organisational structure and on the public and private policies which influence their development. Rapid changes in technology and management practices and increasing role of services are revitalising the small-scale sector all over the globe including industrialised countries. It is amply clear that in the development process SMI will continue to play a significant role, based on competition, productivity and efficiency.

While the Indian small industry programme from the mid-50s to the mid-60s was based on direct technical assistance in identifying opportunities and markets, in techno-economic viability of size, in appropriate but efficient technology, and in promotion of new entrepreneurship, it soon degenerated into a lobby—like its counterpart the private large industry sector—for currying government favours in reservations, tax exemptions, licences and quotas for scarce materials and foreign exchange, subsidised loans, etc, thus stifling technological change and sheltering sub-quality and spurious manufacturing. The industry sector, including the small-scale sector, finds it difficult to get out of past distortions and from the embrace of politicians and bureaucrats, who in turn want to continue to license and regulate. To take only the garments and leather goods subsectors, while exports are rapidly expanding, the western foreign buyer, like the earlier Russian buyer, has to implement a tight quality inspection programme, with frequent visits to factories in India, to assure acceptable quality; and yet the percentage of rejects is considerable, as seen in their diversion to the domestic market. To take another example of the jewellery and diamond trade, not only are exports net of imports of raw diamonds and gold, small; training is provided under not so uptodate working conditions and tools and as yet low wages, and in industry with high value added. Adapting to economic reforms in a globalising economy demands a drastic change in mind-set, in work culture and attitudes towards business ethics, zero-defects culture, striving for continuous skill upgradation and for excellence.

The quantity and quality of infrastructure and services provided, particularly in Northern India, leave much to be desired and undoubtedly affect adversely the operation of small enterprises. To the factors mentioned in the last paragraph should be added the irresponsible attitudes of labour, bank, telecom and government employees and their unions. Since the new technology of flexible specialisation demands the widespread use of computer and of telecom networking, and since these are achieved through skill development as well as through close and co-operative working relationships with providers of other goods and services, with R and D institutions, universities, training institutions, information channels, etc, brought together in clusters or collective agglomerations such as industrial districts or parks, the Indian small business culture of the individual loner is no longer robust. The change in mind-set required is indeed revolutionary and might take another generation to fructify, if serious efforts commence now. Meanwhile we should probably take full advantage of traditional capitalistic mass production methods using cheap unskilled labour to derive advantages of scale economies.

Statistics on small-scale industrial enterprises are notoriously inadequate in India because of overlapping definitions for regulatory and assistance programmes, changing coverage, exclusion of self-employed or own-account enterprises and no-reporting of closures or mortalities. A guesstimate is that 30 million people are on own-account manufacturing, (including village and town artisans and craftsmen), 10 million employed in the small-scale industry sector (both factory and non-factory) and about 5 million in large-scale manufacturing industry. Roughly 50 per cent of manufacturing output is from small industry. The rate of growth of output seems to have declined both in large and small industry since the mid-70s; in the second half of the 80s the rate of growth was 9.2 per cent for large industry, but only 5.2 per cent for small industry. While no data are available the share of small manufacturing output supplied to large industry, institutional buyers

and export houses, as against direct supply to domestic markets, appears to have considerably increased. While no data are readily available, it would also appear that a considerable number of small enterprises have expanded into medium and large categories, especially in garments, leather, food processing and engineering (auto parts and other machinery tools and components).

Liberalisation of the economy and the strengthening of market friendly and competitive influences, do not, and should not, mean a *laissez-faire* policy particularly as regards industrialisation and economic development. A long-term planning and perspective for growth of and structural changes in the small-scale sector is essential. The examples of Japan, South Korea and Malaysia are most relevant. The government has to take the leading role in close co-operation with private business and industry in a 10-year projection of India's role in the world perspective and the detailed measures required to achieve the targets formulated.

The industrial structure and its size distribution have to be looked upon as a continuum of different sizes co-existing as competitive and viable units. Growth and expansion and establishment of new units as well as closure of sick or bankrupt enterprises have to take place. This integrated structure should also contemplate meaningfully linked enterprises in the services, construction and trade sectors.

Most of the country experiences underline the vital role of the state and other public/institutional entities in the promotion and development of SSI. In Japan special banks and financing institutions, with regular sources of funds, have been established to meet the requirements of small enterprises. Programmes for modernisation, technological upgradation, quality-adherence have been formulated and undertaken by government or government-supported agencies in Japan. In the US local and state governments and institutions established by them and by associations of business have assisted in planning industrial and infrastructural facilities, industrial estates, R and D facilities and links with universities and consultants. Venture capital financing has also been provided for. In Germany, France, Austria, etc, the craft system has been legally based and self-governing institutional arrangements have been encouraged and assisted by government agencies, for provision of training, R and D and improvement of productivity. In Italy collective agglomeration in regional centres specialising in specific products and services has been assisted by local governments, industry associations, research institutions, banks and consultancy firms.

Except for micro or tiny enterprises, other small and medium enterprise categories are usually able to take advantage of services provided through existing market network and commercially operated institutions, including large enterprises, which often provide better quality and more cost-effective services than are possible from government-operated agencies. It is thus the very small firms (micro or tiny) which are disadvantaged in access to resources and services. Government efforts should, therefore, focus on this category (employing say to 10-20 or less workers) and on disadvantaged groups, e g., prospective entrepreneurs in backward or rural areas, or on backward classes or on women. Experiences of China, Malaysia, Mexico and the US are especially relevant in this connection. There is need for specific institutional arrangements and separate funding in association with national, regional and local governments, private and voluntary organisations. Assistance needs to reach the enterprise through decentralisation and intermediation (under a variety of arrangements). Venture capital financing, separation of commercial from grant type of requirements, and provision for dissemination of information, continuous training and upgrading, R and D, monitoring, etc, needs to be made.

While licensing and regulation by a single central authority stifles growth and dynamism, provision of facilities in a decentralised manner, through local authorities and industry associations in growth centres, hi-tech industrial estates, etc, is necessary for the development of SSEs. A few specific suggestions are indicated as follows.

R and D in many countries tends more and more to be carried out in public research institutes, universities, etc, and there is need to provide for linkages and transfer mechanisms to small enterprises.

Financing should be provided preferably—as in Japan—by separate institutions catering to small enterprises. Such small business banks in dispersed locations could develop close client relationships and also be able to link up with informal channels of capital and credit.

Collective agglomerations in similar or related products and trades (either of the Italian-type or the US research park-type) has been found to provide external economies of scale and scope and to contribute to the success of small business. These are akin to what were called functional industrial estates, single trade industrial estates and ancillary industrial estates in India in the 50s and 60s. In the planning of mini growth centres, growth centres and hi-tech industrial estates, the advantages of collective agglomeration should be sought to be realised in practical terms.

The trend towards closer and greater relationships between large enterprises and small enterprises is likely to be strengthened. A programme is needed to encourage independence of small sub-contractors and reduction of exploitation by eliminating or removing unfavourable rates of payment, delayed payments, etc. Small enterprises should themselves organise for this purpose and build up countervailing power, with government and legislative support.

Total quality control and zero-defects culture should be spread through associations, trade unions, productivity and managerial organisations, etc.

A time-bound programme is needed for disseminating and promoting the use of computers and modern telecommunications in small enterprises.

An action-oriented research programme on the flexible manufacturing system and its application to small-scale enterprises might be undertaken by an institution e g, the Confederation of Indian Industry (CII), in close co-operation with specialised industry sector research institutes, e g, in leather, mechanical engineering, ceramics, food, etc.

However difficult it may be under Indian conditions, it should be stressed that the beneficial longer-term institutional arrangements for small enterprises lie in 'bottom-up' organisation of communities of small businesses to build up support systems for themselves, rather than dependence on larger enterprises or on government agencies undertaking 'top-down' programmes.

Notes

[Some parts of this paper were prepared by the author respectively for the United Nations Industrial Development Organisation, Vienna, (1992) and for the National Council of Applied Economic Research, New Delhi (1993).]

1 Ohmae Kenichi, *The Borderless World*, Fontana, 1991, p 19.
2 *The Economist*, London, November 9, 1991, p 19.
3 Alvin Toffler, *Power Shift*, Bantam, 1991, p 454.
4 Robert Reich, *The Work of Nations*, 1991.
5 Umberto Colombo, *Diffusing High Technology in Traditional Sectors—Experience of ENEA*, International Centre for Science and High Technology, Venice, September 1991.
6 Alvin Toffler, op cit.
7 Hubert Schmitz, 'Small Firms and Flexible Specialisation in Developing Countries', *Labour and Society*, Vol 15, No 4, 1990.
8 M Camdessu, 'Good News Out of Africa', *Finance and Development*, IMF/World Bank, December 1991.
9 J Dawson, 'The Impact of Structural Adjustment on the Small-Scale Enterprise Sector', paper for the Conference on Small-Scale and Micro-Enterprise Promotion in a Changing Policy Environment, The Hague, September 30 to October 20, 1991.
10 M S D Bagachwa, 'Impact of Adjustment Policies on Small-Scale Enterprise Sector in Tanzania', paper for the Conference on Small-Scale and Micro-Enterprise Promotion in a Changing Policy Environment, The Hague, September 30 to October 2, 1991.
11 M Camdessus, op cit, footnote 5.

Where Are the Entrepreneurs?
What the Data Reveal for Tamil Nadu

Padmini Swaminathan

While maintaining its position as one of the three leading industrial states of the country, Tamil Nadu has nevertheless over the years lost considerable ground and many opportunities. This paper attempts to understand the factors underlying the loss of dynamism of Tamil Nadu's industrial economy.

THE success of the reform measures initiated in the country since the middle of the 80s depends to a large extent on the performance of the private sector in the economy. On the assumption that the entrepreneurial ability and capability should get reflected in data depicting existing industrial activity and intentions to invest, we have attempted an examination of such data. We have confined our examination to the state of Tamil Nadu *vis-a-vis* the western states of Maharashtra and Gujarat. While maintaining its status as one of the three leading industrial states of the country, Tamil Nadu has, neverthless, over the years, lost considerable ground ahd opportunities. We attribute this largely to a combination of two factors: (a) the low risk taking capacity of the existing established business houses combined with an inability to diversify into new and unchartered areas, and (b) the inability of the state in Tamil Nadu to create an atmosphere conducive to the emergence of small and medium entrepreneurs on a large scale.

There is no disputing the fact that Tamil Nadu is one among the leading industrialised states of the country. Several indicators bear this out. Data in terms of share in number of factories, number of employees, value of output and net value added (for the registered manufacturing factory sector) show that Tamil Nadu has remained within the top four states (Table 1). The weighty impress of such data notwithstanding the opinion is widely and frequently expressed that the pace of industrial growth in the state has slackened considerably in recent years.

Many look back to the early 60s when industry in the state forged ahead, when some large central projects were started and the expansion in the private sector was also marked, especially in the automobile and auto-ancillary industries. The growth in the small-scale sector also started at this time together with the clustering of such units in and around Madras city and Coimbatore. In contrast to the euphoria that prevailed then, a psychology of defeatism began to take over since the mid-70s. The sluggishness of the industrial growth seems to stem from the early 1980s; more important, an examination of the industrial structure reveals since the late 70s a failure to diversify both within broad industry groups and away from them.

This study is an attempt to understand in some depth the factors underlying the loss of dynamism in the industrial climate currently characterising the Tamil Nadu industrial economy. A comparison with Gujarat and Maharashtra, particulary, shows very starkly at various levels the absence of a spirited competitive approach to tackling the industrial problems of the state. More important, both at the political and at the operational level the culture of communication, consultation and interaction between the various actors making up the *dramatis personae* of the industrial economy of the state (so vital to the dynamic functioning of the economy), has not been nurtured—the consequences of which the state is now reaping. While an academic exercise can draw out the implications of such lack of communication between the different parties the concrete operationalisation of such process cannot be legislated. Barring certain guidelines delinealing very basic ground rules of operation, a culture of very strong conventions and a functioning bureaucracy that is effective has to be built up, which art the states of Maharashtra and Gujarat seem to have perfected to the advantage of their economies. The experience of dynamic growth in Maharashtra and Gujarat cannot be reduced to just historical and natural advantages but

TABLE 1: PRINCIPAL CHARACTERISTICS OF MAJOR STATES (RANKING)

Characteristics	Gujarat				Maharashtra				Tamil Nadu			
	1980-81	1985-86	1987-88	1988-89	1980-81	1985-86	1987-88	1988-89	1980-81	1985-86	1987-88	1988-89
(1) No of factories	3	4	4	4	1	1	1	1	4	3	3	3
(2) No of employees	6	5	6	6	1	1	1	1	3	2	2	2
(3) Value of output	2	2	2	2	1	1	1	1	3	3	3	3
(4) Net value added	5	3	2	3	1	1	1	1	4	2	4	2

Source: *Basic Statistics Relating to the Indian Economy*, Vol II: States, CMIE, various issues.

TABLE 2: DISTRIBUTION OF PUBLIC SECTOR INVESTMENT—GROSS BLOCK
(1984-85 to 31-3-1989)

(Rs crore)

States	1984-85	1985-86	1986-87	1987-88	1988-89	Per Cent Total (1988-89)	Rank in 1988-89
Gujarat	1771.77	2400.29	3197.79	4205.01	5071.10	5.25	8
Maharashtra	7601.81	8961.26	10890.46	13936.23	16127.06	16.70	1
Tamil Nadu	2548.86	2943.45	3022.09	4055.14	4924.90	5.10	9
Total (All-India)	47323.27	56695.30	68119.18	82150.16	96580.52	100.00	

Source: Government of India, *Public Enterprises Survey*, Volume 1, various years, Bureau of Enterprise, Ministry of Industry, New Delhi.

TABLE 3. SCALE OF TOTAL INVESTMENT ENVISAGED

(Rs crore)

States	Total Investment Envisaged		Major Heads of Investment				
		Per Cent	Mining	Manufacturing	Power	Irrigation	Transport
Maharashtra	43609	11.10	1309	30261	4341	7697	—
Gujarat	42882	10.92	1458	22799	4289	14336	—
Andhra Pradesh	31316	7.97	1299	20691	2018	7308	—
Tamil Nadu	18857	4.80	1342	13516	3637	362	—
All India	392713	100.00	31680	212703	63926	70758	13646

Source: Economic Intelligence Service, *Shape of Things to Come*, November 1991, CMIE, Bombay.

has a lot to do with the aggressive manner in which the state governments in tandem with the corporate sector have been able to set a pace of continuing growth.

The ordinal ranking of states given in Table 1 cannot however indicate the magnitude of the gap that separates Tamil Nadu from the top state in the order of ranking, nor the direction in which this gap is moving over time, that is, whether at an increasing or decreasing pace. It is important to emphasise in this context that, keeping pace and/or overtaking the current top industrialised state in the country is not being advocated as a goal/end in itself, nor does this by itself have any virtue. And yet, given the present changes in the industrial policy of the country, a slowing down/ sluggishness in private industrial activity in the state is symptomatic of a loss of dynamism which is disconcerting and needs to be looked into.

Analysis of the Problem

The data that we have assembled here from several (published) sources give an idea of the nature and pattern of industrial activity in the three states of Gujarat, Maharashtra and Tamil Nadu. The deceptiveness of an ordinal ranking (wherein Tamil Nadu is shown to have fared quite well in terms of certain indicators) becomes very apparent when data pertaining to specific industry groups are examined.

Appendix I gives the share of three important states in the total value of gross ouput and net value added in each of 23 major industry groups. The data clearly vindicate Maharashtra as the most diversified and an important contributor to 21 out of 23 major industry groups. Tamil Nadu is an important contributor to 10 out of the 23 industry groups. What is however significant from our point of view is the fact that Tamil Nadu ranks first in two industrial categories, namely, Cotton Textiles and Leather and Leather Products. This domination of traditional lines of activity with weak performance in other lines of activity gets corroborated further when data pertaining to changes in net value added and value of output are examined for specific industry groups (Appendix II and III)

The industry categories in which Tamil Nadu has shown an almost consistent increase in net value added and value of output between 1979-80 and 1987-88 include the following:

(1) Beverages, Tobacco and Tobacco Producis (Group 22)
(2) Cotton Textiles (Group 23)
(3) Textile Products (Group 26)
(4) Leather and Leather Products (Group 29)
(5) Non-metallic Mineral Products (Group 32)
(6) Machinery, Machine Tools and Parts (Group 35)

Industrial categories in which Tamil Nadu has shown a clear decline in both net value added and value of output between 1979-80 and 1987-88 include:

(1) Synthetic Fibres (Group 24)
(2) Chemical and Chemical Products (Group 31)
(3) Transport Equipment and Parts (Group 37)

Industrial categories in which Tamil Nadu has shown a decline in net value added but a marginal increase in value of output between 1979-80 and 1987-88 include:

(1) Paper and Paper Products (Group 28)
(2) Basic Metals and Alloys (Group 33)
(3) Metal Products and Parts (Group 34)
(4) Electrical Machinery and Parts (Group 36)

The data also reveal that, while Maharashtra's share (among the three states) has come down in many of the industries, the industrial base in Maharashtra is still quite large and strong with shares exceeding 50 per cent in most of the groups.

Table 4. Share in Emerging Large Projects (MFG)
(Investment in each of Rs 500 crore and above)

State	No of Projects	Project (Rs Crore)	Per Cent to All India
Gujarat	11	11267.70	8.89
Maharashtra	12	16723.00	13.20
Tamil Nadu	5	6196.00	4.89
Andhra Pradesh	8	13539.43	10.69
All India	92	126682.91	100.00

Source: Computed from Economic Intelligence Service, *Shape of Things to Come*, CMIE, November 1991.

Table 7: Percentage Share in Total Finance Sanctioned and Disbursed by All-India Financial Institutions

States	Per Cent Sanctioned	Per Cent Disbursed
	(Cumulative up to March 1990)	
Gujarat	12.34	12.55
Maharashtra	19 83	19.66
Tamil Nadu	9.28	9.86

Note: All-India Financial Institutions refer to IDBI, IFCI, ICICI, LIC, UTI and GIC.
Source. Computed from *Report on Development Banking in India*, 1989-1990, IDBI, Statistical Appendices

Table 6. Upcoming Projects, Industry Groupwise and Ownershipwise

(*Rs crore*)

	Co-operative	Government	Joint	Private	Total
20-21	24 00	...	30.00	87 39	141.39
22	..	...	30.00	12.00	42.00
23-24		...	.	228.05	228.05
26		...	.	7.50	7.50
28	.	360 00	1200.00	25.00	1585.00
29	.	...	...	11.50	11.50
30	.	625.95	375.00	115 25	1116.20
31	...	1953.05	2841.27	3767.91	8562.23
32	.		226.25	61.62	287.87
33	..	500.16	132.00	114.60	746.76
34		..		.	..
35	.	..		308.62	308.62
36	.	..	76.65	12.03	88.68
37		88.40		360.86	449.26
	24.00	3527.56	4911 17	5112.33	13575.06

Source: Appendix IV

Table 5: Ownershipwise Distribution of Projects in Manufacturing

(*Rs crore*)

States	Co-operative Project Cost	Per Cent	Government Project Cost	Per Cent	Joint Project Cost	Per Cent	Private Project Cost	Per Cent	Total Project Cost	Per Cent
Andhra Pradesh	15.00	1.26	9319.57	14.72	2244.49	4.41	9112 06	9.36	20691.12	9.73
Gujarat	413.51	34.68	6730.91	10.63	4633.93	9.11	11020.43	11 32	22798.78	10.72
Maharashtra	50.12	4.20	2213.20	3.50	620.55	1.22	27377.56	28.13	30261.43	14.23
Tamil Nadu	24.00	2.01	3527.56	5.57	4911.17	9.65	5112 33	5.25	13575.06	6.38
Total (All-India)	1192.19		63309.02		50877.11		97324.42		212702.74	

Source: Economic Intelligence Service, *Shape of Things to Come*, November 1991, CMIE, Bombay.

Gujarat has grown at the expense of both Maharashtra and Tamil Nadu in quite a few of the upcoming and growing industries, namely,

Group 34—Metal Products and Parts except Machinery and Transport Equipment

Group 31—Chemical and Chemical Products

Group 36—Electrical Machinery and Parts

Group 33—Basic Metals and Alloys'

What comes out clearly from the above analysis is that diversification (both within broad industry groups and away from them) has not been a strong point of the Tamil Nadu industrial structure. Further if one examines the industry groups where the share of Tamil Nadu has clearly declined, particularly, industry groups 24, 31, 36, 37—these are precisely the industries where large investments are the order of the day; these are also the industries which spawn the growth of many related items thus imparting to industrial activity a momentum of its own. And these are also the industry groups (except industry group 37) where Gujarat has entered into direct competition with Maharashtra leaving Tamil Nadu far behind in the race.

Over the years the share of Tamil Nadu in total central investment has either remained constant or increased only marginally (Table 2). It may be argued that in relatively developed states (and Tamil Nadu is one of them) one would expect a decline in central investment with greater attention going to the relatively backward states. Hence the low share in central investment should not by itself be taken as an indicator of declining industrial activity. What needs to be noted in this context is that there has been no change in the position of Maharashtra which continues to rank first as far as share in total central investment is concerned. The decline in central investment by itself would not be a cause for alarm had it been compensated by, or were it to be compensated by, say, investment in joint sector and/or private sector projects in the state. It is to an examination of such data that we will now turn.

Investments Envisaged

(a) It would be interesting to examine the projects coming up in the three states against the above background. For the analysis that follows we have used data compiled by the Centre for Monitoring Indian Economy in their document entitled *Shape of Things to Come*. In the first place it needs to be noted that the total investment envisaged in Tamil Nadu is of the order of Rs 18,857 crore as compared to Maharashtra's Rs 43,609 crore, Gujarat's Rs 42,882 crore and Andhra Pradesh's Rs 31,316 crore. (Details in Table 3.)

(b) The investment envisaged in the manufacturing sector of Tamil Nadu as compared to all-India works out to 6.35 per cent which is way below Maharashtra and Gujarat, the top two in terms of quantum of investment

(c) Among large projects involving an investment of Rs 500 crore and above, Tamil Nadu has only 5 projects involving an investment of Rs 6,196 crore which works out to 4.89 per cent of the total investment in such large projects at the all-India level (Table 4).

(d) Of the total investment envisaged in the private sector of the country, Tamil Nadu's share is only 5 per cent against Maharashtra's 28 per cent, Gujarat's 11 per cent and Andhra Pradesh's 9 per cent (Table 5).

(e) Appendix IV provides details of investment in specific industry groups together with the parties to the investment programme (government, joint sector, private sector etc). The data for Tamil Nadu has been extracted in Table 5.

Taking the industry groups 28, 31, 33, 36 and 37 in which (in terms of net value added) Tamil Nadu has shown a clear decline in terms of net value added, we find that only 37.46 per cent of the total investment envisaged in these industries is in the private sector, the rest being in the government and joint sector. Given the record of performance of both these latter organisations there is nothing very encouraging in the emerging industrial scenario as far as Tamil Nadu is concerned.

Share in Institutional Finance

A further corroboration of the comparatively low key level of private and public sector industrial activity in Tamil Nadu can be had from the sanctions and disbursements made by all-India financial institutions. We present Tables 7 to 10 extracted from the data provided by these institutions.

Among the financial institutions, IDBI's share forms the single largest component in each of the states—more than 50 per cent in the case of Gujarat, and Tamil Nadu and 42 per cent in the case of Maharashtra. A break-up of IDBI's project finance schemes statewise and sectorwise reveals Tamil Nadu's low share as compared to Maharashtra and Gujarat, and a particularly dismal picture as far as projects in the private sector are concerned (Table 8).

Mention was made earlier of very few large projects (of Rs 500 crore and above) emerging on the industrial horizon of Tamil Nadu. A similar picture emerges when one calculates the average size of projects (public, private, joint, etc), financed by IDBI in the state. The disparity in the average amount of assistance sanctioned was particularly marked in respect of private sector projects (Table 10).

The data put out by the financial institutions clearly bring out that recourse to institutional finance by industry in Tamil Nadu is at a comparatively low level. This in turn would imply that projects conceived in Tamil Nadu are by and large being financed by resources generated from within and/or by borrowings elsewhere. This phenomenon to a large extent explains why the average size of projects coming up in Tamil Nadu is not very large as compared to Maharashtra and Gujarat.

A related aspect is the relative under-development of commercial sophistication in Tamil Nadu measured in terms of the adoption of the corporate form of business. Further, the preference of savers in Tamil Nadu—and in the southern region generally—has traditionally favoured non-financial assets. This bias has persisted to some extent despite the massive branch expansion by banks and the introduction of a wide variety of new savings media. The growth

Table 9: Assistance Sanctioned to Manufacturing Sector by IDBI and IFCI (Per cent to All-India Manufacturing)

States	IDBI Assistance (1985-86 up to March 1990)	IFCI Assistance (1985-86 up to March 1991)
Gujarat	14.93	13.26
Maharashtra	17.65	21.10
Tamil Nadu	8.91	6.34

Sources: (1) Computed from *Operational Statistics*, IDBI 1989-90
(2) Computed from *Operational Statistics*, IFCI various volumes

Table 8 : Project Finance Scheme (IDBI) Statewise and Sectorwise Assistance Sanctioned (Percentage Share to All India)

States	Public Sector		Joint Sector		Co-op Sector		Private Sector		Total	
	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned
Gujarat	17.13	11.95	29.37	35.20	13.05	16.13	19.44	11.29	19.92	14.93
Maharashtra	1.12	0.81	2.62	1.93	22.59	29.43	23.21	23.34	18.51	17.65
Tamil Nadu	4.76	6.65	10.80	9.23	4.50	6.20	6.66	9.40	6.78	8.91

Source: Computed from *Operational Statistics*, 1989-90 IDBI.

in bank deposits, for instance, is not commensurate with the spread of banking or the long exposure that a state like Tamil Nadu has had to commercial banking For their part many industrialists in Tamil Nadu prefer close-holding of share capital This type of savings and investment psychology places a very low premium on risk taking The combined effect of all these features is to reduce the capital market activity in the state to low proportions

State Promotional Activity

Underlying and complementing private industrial activity in the states of Maharashtra and Gujarat is the strong presence of their respective state governments discernible in the scale and magnitude of promotional activities undertaken by them Thanks to the chairman, State Industries Promotion Corporation of Tamil Nadu (SIPCOT), we have been able to obtain detailed information giving (for SIPCOT estates) the number of units in production those closed, yet to commence, etc

Even a casual perusal of the data brings out very clearly the low scale of activity in SIPCOT estates, particularly the meagre investment of Rs 35,543 lakh made by SIPCOT's functioning units One cannot help asking why a body like SIPCOT, which has been in existence for 20 years could not have done better in terms of the number of units in existence under its aegis and within this of the number of units in production (Tables 13 (a) and 13 (b)

Concluding Remarks

Our data show that, as compared to Maharashtra and Gujarat, private investment forthcoming in Tamil Nadu is low, further, we have also seen that, while there has been a consolidation and even substantial growth in certain 'traditional' lines of business, there is not much going into (and even less private investment in) 'modern 'growing' industries On the other hand, the backbone of the Gujarat and Maharashtra economy seem to be their private sector In the changing industrial scenario of the country, with greater emphasis being placed on the private sector to spur economic growth in the country, this stagnation /sluggish performance of the private sector in the state could have severe long-term implications One indicator of this is the high unemployment figures that Tamil Nadu has, another indicator is the marginal increase in private sector employment in manufacturing (If it is argued, as some have done, that the primary aim of industry is not to provide employment, then the question of how the population of the state/country is to take care of itself still remains)

Our reading of the situation runs some-

Table 10 Project Finance Scheme—Average Size of Project Cost and Assistance Sanctioned IDBI

(*Rs lakh*)

States	Public Sector		Joint Sector		Co op Sector		Private Sector		Total	
	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned	Project Cost	Assistance Sanctioned
Gujarat	7985	1572	3162	1251	3356	760	2924	397	3168	587
Maharashtra	1041	214	1444	1681	787	188	2309	543	2037	479
Tamil Nadu	1008	398	2074	585	926	234	794	262	908	295
All India	2090	590	1971	650	1582	290	1631	381	1701	420

Note Average Size = (a) project cost assistance sanctioned / No of projects within each sector in each state

= (b) total project cost assistance sanctioned /total no of projects in each state

Source Computed from *Operational Statistics*, IDBI 1989-90

Table 11 Progress of GIDC and Trends of Functioning Units in GIDC Industrial Estates

Years	No of Sanctioned Estates	Plot Allotted (Cumulative) (in lakh sq mts)	No of Sheds Allotted (Cumulative)	Total No of Functioning Units	Investment (Rs lakh)	Production (Rs lakh)	Employment (No)
1980 81	130	298 59	6186	6212	40903 56	111839 79	114291
1981 82	139	333 35	6870	7294	63751 92	161165 19	125311
1982 83	158	361 40	7217	8381	100958 00	237492 68	146477
1983 84	156	403 89	7799	9825	127967 00	281066 00	178072
1984 85	162	426 46	8214	10695	113061 00	231262 10	157242
1985 86	167	456 45	8667	12122	130292 00	264023 44	180050
1986 87	171	559 08	9351	13187	142398 00	289155 44	198582
1987-88	169	601 97	9838	13983	152405 00	309003 95	211548
1988 89	173	624 71	10407	16208	203005 00	501119 00	280252
1989 90*	174	654 94	10707	18821	267956 00	765268 00	366752

Note * Estimated figures

Source *Industries in Gujarat (Some Statistics)* Industries Commissionerate, Gujarat State, Ahmedabad 1991

Table 12 Development of Industrial Units and Expenditure on Development of Industrial Areas and Estate (MIDC)

(As on 31 3 1990)

Names of Industrial Areas	No of Units in Production	No of Units under Construction	Capital Investment of Units in Production (Rs lakh)	Annual Turn over of Units in Production (Rs lakh)	Total Employment Generated by Units	Development Expenditure (Rs lakh)	Administrative Charges (Rs lakh)	Total Expenditure (Rs lakh)
I Developed parts								
(a) Bombay suburban dt	268	11	11046	20995	18195	128 30	15 48	143 78
(b) Thane dt	2983	204	89883	277383	103238	2218 74	263 79	2482 53
(c) Raigad dt	584	20	15390	28290	12380	297 26	35 63	332 89
(d) Pune dt	1265	73	60258	132593	75548	349 94	44 40	394 34
Total for developed parts	5100	308	176577	459261	209361	2994 24	359 31	3353 54
II Developing parts								
(a) Konkan division	1348	319	78402	118890	36864	2038 10	215 30	2253 40
(b) Nashik division	2232	433	42301	82814	59330	1074 55	117 70	1192 26
(c) Pune division	1513	444	21426	46112	30312	1002 44	105 49	1107 92
(d) Aurangabad division	1446	394	58720	124442	56687	2131 31	235 86	2367 17
(e) Amravati division	664	98	9179	22890	11487	591 56	61 53	653 09
(f) Nagpur division	804	227	33348	35773	24734	1118 34	118 12	1236 45
Total for developing parts	8007	1915	243376	430921	219414	7956 29	854 00	8810 29
Grand total	13107	2223	419953	890182	428775	10950 53	1213 30	12163 83

Source Government of Maharashtra, *Maharashtra Industrial Development Corporation* 28th Annual Report 1989 90

trial estates and other industry-related promotional activities have managed to expand the entrepreneurial base of their economies to encompass especially those not belonging to already established business groups/houses In the process they have also been able to attract entrepreneurs from all over The combination of an inherently dynamic entrepreneurial class willing to assume risks and an aggressive state government tuning its promotional activities to facilitate the setting up of industries has imparted considerable dynamism to the economies of Maharashtra and Gujarat

It would not be wrong to state that in contrast to the situation in states such as Maharashtra and Gujarat entrepreneurship in Tamil Nadu is characterised by a pronounced timidity There appears to be an endemic inability to assume risks and conceive of and implement large projects Such development on a larger scale that has taken place in recent years is insular and inbred with the same few business houses

TABLE 13 (a) STATUS OF SIPCOT UNITS IN VARIOUS ESTATES

Projects	Expenditure as on 31 3 90 (Rs lakh)	Total Area (Acres)	Saleable Area (Acres)	Area Allotted	Percentage of 5 to 4	Number of Units: Allotted	Number of Units: Under Production	Number of Units: Under Implementation	Percentage of Col 8 to Col 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Ranipet I (1973)	17 52	729 78	590 37	588 06	99 61	133	77	6	57 89
Ranipet II (1973)		113 98	113 98	113 98	100 00				
(2) Hosur I (1974)	207 74	1235 86	977 56	977 56	100 00	142	92	13	64 79
Hosur II (1974)		456 82	326 82	15 00	4 59				
(3) Manamadurai (1980)	163 41	492 07	382 20	198 59	51 96	54	25	8	46 30
(4) Pudukottai (1982)	193 20	412 00	311 49	186 47	59 86	51	25	5	49 02
(5) Gummidipoondi (1984)	775 89	801 38	618 00	580 49	93 93	195	111	22	56 92
(6) Cuddalore (1984)	416 40	518 79	453 43	453 43	100 00	58	15	9	25 86
(7) Tuticorin (1984)	379 40	843 00	670 37	189 22	28 23	36	6		16 67
Total	2153 56	5603 66	4444 26	3302 80	74 32	669	351	63	52 47

Source *State Industries Promotion Corporation of Tamil Nadu* 20th Annual Report 1990 91

TABLE 13 (b) STATUS OF (SIPCOT) UNITS IN VARIOUS ESTATES

Estates	Functioning: No of Units	Functioning: Project Cost (Rs lakh)	Functioning: Employment (No)	Under Construction: No of Units	Under Construction: Project Cost (Rs lakh)	Under Construction: Employment (No)	Cancelled/Stay: No of Units	Cancelled/Stay: Project Cost (Rs lakh)	Cancelled/Stay: Employment (No)	Yet to Commence: No of Units	Yet to Commence: Project Cost (Rs lakh)	Yet to Commence: Employment (No)
Manamadurai (1980)	17	1038 5	1246	7	324 30	276				19	778 05	927
Cuddalore (1984)	12	3426 42	1393	14	8525 40	1028		1162 63	425	16	9029 05	1221
Tuticorin (1984)	7	458 50	624	9	255 60	455				12	475 99	422
Pudukottai (1982)	22	992 15	1047	8	249 20	214				14	404 36	319
Gummidipoondi (1984)	100	8489 12	6505	25	5946 32	1388	30	3049 79	2655	20	6419 38	1069
Ranipet I (1973)	61	5986 63	5850	2	24 48	110	1	0 00	0	13	1215 74	488
Ranipet II (1973)	2	713 00	75	4	1107 77	258				31	4247 27	1941
Hosur I (1974)	88	14438 2	11775	16	1176 00	716	1	119 50	140	27	1969 09	1671
Hosur II (1974)				1	49 00	21	3	1220 00	1250	6	74 35	591
Total	309	35542 52	28515	86	17658 07	4466	44	5551 92	4470	158	24613 28	8649

Estates	Closed: No of Units	Closed: Project Cost (Rs lakh)	Closed: Employment (No)	Taken over by TIIC or SIPCOT: No of Units	Taken over by TIIC or SIPCOT: Project Cost (Rs lakh)	Taken over by TIIC or SIPCOT: Employment (No)	Lock Out: No of Units	Lock Out: Project Cost (Rs lakh)	Lock Out: Employment (No)	Sick Unit: No of Units	Sick Unit: Project Cost (Rs lakh)	Sick Unit: Employment (No)	Total: No of Units
Manamadurai (1980)	1	2 00	13		106 00	125	5	60 00	168				53
Cuddalore (1984)	1	181 00	153										52
Tuticorin (1984)										1	37 00	109	29
Pudukottai (1982)										2	196 82	148	46
Gummidipoondi (1984)	9	633 62	670		86 00	82				5	507 75	489	190
Ranipet I (1973)													77
Ranipet II (1973)										10	379 58	547	49
Hosur I (1974)										8	353 69	928	140
Hosur II (1974)										1	41 90	17	11
Total	11	816 62	836	5	192	207		60	168	27	1516 74	2238	647

Notes (1) Only manufacturing units have been considered for analysis
(2) Years in brackets indicate year of inception of the estate

Source SIPCOT

APPENDIX I: SHARE OF THREE IMPORTANT STATES IN THE GROSS OUTPUT AND VALUE ADDED OF EACH MAJOR INDUSTRY GROUP

(Rs lakh)

Description of Industry	State	Gross Output Actual	Gross Output Per Cent	Value Added Actual	Value Added Per Cent
Food products	All-India	2451262	100.0	285981	100.0
	Maharashtra	433512	17.7	61243	21.4
	Uttar Pradesh	354715	14.5	43370	15.2
	Andhra Pradesh	247427	10.1	17719	6.2
	Total	1035654	42.3	122332	42.8
Tobacco products	All-India	347425	100.0	89258	100.0
	Andhra Pradesh	63235	18.2	18775	21.0
	Maharashtra	44645	12.9	11136	12.5
	Uttar Pradesh	43406	12.5	13593	15.2
	Total	151286	43.5	43504	48.7
Cotton textiles	All-India	989799	100.0	177390	100.0
	Tamil Nadu	284766	28.8	50333	28.4
	Gujarat	168669	17.0	26692	15.1
	Maharashtra	160577	16.2	40634	22.9
	Total	614012	62.0	117659	66.3
Wool and silk textiles	All-India	575110	100.0	89941	100.0
	Maharashtra	160787	28.0	27080	30.1
	Gujarat	139716	24.3	18762	20.9
	Punjab	72451	12.6	12029	13.4
	Total	372954	64.9	57871	64.4
Jute textiles	All-India	121316	100.0	37875	100.0
	West Bengal	98778	81.4	31857	84.1
	Uttar Pradesh	5274	4.4	1168	3.1
	Bihar	2075	1.7	522	1.4
	Total	106127	87.5	33547	88.6
Textile products	All-India	250438	100.0	48230	100.0
	Maharashtra	65412	26.1	12363	25.6
	Delhi	54321	21.7	9322	19.3
	Tamil Nadu	38105	15.2	8030	16.7
	Total	157838	63.0	29532	61.6
Wood and wood products	All-India	81360	100.0	14214	100.0
	Assam	16752	20.6	3588	25.2
	Karnataka	7910	9.7	649	4.6
	Maharashtra	7580	9.3	1367	9.6
	Total	32242	39.6	5604	39.4
Paper and paper products	All-India	480656	100.0	94359	100.0
	Maharashtra	86956	18.1	19078	20.2
	Tamil Nadu	65485	13.6	10308	10.9
	Uttar Pradesh	48115	10.0	7647	8.3
	Total	200556	41.7	37033	39.3
Leather and leather products	All-India	173859	100.0	21981	100.0
	Tamil Nadu	86451	49.7	10638	48.4
	Uttar Pradesh	27814	16.0	4235	19.3
	West Bengal	18890	10.9	444	2.0
	Total	133155	76.6	15317	69.7
Rubber, plastic, etc, products	All-India	2020411	100.0	266200	100.0
	Maharashtra	448313	22.2	71878	27.0
	Gujarat	251913	12.5	29747	11.2
	Uttar Pradesh	197868	9.8	5557	2.1
	Total	898094	44.5	107182	40.3
Chemicals and chemical products	All-India	2386525	100.0	443591	100.0
	Maharashtra	648319	27.2	141182	31.8
	Gujarat	568630	23.8	140883	31.8
	Tamil Nadu	177911	7.5	48138	10.9
	Total	1394860	58.5	330203	74.4
Non-metallic mineral products	All-India	645923	100.0	128456	100.0
	Madhya Pradesh	98110	15.2	12380	9.6
	Maharashtra	73073	11.3	17424	13.6
	Andhra Pradesh	69449	10.8	7550	5.9
	Total	240632	37.3	37354	29.1
Basic metals and alloys	All-India	2359126	100.0	410989	100.0
	Bihar	415287	17.6	134737	32.8
	Maharashtra	330141	14.0	44571	10.8
	Madhya Pradesh	286718	12.2	57481	14.0
	Total	1032146	43.8	236789	57.6
Metal products and parts	All-India	405472	100.0	98363	100.0
	Maharashtra	153811	37.9	45857	46.6
	Gujarat	33497	8.3	6661	6.8
	Tamil Nadu	33010	8.1	8037	8.2
	Total	220318	54.3	60555	61.6
Machinery and machine tools	All-India	974808	100.0	212293	100.0
	Maharashtra	245430	25.2	63431	29.9
	Tamil Nadu	169171	17.4	27227	12.8
	Gujarat	115174	11.8	21940	10.3
	Total	529775	54.4	112598	53.0
Electrical machinery	All-India	1159595	100.0	265590	100.0
	Maharashtra	227145	19.6	57592	21.7
	Andhra Pradesh	144718	12.5	27907	10.5
	Karnataka	136309	11.8	37620	14.2
	Total	508172	43.8	123114	46.4
Transport equipment	All-India	1107548	100.0	233069	100.0
	Maharashtra	359611	32.5	78728	33.8
	Tamil Nadu	155360	14.0	31744	13.6
	Haryana	138446	12.5	19837	8.5
	Total	653417	59.0	130309	55.9
Other industries	All-India	136050	100.0	34638	100.0
	Maharashtra	36594	26.9	7680	22.2
	Gujarat	17477	12.9	4192	12.1
	Uttar Pradesh	17229	12.7	3695	10.7
	Total	71300	52.4	15567	44.9
Electricity	All-India	1604513	100.0	454277	100.0
	Maharashtra	370737	23.1	105206	23.2
	Uttar Pradesh	222513	13.9	90925	20.0
	Tamil Nadu	160493	10.0	45491	10.0
	Total	753743	47.0	241622	53.2
Gas and steam	All-India	17394	100.0	−2941	...
	Maharashtra	4538	26.1	−1314	...
	Madhya Pradesh	2909	16.7	−678	...
	Uttar Pradesh	2661	15.3	33	...
	Total	10108	58.1	−1959	...
Water works and supply	All-India	19145	100.0	5021	100.0
	Maharashtra	6875	35.9	1515	30.2
	West Bengal	2908	15.2	464	9.2
	Uttar Pradesh	2282	11.9	1221	24.3
	Total	12065	63.0	3200	63.7
Cold storage	All-India	12257	100.0	2513	100.0
	Uttar Pradesh	4053	33.1	770	30.6
	Maharashtra	3831	31.3	448	17.8
	West Bengal	2502	20.4	819	32.6
	Total	10386	84.7	2037	81.1
Repair services	All-India	114885	100.0	52191	100.0
	Maharashtra	28156	24.5	12404	23.8
	Tamil Nadu	17428	15.2	7554	14.5
	Delhi	12536	10.9	6361	12.2
	Total	58120	50.6	26319	50.4

Sources: CSO, *Annual Survey of Industries 1988-89, Summary Results for Factory Sector*, Government of India, New Delhi.

APPENDIX II: NET VALUE ADDED

(*Rs lakh*)

	Tamil Nadu (1)	Maharashtra (2)	Gujarat (3)	Per Cent Variation* Tamil Nadu	Per Cent Variation* Maharashtra	Per Cent Variation* Gujarat	Total (1+2+3)	Percentage Share** Tamil Nadu	Percentage Share** Maharashtra	Percentage Share** Gujarat
Group 20-21 Food Products										
1979-80	7235	11361	5448				24044	30.09	47.25	22.66
1980-81	8922	5612	6466	23.32	-50.60	18.69	21000	42.49	26.72	30.79
1981-82	10721	17149	7088	48.18	50.95	30.10	34958	30.67	49.06	20.28
1982-83	13000	25063	8680	79.68	120.61	59.32	46743	27.81	53.62	18.57
1983-84	17089	26460	12873	136.20	132.90	136.29	56422	30.29	46.90	22.82
1984-85	19239	27685	6810	165.92	143.68	25.00	53734	35.80	51.52	12.67
1985-86	18398	28983	10372	154.29	155.11	90.38	57753	31.86	50.18	17.96
1986-87	23658	37524	10396	226.99	230.29	90.82	71578	33.05	52.42	14.52
1987-88	22735	31683	14656	214.24	178.88	169.02	69074	32.91	45.87	21.22
Group 22 Beverages, Tobacco and Tobacco Products										
1979-80	589	3720	905				5214	11.30	71.35	17.36
1980-81	802	4632	1240	36.16	24.52	37.02	6674	12.02	69.40	18.58
1981-82	943	4183	1080	60.10	12.45	19.34	6206	15.19	67.40	17.40
1982-83	1461	5224	451	148.05	40.43	-50.17	7136	20.47	73.21	6.32
1983-84	2336	6006	1349	296.60	61.45	49.06	9691	24.10	61.98	13.92
1984-85	3244	9518	1293	450.76	155.86	42.87	14055	23.08	67.72	9.20
1985-86	2236	7489	1108	279.63	101.32	22.43	10833	20.64	69.13	10.23
1986-87	2379	9838	1114	303.90	164.46	23.09	13331	17.85	73.80	8.36
1987-88	2462	9220	1642	318.00	147.85	81.44	13324	18.48	69.20	12.32
Group 23 Cotton Textiles										
1979-80	20291	37103	31166				88560	22.91	41.90	35.19
1980-81	23222	33115	32461	14.44	-10.75	4.16	88798	26.15	37.29	36.56
1981-82	19056	34693	28313	-6.09	-6.50	-9.15	82062	23.22	42.28	34.50
1982-83	21422	19851	30634	5.57	-46.50	-1.71	71907	29.79	27.61	42.60
1983-84	24820	27182	41768	22.32	-26.74	34.02	93770	26.47	28.99	44.54
1984-85	28269	27557	30152	39.32	-25.73	-3.25	85978	32.88	32.05	35.07
1985-86	31079	34782	30825	53.17	-6.26	-1.09	96686	32.14	35.97	31.88
1986-87	34517	43644	31491	70.11	17.63	1.04	109652	31.48	39.80	28.72
1987-88	41864	31700	26645	106.32	-14.56	-14.51	100209	41.78	31.63	26.59
Group 24 Synthetic Fibre Textiles										
1979-80	1217	10796	6111				18124	6.71	59.57	33.72
1980-81	2301	14494	6961	89.07	34.25	13.91	23756	9.69	61.01	29.30
1981-82	1758	17902	10221	44.45	65.82	67.26	29881	5.88	59.91	34.21
1982-83	1539	17434	13204	26.46	61.49	116.07	32177	4.78	54.18	41.04
1983-84	1544	22773	14632	26.87	110.94	139.44	38949	3.96	58.47	37.57
1984-85	2146	26486	15404	76.34	145.33	152.07	44036	4.87	60.15	34.98
1985-86	2103	31138	16368	72.80	188.42	167.84	49609	4.24	62.77	32.99
1986-87	1794	28156	22006	47.41	160.80	260.10	51956	3.45	54.19	42.36
1987-88	2350	23797	20684	93.10	120.42	238.47	46831	5.02	50.81	44.17
Group 26 Textile Products										
1979-80	870	3237	375				4482	19.41	72.22	8.37
1980-81	1018	3443	529	17.01	6.36	41.07	4990	20.40	69.00	10.60
1981-82	1202	3425	733	38.16	5.81	95.47	5360	22.43	63.90	13.68
1982-83	1308	3443	990	50.34	6.36	164.00	5741	22.78	59.97	17.24
1983-84	1522	3964	1348	74.94	22.46	259.47	6834	22.27	58.00	19.72
1984-85	1909	5628	2569	119.43	73.86	585.07	10106	18.89	55.69	25.42
1985-86	2485	4982	2049	185.63	53.91	446.40	9516	26.11	52.35	21.53
1986-87	3805	6371	1809	337.36	96.82	382.40	11985	31.75	53.16	15.09
1987-88	6525	7728	2841	650.00	138.74	657.60	17094	38.17	45.21	16.62
Group 28 Paper and Paper Products										
1979-80	4804	8159	2079				15042	31.94	54.24	13.82
1980-81	4947	10274	2422	2.98	25.92	16.50	17643	28.04	58.23	13.73
1981-82	6384	12573	2551	32.89	54.10	22.70	21508	29.68	58.46	11.86
1982-83	5818	14864	2322	21.11	82.18	11.69	23004	25.29	64.61	10.09
1983-84	7226	16508	3148	50.42	102.33	51.42	26882	26.88	61.41	11.71
1984-85	12908	15703	5386	168.69	92.46	159.07	33997	37.97	46.19	15.84
1985-86	6610	17375	3159	37.59	112.96	51.95	27144	24.35	64.01	11.64
1986-87	11391	17772	4875	137.11	117.82	134.49	34038	33.47	52.21	14.32
1987-88	8709	21835	4225	81.29	167.62	103.22	34769	25.05	62.80	12.15
Group 31 Chemical and Chemical Products										
1979-80	13342	63914	20588				97844	13.64	65.32	21.04
1980-81	14193	66189	23455	6.38	3.56	13.93	103837	13.67	63.74	22.59
1981-82	19048	67901	31197	42.77	6.24	51.53	118146	16.12	57.47	26.41
1982-83	22695	63797	44976	70.10	-0.18	118.46	131468	17.26	48.53	34.21
1983-84	25866	95300	43424	93.87	49.11	110.92	164590	15.72	57.90	26.38

(Continued)

(*Rs lakh*)

	Tamil Nadu (1)	Maharashtra (2)	Gujarat (3)	Per Cent Variation* Tamil Nadu	Per Cent Variation* Maharashtra	Per Cent Variation* Gujarat	Total (1+2+3)	Percentage Share** Tamil Nadu	Percentage Share** Maharashtra	Percentage Share** Gujarat
1984-85	25289	81878	60789	89.54	28.11	195.26	167956	15.06	48.75	36.19
1985-86	28392	90387	71712	112.80	41.42	248.32	190491	14.90	47.45	37.65
1986-87	23968	104411	83701	79.64	63.36	306.55	212080	11.30	49.23	39.47
1987-88	27687	116648	101028	107.52	82.51	390.71	245363	11.28	47.54	41.17
Group 32 Non-Metallic Mineral Products										
1979-80	3583	4627	3117				11327	31.63	40.85	27.52
1980-81	3985	5679	4062	11.22	22.74	30.32	13726	29.03	41.37	29.59
1981-82	6103	7491	4376	70.33	61.90	40.39	17970	33.96	41.69	24.35
1982-83	10165	6466	6475	183.70	39.74	107.73	23106	43.99	27.98	28.02
1983-84	8244	7276	7924	130.09	57.25	154.22	23444	35.16	31.04	33.80
1984-85	15335	15680	6707	327.99	238.88	115.17	37722	40.65	41.57	17.78
1985-86	12450	14625	11086	247.47	216.08	255.66	38161	32.62	38.32	29.05
1986-87	13645	9412	8038	280.83	103.41	157.88	31095	43.88	30.27	25.85
1987-88	13622	12409	8482	280.18	168.19	172.12	34513	39.47	35.95	24.58
Group 33 Basic Metals and Alloys										
1979-80	4510	16286	3184				23980	18.81	67.91	13.28
1980-81	4843	19857	3779	7.38	21.93	18.69	28479	17.01	69.73	13.27
1981-82	6118	20592	4911	35.65	26.44	54.24	31621	19.35	65.12	15.53
1982-83	5808	21458	4364	28.78	31.76	37.06	31630	18.36	67.84	13.80
1983-84	6263	23348	6524	38.87	43.36	104.90	36135	17.33	64.61	18.05
1984-85	5302	24809	4652	17.56	52.33	46.11	34763	15.25	71.37	13.38
1985-86	7950	28349	7783	76.27	74.07	144.44	44082	18.03	64.31	17.66
1986-87	9526	34221	8102	111.22	110.13	154.46	51849	18.37	66.00	15.63
1987-88	7619	3902	8577	68.94	114.31	169.38	51098	14.91	68.30	16.79
Group 34 Metal Products and Parts Except Machinery and Transport Equipment										
1979-80	2421	13735	1969				18125	13.36	75.78	10.86
1980-81	2855	14786	2073	17.93	7.65	5.28	19714	14.48	75.00	10.52
1981-82	3177	15700	2226	31.23	14.31	13.05	21103	15.05	74.40	10.55
1982-83	3661	15077	2495	51.22	9.77	26.71	21233	17.24	71.01	11.75
1983-84	4284	19811	2628	76.95	44.24	33.47	26723	16.03	74.13	9.83
1984-85	5311	9303	3091	119.37	–32.27	56.98	17705	30.00	52.54	17.46
1985-86	3817	22221	4268	57.66	61.78	116.76	30306	12.59	73.32	14.08
1986-87	4493	22112	3330	85.58	60.99	69.12	29935	15.01	73.87	11.12
1987-88	3974	27159	6474	64.15	97.74	228.80	37607	10.57	72.22	17.21
Group 35 Machinery, Machine Tools and Parts										
1979-80	10660	23064	6697				40421	26.37	57.06	16.57
1980-81	12043	29286	8045	12.97	26.98	20.13	49274	24.39	59.31	16.29
1981-82	16290	30784	9211	52.81	33.47	37.54	56285	28.94	54.69	16.36
1982-83	18651	36259	9825	74.96	57.21	46.71	64735	28.81	56.01	15.18
1983-84	20897	36315	12245	96.03	57.45	82.84	69457	30.09	52.28	17.63
1984-85	28058	46516	13892	163.21	101.68	107.44	88466	31.72	52.58	15.70
1985-86	34328	45989	15315	222.03	99.40	128.68	95632	35.90	48.09	16.01
1986-87	33272	50210	18091	212.12	117.70	170.14	101573	32.76	49.43	17.81
1987-88	36854	52561	17192	245.72	127.89	156.71	106607	34.57	49.30	16.13
Group 36 Electrical Machinery and Parts										
1979-80	4109	16738	2591				23438	17.53	71.41	11.05
1980-81	4930	22514	3352	19.98	34.51	29.37	30796	16.01	73.11	10.88
1981-82	5378	23513	4317	30.88	40.48	66.62	33208	16.19	70.81	13.00
1982-83	6088	28773	3520	48.16	71.90	35.85	38381	15.86	74.97	9.17
1983-84	7349	30263	5111	78.85	80.80	97.26	42723	17.20	70.84	11.96
1984-85	7435	33761	6362	80.94	101.70	145.54	47558	15.63	70.99	13.38
1985-86	8804	38172	7931	114.26	128.06	206.10	54907	16.03	69.52	14.44
1986-87	10987	39571	8811	167.39	136.41	240.06	59369	18.51	66.65	14.84
1987-88	9799	46228	15636	138.48	176.19	503.47	71663	13.67	64.51	21.82
Group 37 Transport Equipment and Parts										
1979-80	12816	19453	1409				33678	38.05	57.76	4.18
1980-81	12777	25257	1525	–0.30	29.84	8.23	39559	32.30	63.85	3.86
1981-82	19025	32164	1535	48.45	65.34	8.94	52724	36.08	61.00	2.91
1982-83	23075	36715	1748	80.05	88.74	24.06	61538	37.50	59.66	2.84
1983-84	21048	47038	1974	64.23	141.80	40.10	70060	30.04	67.14	2.82
1984-85	23022	53344	1901	79.63	174.22	34.92	78267	29.41	68.16	2.43
1985-86	25952	53168	2205	102.50	173.32	56.49	81325	31.91	65.38	2.71
1986-87	32081	57837	1969	150.32	197.32	39.74	91887	34.91	62.94	2.14
1987-88	25156	64529	1855	96.29	231.72	31.65	91540	27.48	70.49	2.03

Notes: * Per cent variation indicates the change that has occurred each year by taking 1979-80 as base.
** This share is with reference to the total of the three states.
Source: *Annual Survey of Industries, Summary Results for Factory Sector*, Vol 1, various years.

Appendix III Value of Output

(*Rs lakh*)

	Tamil Nadu (1)	Maharashtra (2)	Gujarat (3)	Per Cent Variation* Tamil Nadu	Per Cent Variation* Maharashtra	Per Cent Variation* Gujarat	Total (1+2+3)	Percentage Share** Tamil Nadu	Percentage Share** Maharashtra	Percentage Share** Gujarat
				20-21 Food Products						
1979 80	68376	141189	80911				290476	23 54	48 61	27 85
1980-81	80969	127465	96202	18 42	-9 72	18 90	304636	26 58	41 84	31 58
1981-82	88260	199650	99331	29 08	41 41	22 77	387241	22 79	51 56	25 65
1982 83	97181	224337	127468	42 13	58 89	57 54	448986	21 64	49 97	28 39
1983 84	112551	239271	120108	64 61	69 47	48 44	471930	23 85	50 70	25 45
1984-85	117219	243033	130369	71 43	72 13	61 13	490621	23 89	49 54	26 57
1985 86	135635	268840	131550	98 37	90 41	62 59	536025	25 30	50 15	24 54
1986-87	158056	307685	153375	131 16	117 92	89 56	619116	25 53	49 70	24 77
1987-88	166357	350677	192494	143 30	148 37	137 91	709528	23 45	49 42	27 13
				Group 22 Beverages, Tobacco and Tobacco Products						
1979-80	5557	16380	7001				28938	19 20	56 60	24 19
1980-81	5639	17314	8282	1 48	5 70	18 30	31235	18 05	55 43	26 52
1981-82	7396	19128	7378	33 09	16 78	5 38	33902	21 82	56 42	21 76
1982-83	10548	21050	7802	89 81	28 51	11 44	39400	26 77	53 43	19 80
1983-84	15063	23818	10251	171 06	45 41	46 42	49132	30 66	48 48	20 86
1984-85	20689	31245	11636	272 31	90 75	66 20	63570	32 55	49 15	18 30
1985-86	15073	35791	13543	171 24	118 50	93 44	64407	23 40	55 57	21 03
1986-87	15611	38968	11588	180 92	137 90	65 52	66167	23 59	58 89	17 51
1987-88	19597	38851	13542	252 65	137 19	93 43	71990	27 22	53 97	18 81
				Group 23 Cotton Textiles						
1979 80	76009	120575	119193				315777	24 07	38 18	37 75
1980 81	93079	112352	132949	22 46	-6 82	11 54	338380	27 51	33 20	39 29
1981 82	98266	105172	129401	29 28	-12 77	8 56	332839	29 52	31 60	38 88
1982-83	112192	87911	166202	47 60	-27 09	39 44	366305	30 63	24 00	45 37
1983-84	123407	108977	186433	62 36	-9 62	56 41	418817	29 47	26 02	44 51
1984-85	146931	119870	158966	93 31	-0 58	33 37	425767	34 51	28 15	37 34
1985-86	167033	142903	161627	119 75	18 52	35 60	471563	35 42	30 30	34 27
1986-87	162854	159261	166462	114 26	32 08	39 66	488577	33 33	32 60	34 07
1987-88	211505	130485	155594	178 26	8 22	30 54	497584	42 51	26 22	31 27
				Group 24 Synthetic Fibre Textile						
1979-80	7532	54945	37912				100389	7 50	54 73	37 77
1980-81	10334	71232	46248	37 20	29 64	21 99	127814	8 09	55 73	36 18
1981-82	10927	88839	66379	45 07	61 69	75 09	166145	6 58	53 47	39 95
1982-83	9807	97312	82479	30 20	77 11	117 55	189598	5 17	51 33	43 50
1983-84	9343	113805	73316	24 04	107 13	93 38	196464	4 76	57 93	37 32
1984-85	12654	131765	83949	68 00	139 81	121 43	228368	5 54	57 70	36 76
1985-86	9314	154363	109351	23 66	180 94	188 43	273028	3 41	56 54	40 05
1986-87	8257	146876	121[illegible]	9 63	167 31	220 34	276580	2 99	53 10	43 91
1987-88	12465	141036	138364	65 49	156 69	264 96	291865	4 27	48 32	47 41
				Group 26 Textile Products						
1979-80	6756	21777	3196				31729	21 29	68 63	10 07
1980-81	8120	22611	3748	20 19	3 83	17 27	34479	23 55	65 58	10 87
1981-82	9232	24585	5540	36 65	12 89	73 34	39357	23 46	62 47	14 08
1982-83	10194	25973	7767	50 89	19 27	143 02	43494	23 20	59 12	17 68
1983-84	11624	25004	7947	72 05	14.82	148 65	44575	26 08	56 09	17 83
1984-85	13596	33032	10492	101 24	51 68	228 29	57120	23 80	57 83	18 37
1985-86	21584	33574	11796	219 48	54 17	269 09	66954	32 24	50 14	17 62
1986-87	25450	39922	11105	276 70	83 32	247 47	76477	33 28	52 20	14 52
1987 88	39433	51288	13773	483 67	135 51	330 94	104494	37 74	49 08	13 18
				Group 28 Paper and Paper Products						
1979-80	16120	32336	9622				58078	27 76	55 68	16 57
1980-81	19049	38295	11283	18 17	18 43	17 26	68627	27 76	55 80	16 44
1981-82	22412	45598	13955	39 03	41 01	45 03	81965	27 34	55 63	17 03
1982-83	22794	52664	14525	41 40	62 86	50 96	89983	25 33	58 53	16 14
1983-84	27827	57056	18959	72 62	76 45	97 04	103842	26 80	54 95	18 26
1984-85	37802	67158	27074	134 50	107 69	181 38	132034	28 63	50 86	20 51
1985-86	36351	71130	24231	125 50	119 97	151 83	131712	27 60	54 00	18 40
1986-87	55980	77600	27861	247 27	139 98	189 56	161441	34 68	48 07	17 26
1987-88	49663	100277	27771	208 08	210 11	188 62	177711	27 95	56 43	15 63
				Group 31 Chemicals and Chemical Products						
1979-80	66760	266841	106967				440568	15 15	60 57	24 28
1980-81	71100	293560	142840	6 50	10 01	33 54	507500	14 01	57 84	28 15
1981-82	101772	330489	178758	52 44	23 85	67 12	611019	16 66	54 09	29 26
1982-83	127103	300273	237958	90 39	12 53	122 46	665334	19 10	45 13	35 77
1983-84	113245	379574	266067	69 63	42 25	148 74	758886	14 92	50 02	35 06

(*Continued*)

	Tamil Nadu (1)	Maharashtra (2)	Gujarat (3)	Per Cent Variation* Tamil Nadu	Maharashtra	Gujarat	Total (1+2+3)	Percentage Share** Tamil Nadu	Maharashtra	Gujarat
1984 85	141166	401093	312007	111 45	50 31	191 69	854266	16 52	46 95	36 52
1985-86	152966	443843	359090	129 13	66 33	235 70	955899	16 00	46 43	37 57
1986-87	159690	537082	413218	139 20	101 27	286 30	1109990	14 39	48 39	37 23
1987-88	171234	564184	500779	156 49	111 43	368 16	1236197	13 85	45 64	40 51
				Group 32 Non Metallic Mineral Products						
1979 80	17939	17098	13613				48650	36 87	35 14	27 98
1980 81	21007	20801	17915	17 10	21 66	31 60	59723	35 17	34 83	30 00
1981-82	27369	26857	21202	52 57	57 08	55 75	75428	36 28	35 61	28 11
1982 83	34504	26827	27538	92 34	56 90	102 29	88869	38 83	30 19	30 99
1983 84	35380	29882	29933	97 22	74 77	119 89	95195	37 17	31 39	31 44
1984-85	54180	44999	35379	202 02	163 18	159 89	134558	40 27	33 44	26 29
1985 86	53039	52606	43425	195 66	207 67	219 00	149070	35 58	35 29	29 13
1986-87	55983	46669	44565	212 07	172 95	227 37	147217	38 03	31 70	30 27
1987 88	62324	58025	42632	247 42	239 37	213 17	162981	38 24	35 60	26 16
				Group 33 Basic Metals and Alloys						
1979 80	24946	89090	22421				136457	18 28	65 29	16 43
1980-81	30325	114449	31296	21 56	28 46	39 58	176070	17 22	65 00	17 77
1981 82	43300	127598	36816	73 57	43 22	64 20	207714	20 85	61 43	17 72
1982 83	39928	151694	40494	60 06	70 27	80 61	232116	17 20	65 35	17 45
1983 84	44384	143864	52504	77 92	61 48	134 17	240752	18 44	59 76	21 81
1984 85	46058	157041	51394	84 63	76 27	129 22	254493	18 10	61 71	20 19
1985 86	64892	188768	70886	160 13	111 88	216 16	324546	19 99	58 16	21,84
1986 87	69581	237605	78604	178 93	166 70	250 58	385790	18 04	61 59	20 37
1987 88	75766	238646	83943	203 72	167 87	274 39	398355	19 02	59 91	21 07
				Group 34 Metal Products and Parts except Machinery and Transport Equipment						
1979 80	9085	50432	9578				69095	13 15	72 99	13 86
1980 81	10830	55019	11126	19 21	9 10	16 16	76975	14 07	71 48	14 45
1981 82	13101	61465	11489	44 20	21 88	19 95	86055	15 22	71 43	13 35
1982 83	16441	59775	15307	80 97	17 53	59 81	91023	18 06	65 12	16 82
1983 84	15583	68890	15474	71 52	36 60	61 56	99947	15 59	68 93	15 48
1984-85	19634	20585	17557	116 11	59 18	83 31	57776	33 98	35 63	30 39
1985 86	19985	84499	21066	119 98	67 55	119 94	125550	15 92	67 30	16 78
1986 87	21368	82988	21859	135 20	64 55	128 22	126215	16 93	65 75	17 32
1987 88	22008	107344	29899	142 25	112 85	212 16	159251	13 82	67 41	18 77
				Group 35 Machinery Machine Tools and Parts						
1979 80	50063	85994	28610				164667	30 40	52 22	17 37
1980 81	57901	112470	35645	15 66	30 79	24 59	206016	28 11	54 59	17 30
1981 82	74647	120562	40150	49 11	40 20	40 34	235359	31 72	51 22	17 06
1982 83	86346	144595	44472	72 47	68 15	55 .4	275413	31 35	52 50	16 15
1983 84	86888	142133	56667	73 56	65 28	98 07	285688	30 41	49 75	19 84
1984-85	105528	181229	55408	110 79	110 75	93 67	342165	30 84	52 97	16 19
1985-86	130307	179154	64305	160 29	108 33	124 76	373766	34 86	47 93	17 20
1986-87	147949	191045	85884	195 53	122 16	200 19	424878	34 82	44 96	20 2
1987-88	178387	218942	92758	256 33	154 60	224 22	490087	36 40	44 67	18 9
				Group 36 Electrical Machinery and Parts						
1979 80	16009	69328	14922				100259	15 97	69 15	14 8
1980-81	20772	86936	18455	29 75	25 40	23 68	126163	16 46	68 91	14 6
1981 82	26299	96110	22435	64 28	38 63	50 35	144844	18 16	66 35	15 4
1982-83	26070	110463	19164	62 85	59 33	28 43	155697	16 74	70 95	12 3
1983-84	28915	104638	23955	80 62	50 93	60 53	157508	18 36	66 43	15 2
1984-85	28904	115914	30139	80 55	67 20	101 98	174957	16 52	66 25	17 2
1985 86	36091	139332	36577	125 44	100 98	145 12	212000	17 02	65 72	17 2
1986-87	46454	157417	44395	190 17	127 06	197 51	248266	18 71	63 41	17 8
1987-88	53010	188037	69497	231 13	171 23	365 74	310544	17 07	60 55	22 3
				Group 37 Transport Equipment and Parts						
1979-80	47865	78372	5025				131262	36 47	59 71	3 8
1980-81	54875	99227	5898	14 65	26 61	17 37	160000	34 30	62 02	3 6
1981-82	73663	130654	6474	53 90	66 71	28 84	210791	34 95	61 98	3 0
1982-83	84270	157779	7437	76 06	101 32	48 00	249486	33 78	63 24	2 9
1983-84	78720	175083	8100	64 46	123 40	61 19	261903	30 06	66 85	3 0
1984-85	81978	227286	7970	71 27	190 01	58 61	317234	25 84	71 65	2 5
1985-86	108992	200429	8845	127 71	155 74	76 02	318266	34 25	62 98	2 7
1986-87	123973	234776	10468	159 01	199 57	108 32	369217	33 58	63 59	2 8
1987-88	126704	271606	13306	164 71	246 56	164 80	411616	30 78	65 99	3 2

Notes * Per cent variation indicates the change that has occurred each year by taking 1979 80 as base

** This share is with reference to the total of the three states

Source Annual Survey of Industries Summary Results for Factory Sector Vol I various years

Appendix IV: Upcoming Projects—Industry Groupwise and Ownershipwise

	Gujarat					Maharashtra					Tamil Nadu				
Ind Group	Co-operative	Government	Joint	Private	Total	Co-operative	Government	Joint	Private	Total	Co-operative	Government	Joint	Private	Total
20-21	35.09	60.00		82.08	177.17	40.12			39.00	79.12	24.00		30.00	87.39	141.39
22				16.78	16.78	10.00			65.20	75.20			30.00	12.00	42.00
23-24	241.17		340.00	949.15	1530.32				1039.81	1039.81				228.05	228.05
26	116.97			56.67	173.64									7.50	7.50
28			592.00	49.75	641.75			400.00	316.70	716.70		360.00	1200.00	25.00	1585.00
29				8.00	8.00				13.07	13.07				11.50	11.50
30		2709.24	236.33	531.32	3476.89		482.73		669.40	1152.13		625.95	375.00	115.25	1116.20
31	20.28	3961.67	2526.60	6100.10	12608.65		1574.47	200.55	8782.09	10557.11		1953.05	2841.27	3767.91	8562.23
32			664.00	515.24	1179.24		110.00		199.70	309.70			226.25	61.62	287.87
33			240.00	2129.58	2369.58				14065.90	14065.90		500.16	132.00	114.60	746.76
34				13.68	13.68		10.00		86.30	96.30					
35				235.84	235.84				211.82	211.82				308.62	308.62
36			20.00	305.67	325.67		36.00	20.00	632.32	688.32			76.65	12.03	88.68
37									1195.00	1195.00		88.40		360.89	449.26
38			15.00	26.57	41.57				61.25	61.25					
Total	413.15	6730.91	4633.93	11020.43	22798.78	50.12	2213.20	620.55	27377.56	30261.43	24.00	3527.56	4911.17	5112.33	13575.06

Note: Industry codes have been assigned by us using the NIC-70 Code.
Source: Computed from Economic Intelligence Service, *Shape of Things to Come*, November 1991, CMIE, Bombay.

oming up with expansion and fresh proosals. The entrepreneurial base at the evel of medium and large industries is yet o expand to include new classes of people. Inder such circumstances one would have xpected the state to intervene in a more ffective manner. On the contrary the style f functioning of the state has, over the ears, not only alienated the established usiness classes but, worse, it has deterred ne significant emergence of new entrepreeurial classes. The textile products indusy group and leather products industry roup (where Tamil Nadu ranks first) are eally small pockets characterised by virant entrepreneurial activity with minimal nput from the state government.

The tendency to appoint politicians to e top positions of state level promotional gencies has not been in the interest of the tate at all. Further (and it could be a onsequence of this phenomenon), the freuent shifts at the top executive levels has evented, among other things,

(a) continuity/stability in policy,

(b) strong conventions in modalities of nctioning being established,

(c) innovative measures being tried out ecause of constant fear of change, and

(d) accountability being fixed for nonrformance since sufficient period for rformance was never given.

Without labouring the point further we sh to emphasise that, the creation of a vourable' climate for industry cannot d with periodic announcements of introduction policies bringing in more institus and/or concessions and subsidies. In se we have not even identified our ic problem to be able to address it. Our alysis has pointed out, among other ngs, the decline in share (in Net Value Added) of Tamil Nadu in quite a few important industry groups. Assuming the validity of our argument the question then arises on what basis have 'thrust areas' in subsequent industrial policies been identified? Who is to give these industries a thrust? and what kind of thrust is being contemplated?

The low key performance of the private sector is only one part of the story. What is also conspicuous by its absence is a particular quality of leadership and a certain measure of aggressiveness necessary to convert handicaps/disadvantages into opportunities. At present the interaction between government and industry is at a very superficial level which does not allow for the fruition of any objective since to a large extent the bulk of the private sector does not seem to talk in one voice and approach the government with concrete/operationally feasible proposals.

[This paper is based on a study sponsored by the Madras Chamber of Commerce, Madras, towards the end of 1991. A version of the study was presented at a seminar organised by and held at the Entrepreneurship Development Institute, Ahmedabad in March 1994. I am grateful to the participants at the seminar whose comments have helped in bringing out this revised version.]

New Economic Policy, Workplace and Human Development

Prayag Mehta

The new economic policy (NEP) is being implemented in the country with the claim to make the Indian industry more 'competitive'. Such competitiveness has, however, to be obtained in the society and at the workplace where the productive energy of the people has to be released for greater innovativeness and creativity. With the growing unemployment in the country and the threatened 'exit' and 'downsizing' which is likely to result under privatisation, the society, as a whole, and the workplace, in particular, may have to suffer moral and mental health problems. These would suck into the self-esteem and self-efficacy of workers and would, thus, directly hit their skills, capability and human development.

I
Introduction

THE new economic policy (NEP) and its structural adjustment programme profess to make Indian industry more competitive—both domestically and globally. There is now emphasis on reduction of public sector expenditure by disinvestment of government share and on shifting public sector from being a model employer to a model profit-earner. Such a policy is likely to have adverse effect on the country's workforce of some 306.8 million, i e, 37.8 per cent of the total population. Some 90 per cent of the workforce is engaged in the unorganised sector and only less than 10 per cent in the organised sector. Two-third of it, i e, 18.96 million of the organised workforce of about 26.75 million persons, was employed with the public sector and the rest, i e, 7.69 million persons with the private sector.[1]

The policy of deregulation, liberalisation and disinvestment of public sector share is likely to result in its privatisation. The social dimensions of the public sector policy are being diluted and much more weightage is being given to the profit criterion in memorandum of understanding (MoU) between the administrative ministry and the given public sector enterprise. This implies to banking and insurance industry as various committees have suggested their restructuring.[2] The public sector employees including officers and managers, are, therefore, naturally agitated as they apprehend loss of job security and retrenchment at their workplace as a result of these new macro-economic policies.[3]

The apprehensions of the organised sector employees have to be viewed in the larger context of growing unemployment in the country. As is well known, the growth in population in urban areas, for example, between 1983 and 1987-88 was 18.7 per cent whereas the growth in employment was only 16.1 per cent. In rural areas, the corresponding figures were 7.4 per cent and 4.2 per cent during the same period. Thus, the growth rate in employment has been decreasing for the last several years. The rate of self-employment has declined in rural areas and increased in urban areas with increase in casual labour in both urban and rural areas. Growth of employment in the organised sector accounted for only 8 per cent showing decline in employment in this sector. The gap between the growth in economy and the growth rate in employment has thus been widening for the last several years.[4]

In addition to the widespread unemployment, insecurity in the organised sector has been reinforced as managers have been consciously minimising the number of regular workers and replacing them by non-regular workers on low wages. Despite legal protection, the companies have found ways to shut down by using various methods such as precipitating strikes and/or lock-outs, stopping supply of water or power and even repayment of bank loans, thus forcing the plant to close down.[5] In such a context, it is quite understandable that, the workers and even officers and managers, in both public and private sector, feel greatly concerned with the NEP. Such a macro-economic situation and the micro-level apprehensions are likely to have profound impact on the workplace.

It appears somewhat contradictory to talk of human resource development at the workplace under such a situation. As the NEP and the externally imposed conditionalities are being implemented (in India and several other countries) there has been during the same time, an increasing stress on human development, which has been stimulated by the recent UNDP Human Development Reports.[6] Public Action and wider societal participation are the core of human development, which are adversely affected by socio-economic conditions, particularly when proper state interventions are lacking.[7]

In this paper, we take a brief look at the implications of the NEP for work, functioning of the workplace, quality of work-life and mental health of workers and others and examine whether the new policy would release creativity and innovativeness for competitive excellence, as is being claimed.

II
Work, Mental Health and Quality of Life

There has been a long tradition of research on job-satisfaction at workplace in western countries and also in India. Indian studies have highlighted the importance of objective economic factors like salary, living conditions and job security and subjective factors like sense of satisfaction with such socio-economic factors. Conversely, employees in relatively lower income group with lower job security and those who perceived their income and economic conditions as not satisfactory showed low satisfaction in life and at work.[8]

Work and Mental Health

Satisfaction at workplace has long been associated with some important symptoms of mental health. Feelings of helplessness, withdrawal from and alienation at work and sense of pessimism among assembly-line workers have been found to be associated with lack of influence over future course of their lives. In craft like industries, such as printing, where the workers still had high degree of personal control over their work having highly internalised standards of workmanship—the workers showed higher degree of self-esteem and self-worth. Such workers also showed greater interest in social and political institutions of the community.[9]

Thus, the long accumulated experience shows that the work environment in industry where worker can use only few abilities and exercise little or no control over his work may result in decreasing sense of self-efficacy and initiative. Such cumulative effect over a period of time may influence employee's view of themselves, their self-esteem, satisfaction in life and indeed the meaning of work.[10]

Several studies including some longitudinal studies of work satisfaction have revealed it as one of the strongest predictors of longevity.[11] The second-best predictor was the overall happiness. These two socio-psychological measures predicted longevity

ltter th in the rating by a physician l lings developed at the workplace and in coune to work situation therefore emerged i an important measure of health and sickness [1] Job satisfaction low self esteem occupational stress rapid change in employment incongruity between job status and other aspects of life such as high educational attainment but low job satisfaction lack of stability security and support in the job environment have been identified as high risk factors in this connection

Thus, as Kornhauzer pointed out long ago, "persistent failure and frustration bring lowered self esteem and dissatisfaction with life often accompanied by anxiety, social alienation and withdrawal, in narrowing of goals and curtailing aspirations—in short poor mental health" [13]

Workplace Participation Industrial Democracy

The foregoing discussions suggest a very important relationship between democracy in society and democracy at work Liberal social thoughts propounded in 19th and early 20th centuries have contributed to the concept of industrial democracy Following which, it was suggested that trade unions could work as co managers of industry It was further suggested that democracy should be applied to workshop where the workers could elect and control their managers insofar as production process was concerned [14]

Such liberal thoughts were however greatly resisted by the entrenched vested interests As a result, participative approach and democratic management have continued to come under fire from them Work democracy is hardest to reconcile with exploitative practices [15]

The economic crises of 1970s and 1980s in western countries particularly in the US ...ging profile of labour force and new socio-political values stimulated the concept of industrial democracy and democracy at the workplace Workers resistance of managerial control various participatory movements like women movements student movements, etc, had heightened the consciousness for democratisation at the workplace Literature, national and international seminars and conferences—all contributed to dramatic urge for workers participation increasing consciousness for better work environment for safety and health and for general well being of the workers These created the awareness that change was required at the workplace and not in workers [1]

In India, there has been persistent talk about people s participation in development and workers participation in management The Second Five Year Plan recommended the introduction of workers participation and involvement for the purposeful implementation of the plan It was visualised that such a measure would help promote productivity for the general benefit of the employees as well the community and for satisfying the workers' desire for self-expression leading to better industrial relations and increased co operation [17]

The idea of workers participation in management has indeed a chequered history in India beginning with the introduction of statutory Works Committee under the Industrial Disputes Act, 1947 A survey showed that in 1968, Joint Management Councils (JMC) were functioning only in 131 out of about 18,000 enterprises in the country [18] The National Commission on Labour also found that there was not much support for the institution of Works Committees or JMC Among other causes, the failure of such forums was due to lack of interest and opposition of the employers [19]

Such disappointing experience probably led to the Article 43A of the Constitution making workers' participation as one of the directive principles of the state policy Subsequently a bill for this purpose was introduced in the parliament in 1990, which is still pending [20] With the role of state being diluted under the new policy and private enterprises and employers getting the upper hand under privatisation, the fate of the bill and of workers' participation in decision making at the workplace can very well be imagined

Quality of Work-Life

Studies of job satisfaction and job-design led to movement for quality of work life in western countries and also in India [21] Such a movement was spurred by studies which identified certain important characteristics of work organisation which tend to lower the quality of life Such factors include single job design and fragmentation of job to fit man in simple division of work, supervisors keeping a watch over men glued to single job tendency to enforce compliance by various methods including manipulation and coercion and job fragmentation in order to reduce cost of training and skill upgradation In such a work situation man becomes an extension of machine [22]

Mental health aspects of work, particularly its negative factors and the importance of quality of work life in promoting human development gave fillip to social planning at the enterprise level It is widely believed that an enterprise should at least serve two main purposes (i) it should produce goods and services in most efficient and economic ways and (ii) it should provide meaningful work situation to its employees for their personal growth and self-fulfilment [23] These social and work values gave further boost to the movement for workers' participation industrial democracy and quality of work life

The new economic policy, by its overemphasis on privatisation and profits and under-play of the role of state, has moved away from social development goals Such a radical shift is likely to undermine the social objectives of work and the movement for quality of work life with deleterious consequences as the case studies briefly discussed in Section V suggest for the workplace as well as human development [24]

III
Self-Action, Motivation and Empowerment

People's involvement in initiating self action and their participation in such projects facilitate their human development by releasing their morale and motivation In such autonomous situations, people take initiative for obtaining literacy, voluntary prohibition, wells and irrigation, primary education, vocational training, social and political awareness and for fighting against moneylenders and corrupt public officials [25] Review of several such participatory projects in several countries shows that people are not only able to improve their skills and access to productive resources but they also succeed in enhancing dignity and status of their labour [26] They, thus, move away from being pawns in the hands of their superiors and dominators to becoming actors in improving and managing their lives [27]

Participation and Empowerment

Self action and participation at the workplace, like self-action in socio economic programmes, release their productive energy and empower them Analysis of disempowering conditions and managers' enabling strategies for enhancing workers' self-efficacy enhance the process of their empowerment [28] However it is not just sharing of information and consultation, but active participation and self action, which accelerate workers' motivation and empowerment [29] These, i e, participation and empowerment, in turn are essential ingredients of human development Thus, analysis of conditions leading to powerlessness implementation of suitable managerial strategies information sharing with subordinates for enhancing their self-efficacy, providing subordinates with empowering experience such as strengthening their personal efficacy, and activisation of behaviours like initiative and persistence for accomplishing basic objectives enhance workers' (and also managers') empowerment Both objective and subjective conditions interact at the workplace in promoting such a development and the people's well-being and quality of life [30]

Success experience at challenging jobs, enable people to stretch, develop their skills and prepare them for complex tasks Such learning promotes a sense of self-confidence It also helps them in acquiring a positive self-image Such capability development is the core of human development As people (at workplace) and in civic matters participate, gain success experience, enhance personal

and social efficacy and acquire new skills They also learn a new sense of hopefulness [31]

Collective Action

There are now several examples in India where employees have taken collective initiative in order to solve problems such as industrial sickness For instance in one sick plant engaged in manufacture of engineering equipment, the management was unwilling to restore the sick factory while the workers were keen to begin production The workers then took the initiative and prepared an action plan to achieve a growth rate of 10 per cent They succeeded in putting the plant in proper operation and in getting profit in the first year of its operation itself [32]

Some studies of public sector in our country show that workers, particularly skilled workers, as well as some managers have a need for social achievement oriented influence, which motivates collective action in them [33] Such needs are also reflected in the workers' takeover of sick plants and people s self-action for development as mentioned above They feel challenged and motivated to act on the environment for social achievement Such tasks facilitate the release of their 'collective creativity' [34]

Such psychological needs for co operation collective action and social achievement could be usefully activated for obtaining readiness for public good, better quality of life for the society, for environment protection and sustainable development and for raising productivity for the benefit of all Acting in collaboration with each other beyond the state's reach' as Friedmann has argued, 'they can work for collective self improvement' [35] Learning to work together with each other rather than against each other, is not just important for productivity at the workplace In fact, it is "one of the essential elements for survival of human civilisation It is essential that people develop "greater sense of co-operation, of community, ability to work together for the common good, not simply for personal aggrandisement" [36]

An increasing body of empirical as well as theoretical research thus, shows that, though common people possess adequate internal resources for obtaining good life for themselves as well as for the society, this is vitiated by cut-throat competition As discussed in Section V, profit grabbing corporations, high-powered advertising, unbridled consumerism and various other such institutions tend to vitiate the natural human tendency to help each other for achieving a common cause and such other social goals

Structural conditions that fail to meet such needs of co-operation and sharing also create pathologies at the workplace [37] Such violation of basic needs raises important ethical questions about retardation of human potential and promotion of stress and illness at the workplace [38] Some of the motivational theories did not work at the workplace because they tended to under estimate the seriousness of this social problem Some of the management techniques in this respect tend to increase hostility and indifference and disrupt work group solidarities Some such efforts are based on simple pleasure pain and input output calculations [39] In such a situation workers tend to ask what is in it for me They tend to lose their sense of community and become more and more individualistic Competitive attitudes of managers and supervisors create a situation of—one against all- resulting in a self perpetuating cycle of suspicion blaming and reprisal [40]

Such an individualistic and hostile situation at the workplace in combination with all—pervading aggressive and utopian advertising and the consequent consumerism—encourage self aggrandisement populist hedonism and compulsive accumulation Under such profit seeking, competitive and individualistic situation as obtaining in some developed countries as discussed below (Section V) and now being perused in our country under the NEP people lose their ability and readiness for collective solution of common problems and sensibility for the idea of common cause and public interest against private gain [41]

IV
Behavioural Tendencies in Industrial Sector

Any group of people be it in economic political social or business sector tend to develop certain characteristics and tendencies over a period of time There are certain historical determinants of such behaviours Our industry particularly some traditional business houses, show some such tendencies which are reflected in their day-to day business behaviour The NEP will have to reckon with them some of which might be further strengthened/reinforced by it with serious consequences for functioning of the workplace

The new economic policy's functioning on the ground, therefore, has to be understood in the perspective of such behavioural tendencies observed in our industrial sector Some such noticeable characteristics are briefly described below·

Tendencies to Safeguard Private Funds and Spend Public Money The internal resource generation among the private companies themselves has been small and assistance from the public financial institutions and capital market has been quite heavy The tendency is to safeguard their own money and spend the public funds This is reflected in increasing sickness in small industry sector It is estimated that bank funds amounting to Rs 2,141 crore have been locked in 2,40,570 small-scale sick units [42] Case studies of industrial sickness as processed and settled by the Board for Industrial and Financial Reconstruction (BIFR) till end of 1991 corroborate such a tendency Out of 472 such case studies, as many as 239 cases of sickness were caused by mismanagement This included diversion of working capital to other projects purchase of defective equipment deliberate dishonesty and fraud

Low Risk Taking Industrialists/business houses tend to seek maximum profits in the shortest possible time Such a tendency is shown by their eagerness to tie up with foreign manufacturers in order to dominate the market under conditions of low volume demand While profit making is desirable for future growth and development of industry it seems to have become a value in itself When profit becomes end in itself means hardly matter [44]

There are various ways of maximising profits It could be obtained by speculation or by trade or by manufacture The latter is a risky enterprise where gestation period is longer margin is low and profit depends upon the turnover The enterprise of manufacture therefore requires long term perspective proper planning readiness to take moderate risk Entrepreneurship really lies in floating such enterprises where creativity and innovativeness[45] are required and there profit is only an evidence of success and achievement [46] Short term perspective, hunger for quick profits and inability to cope with the vast money power of the MNCs and their aggressive instinct to take over the local companies drive our industry to either sell or become junior partners [47] In this sense, the liberalisation policy to allow multinationals to acquire 51 per cent share reinforces the tendency for trading among the Indian companies Such a situation suits the multinational corporations They not only get a ready market but reputed companies to market their goods in the country Such a tendency has far-reaching implications for the future industrial growth in the country

Negative Image of Labour The industry tends to look upon labour and labour laws merely as cost components bereft of anything else There is a lack of human angle in this respect They have a negative image of labour as uneducated unskilled, unmotivated for work tend, therefore, good for nothing [48] As a result, they tend to think of retrenchment as almost the first option for cutting costs, etc

Low Regard for Research and Development The R and D efforts in Indian industry have been very meagre There is hardly any R and D infrastructure in the private sector The country has only some R and D structure as sponsored by the government which also is now facing funds crunch There have been cases where the government has discouraged indigenously created superior technology by giving preference to foreign multinational corporations The industry is now being asked to compete without much infrastructure [49] For example, the R and D budget of one merican car manufacturer was more

than the entire turnover of Indian auto industry. What kind of competitive R and D facilities can be set up when the turnover of the entire Indian industry is less than R and D budget of one major international player.

The Indian industry has also not been anticipating technological change. It has shown low initiative in this regard. It has been more reactive and less pro-active. Research and technology development, however, need an initiatory process.[50]

Manipulative Rather than Competitive and Innovative: Ours has been a mixed economy where both, public and private sectors had important roles. (The NEP seeks to change this pattern in favour of private sector.) However, the private sector has been mostly negative of the public sector. Instead of co-operating with it in the interest of the country and for common cause, the private sector has tried to paint the public sector as only black and evil.[51] On the other hand, the private sector's own accountability for the investing public, customers, workers, society and even for the company itself has been rather low.[52] Such a negative attitude has prevented the industry to develop healthy competition for excellence. Instead, such attitudes have fuelled manipulativeness (and corruption) resulting in lack of proper achievement ethos in the country.

Low Pride in Indian Products: The dependence on foreign technology and charm of foreign goods is also reflected in the tendency to advertise and sell the Indian products in the name of foreign collaboration. For example, shaving blades are advertised for Swedish technology, shoes are advertised as made with Italian know-how or pressure-cookers with American technology. Such a tendency percolates to the market where the consumers also consider Indian goods as of poor quality unless these are manufactured with foreign collaboration and know-how. Foreign brand names, thus, gain additional prestige. As a result, there is a lack of pride for the Indian products with adverse socio-economic consequences for the country. This tendency is likely to be further strengthened in face of the financial and market power of the MNCs.

Need to Understand Tendencies: There is a need to understand the behavioural characteristics of industry, and to identify historical and structural antecedents which shape such behaviours. This is all the more important now when the industry is being deregulated and liberalised with primacy being given to the market forces. The moot question is whether the NEP would weaken the above tendencies or reinforce and further strengthen them. Such behavioural tendencies interacting with the macro-economic changes would have great bearing on work and the workplace with far-reaching social and political implications. Some of these are briefly discussed in the following section.

Liberalisation, Downsizing and Demoralisation

Competitive work organisations tend to release the energy of their members as long as they compete for creative work methods and innovative products. However, when they compete for making only quick profits, they create depressing, aggressive and hostile work climate between and within organisations. They tend to be driven by coercive practices without humane consideration. Macro-economic and organisational conditions during 1980s and early 1990s in the US and Great Britain provide interesting case studies in this connection from which we can learn a lot.

Rightsizing, 'Restructuring' and 'Downsizing' were the corporate slogans in the 1980s and 1990s in the US. "America has been driven by a single-minded mission to gut itself of 'excess workers'. It was supposed to be the fastest and easiest way to cut business cost, be more competitive and raise profits"... "There is mounting evidence that such a labour policy is back firing. Studies now show that a number of companies that trimmed their workforces not only failed to see a rebound in earnings but found their ability to compete eroded further".[53] Such companies were blaming their over-staffed workforce for bringing down profits. "But that's not the real problem" as reported by a research institute".[54] "These companies lost out competitively because they did not change their products". One of the obvious effects of downsizing was that the employees, who survived, were forced to work longer and harder. In February 1993, the manufacturing work week in the US stretched to 41.5 hours—the longest in 27 years. As Baumohl remarked "the resulting increase in stress leads to discontent, lowers creativity and undermines corporate loyalty".[55] A study by the American Management Association in 1992 showed, of more than 500 firms surveyed that had cut jobs since 1987, more than 75 per cent reported that employee morale had collapsed. Two-thirds of the companies showed no increase in efficiency at all and less than half saw any improvements in profits.[56] However, as a result of downsizing, solid middle class jobs have disappeared in record numbers and are being replaced by low wage jobs. Many of these jobs earn wages which are below the official poverty line.[57]

A commentator recently reported that "Britain this winter is sunk in doubt and debt, gloom and drift. A country beguiled not long ago by Margaret Thatcher's vision of an "enterprise culture seems to be a post-industrial Slough of Despond".[58] Some of the socio-psychological effects of the Thatcherite economic policy can be briefly summarised as follows: (i) The unemployment rate in 1993 was about 11 per cent with nearly three million people out of work. Several industries including banks and other business have shedded thousands of jobs. (ii) A depressing loss of idealism has invaded the society. The student rooms at universities of Oxford and Cambridge and London suburbs also have been hit by such loss of idealism. This has left Britons greatly aggrieved because they have long cherished such national institutions and a common culture. (iii) The permanently jobless youth have taken to crimes and vandalism. Some of them do not feel any pinch of conscience in stealing several times a day. (iv) The Thatcher government had overfuelled the boom phenomenon. In fact, it had corroded the society with 'grab-the-money ethic'. (v) Values of public good and common purpose have been greatly damaged by ideological attack on them during 1980s. This has resulted in a general moral decay. (vi) Gains of productivity in the British industry have been achieved largely by sacrificing jobs rather than by boosting output through innovative work.[59]

The general moral and social decay and the new ethic of grabbing money and making fast profit has affected the workplace. Public opinion surveys have revealed that nearly 50 per cent of the working Britons would like to emigrate as many of them apprehend that Britain would become a worse country to live in.[60]

Work and Political Participation—Then and Now

Years ago, Almond and Verba found that, "The belief in one's competence was a key political attitude. The self-confident citizen appear to be the democratic citizen. Not only does he think he can participate, he thinks others ought to participate as well".[61] They found 67 per cent of the American sample showing some sense of political efficacy. Two in every three US citizen, therefore, thought that they could influence national and local government decisions.[62] In this respect, they found participation at the local government level and "opportunities to participate in decisions at one's place of work" of crucial significance for development of sense of political efficacy. Such participation provides a training ground to foster a sense of competence, that, then, spreads to the national level. They further found, "the structure of authority at the workplace is probably the most significant and salient structure of that kind which the average man finds himself in daily contact".[63]

Some 30 years later, the Markle Commission found that the American citizen was now not a full and active participant in the electoral process.[64] Their findings created an apprehension about the American political system. They found that, "public indifference, lack of knowledge and political apathy are all time high".[65] The commission further stated that the election campaigns tended to trivialise the political process which strongly

contributed to conviction that "politics is a cynical unsavoury business".[66]

Consequences of downsizing and restructuring by cutting jobs as mentioned above and a large number of studies of workplace and industrial democracy obtaining in the US provide some answer to the weakening of political culture there.[67] A review of such studies some years ago found autonomy at the workplace as the key variable in work satisfaction. Reviewing more than 100 studies, the task force came to the conclusion that, "What workers want most is to become masters of their immediate environments and to feel that their work and they themselves are important—the twin ingredients of self-esteem".[68] Interestingly, such studies further revealed that, for the society, quality of jobs will be greatly beneficial in avoiding some of the large costs now being incurred. They are the cost of such job-related pathologies such as political alienation, violent aggression against others, alcoholism and drug abuse, mental depression and assortment of physical illness, inadequate performance in the school and a large number of welfare families than there need be.[69]

It was found that, "those workers with jobs that measure high on variety, autonomy and use of skills were found to be low on measures of political and personal alienation.[70] The best independent predictors of work alienation were: hierarchical work organisation with little discretion in pace and schedule; a blocked and chaotic career; and a stage in the life cycle that put "squeeze" on the worker.[71] They also found evidence of increasing dissatisfaction with jobs and increasing discontent among the middle managers, that tended to spread throughout the organisation.[72]

A striking evidence of work, political and personal alienation was provided recently by a survey of adult literacy in America. The survey showed that roughly 90 million Americans over age 16 years—almost half of the total population in this category—are, as far as most workplaces are concerned, basically unfit for employment. The worst news from the survey was when asked if they could read or write well, 71 per cent of those in the bottom grade said 'yes'. Most of them do not know that they do not know.[73] The survey clearly showed inadequate school performance, accumulated over years.

Thus, under the Impact of Reaganomics during 1980s and early 1990s, as mentioned above, the American work culture and social life were further dissipated, resulting in greater work as well as political alienation and apathy.

Socio-economic and cultural impact of growing unemployment and the tendency of industry to 'downsize', i e, retrench people and shed jobs, are common features in England and the US. One of the striking lessons for us in India is that shedding jobs does not help productivity. On the other hand, those who are left behind at the workplace get tense and demoralised. They lose their work commitment and become low-risk-taking and less innovative. Growing unemployment and social unrest release divisive, manipulative and immoral forces in the society which affect the social life including education and the workplace negatively. Thus, privatisation and liberalisation which the new economic policy is stressing as new 'mantras' may achieve just the opposite of 'competitiveness'. It may demoralise the society and seriously damage the very core of the cherished values of co-operation, sharing, savings, long-term perspective, challenge and risk-taking, creative problem solving and innovativeness which are essential for achieving competitive excellence.

VI
Policy of Self-Reliance: Challenge of Excellence at Workplace

Experience from other countries, including developed industrialised countries like the US and Great Britain, thus suggests that, liberalisation, deregulation and privatisation may release socially and morally disruptive forces in the country. These may promote grab-the-money ethic, driving people to seek personal interest by hook or by crook without caring for common cause. Unbridled consumerism being ruthlessly promoted by MNCs, on one hand, and unsatisfied needs on the other, could breed and accelerate crimes and create explosive social unrest. Under such a economic dispensation, social sector of education, health, skill formation, public sanitation, etc, are likely to get a setback. Such a scenario therefore would not be conducive to enriching the workplace and to enhancing the rate of human development in the country.

Competition for excellence and quality involves organisation, capability and concern for achievement. In other words, it largely depends on our own resources rather than borrowed money and imported technology. Such a competitive spirit requires readiness to take risk for achievement, initiative, sense of independence, sense of self-esteem, sense of vigilance and anticipation, readiness to give and take help, pride in one's own product and productive, social and personal action. Further, a democratic work-design is required to release and actualise such needs and potential at the workplace.[74]

The goal of national self-reliance and national pride have the potential for releasing strong motivation for excellence and for competing for quality and success at the workplace. We have plenty of such experience in the country where scientists, engineers and skilled manpower social activists and others have achieved great success in highly competitive situations.[75] This is best illustrated by achievements in the fields of nuclear energy and space application. For various commercial and political reasons, the country was denied access to foreign technology and know-how in these fields. This wa obviously done to prevent India from com peting with the advanced western countrie particularly the US. Our defence and nuclea scientists converted this situation into a chal lenge which released their innovativenes and creativity. They have been able to achiev remarkable success as indicated by launch ing of Prithvi and Agni. This technology wa developed with foresight, planning an organisational skills. The defence establish ment was transformed into an institute o higher performance and quality to functio with missionary zeal.[76]

Such competitiveness has to be develope on the basis of a sound organisational cultur of excellence, collaboration and co-opera tion, where there is readiness to invest energ and resources with long-term perspectiv and mission orientation. As discussed abov the new economic policy is not likely t release national pride and mission-orienta tion. On the contrary, it would create powe ful social contradictions and further wide and divide the society into handful of ric elites and large masses of poor people.

Technology May Fragment Work

In the US, technology is replacing skille labour for reasons like efficiency, compet tiveness, etc. As a result, workers are bein deskilled and labour is down graded.[77] This being done by a design in order to cut cost an achieve what has been described as 'jobles growth'.[78] Such use of hi-tech follows modern version of Taylorism[79] where wo is fragmented and workers are hired accor ing to the simple task. Such breaking up work demands low skills and workers g paid accordingly.[80] Technology is thus bein used to downgrade the quality of work and prevent workers from getting organise Workers thereby lose control to machin and systems and become powerless at th workplace. Such a manufacturing syste transforms the very concept of work and th nature of workplace, where there is a ve little scope for work, what to talk of creativi and competition, for the workers.

We have a long tradition of plural thinki in our cultural heritage. Globalisation a aggressive marketing of goods, services a communication seek to impose sameness taste, values and thinking.[81] This, in tu would impose unitary frame of referenc the workplace. Conflict of points of view a divergence of opinion help in promoti reflective intelligence among the member Thus, varying points of view play an imp tant functional role at the workplace fostering a culture of tolerance and criti examination.

The movement for restructuring the wo place for better quality of work life and provide greater job satisfaction would t be directly hit by the new economic poli Downsizing which is a very important cor late of privatisation would weaken self-e

cy, self-esteem sense of co operation and ncern for social achievement and excel ice among large body of workers Such a enario would, therefore downgrade phys il and mental health of the people both nong those who are likely to be retrenched d also among those who would survive at e workplace

Work is inextricably bound with human istence It is necessary for self-develop- ent as well as development of society ntent and context of work should there e promote rather than damage human dig- y Every human being has a right of access and use of resources of nature—common operty of humanity Historical experience nfirms the priority of labour over capital iich is acquired through work in order that nay serve work in future Workers there e have certain rights including the right to rk whose content and context including e superior-subordinate relationship, do not at employees as an 'instrument' of produc n but accord to them their due rights as mary efficient cause of production with e right and duty to take such initiative uch one would, if one were self-employed [83] State and industry have, thus, social re- onsibility to provide adequate work and oper work design and organisation There t need, therefore, to critically analyse NEP d the industrial policy to see whether such actices would promote productive haviour, higher job satisfaction, overall provement of work life and whether these consistent with the dignity of employees human beings and morality of work Blind d unconcerned implementation of the new licies, simply because some international nding agencies and multinational corpora- ns want it, could decelerate human devel- ment and play havoc with the workplace, lustry and the society as a whole

Notes

For some basic statistics see CMIE (1992)

For proposed reforms in banking and finan- cial system, see Government of India (1991) for reforms in insurance sector see Govern ment of India (1994)

The apprehended privatisation of banking and insurance sector has led to widespread discontent among the employees including officers and managers These issues have brought together all the major trade unions irrespective of their political affiliation to protest against a common cause privatisation of financial sector About 15 lakh employees are reported to have gone on one day strike on April 8, 1994 (*The Times of India* New Delhi April 6 and 9 1994)

For details see report on Economy and Employment A Growing Concern' *The Eco nomic Times*, New Delhi September 30 1991

For details see Satyanarayan (1992)

The United Nations Development Programme (UNDP) have been publishing Human Develop ment Reports and Human Development Index (HDI) for various countries in the world The HDI is based on life expectancy at birth adult literacy mean years of schooling educational attainment real GDP per capita and adjusted real GDP per capita India ranked 134 in 173 countries See UNDP (1993) also see UNDP (1990) and (1992)

7 UNDP (1993 21 22)

8 For example see Ganguli (1954) Veeraraghavan (1960) Lahiri (1965) Mehta (1978)

9 In a classical study Blauner found that the routinised automobile work environment and this assembly plant contributed little to the individual s self esteem The workers there showed cynical attitude towards authority and the institutional system The printing industry was however different See Blauner (1964 166 78) also see Gartman (1979) for the impact of assembly line and controls on skill and capability development of workers

10 There is a substantial body of research in behavioural science on the impact of such organisational factors on the individual See for example Argyris (1964, 1973) Mortimer (1979) Gecas and Seff (1987) and for review of related studies see Gecas (1989) for review of Indian studies, see Rao (1978)

11 For an important study of longevity see Palmore (1969) and for review of related studies see O Toole (1973 76 78)

12 Ibid 79

13 In a well known study Kornhauzhar (1965) found that 40 per cent of the 407 auto workers had some symptoms of mental health prob lem The key correlation was between mental health and job satisfaction Kornhauzhar's quotation is taken from O'Toole (1973 84) also see Schwalbe (1986) for psychological consequences of alienated labour

14 See Cole s classic paper on this subject (1913 65)

15 Many years ago UNESCO had sponsored a project on application of behavioural research to promoting participatory approaches and democratic management It was found that employers given to exploitative practices found it difficult to reconcile with democratisation at workplace See Likert and Hayes (1957)

16 For review of such social movements and collective efforts promoting the need for democratisation at workplace and a push for such democratisation during that period from youth in the US, see O'Toole (1973 43 50)

17 Government of India (1956)

18 For functioning of Joint Councils, see a report by Government of India, Labour Bureau (1975a)

19 This commission appointed by the govern ment of India reviewed the functioning of workers' participation in Indian industry (along with other issues on labour relations) See Government of India (1969)

20 Functioning of workers' participation in India has been critiqued from time to time at various national seminars Experience of non-func- tioning of various government schemes led to the introduction of Participation of Workers in Management Bill (No XXVIII) of 1990 in parliament This bill followed Article 43A of the Constitution making workers' participa tion as one of the directive principles of the state policy Article 43A reads as follows 43A Participation of Workers in Manage ment of Industries—The State shall take steps by suitable legislation or any other way to secure the participation of workers in man agement of undertakings establishments or other organisations engaged in any industry' For details of the Bill of 1990 and other related papers see NLLA (1990) Also of historical importance are other government schemes of workers' participation, see Government of India (1975 1977 1983)

21 Several studies are available on movement for quality of work life and work redesign in western countries For example see Herbst (1962) Blumberg (1968), Emery and Thorsrud (1970) Thorsrud (1972), Herbst (1974) O Toole (1975), NFTU LO (1975) Several Indian studies are also available See for ex ample Rice (1958) De (1984), Dayal (1977), Kanawati et al (1981) Some of these are discussed in Mehta (1992)

22 For review of such negative factors which tend to retard quality of life, see O'Toole (1973 94 97)

23 For increasing importance of social goals, other than economic goals in economic activities and at workplace, see EEC (1975), IRG (1981) It has been argued that 'human flourishing needs proper social conditions See Radin (1987)

24 Three dimensions of human development relate to capability, longevity and educational attainment Capability of acquiring knowledge and of participating in the life of community depends on access to resources needed for decent standard of living State interventions can make all the difference in accelerating the rate of human development irrespective of income status of community For discussion and data see UNDP (1993 9 20)

25 For discussion of such case studies involving people s self action for social achievement goals see Mehta (1994)

26 For review of such participatory projects enhancing dignity and status of labour in several poor communities, see Rehman (1987) Wiganaraja (1989)

27 Considerable experience exist in India where collective action on the part of the poor have helped them to acquire positive self image and actor role for themselves See Mehta (1983 1994)

28 For review of research on empowerment process at the work place, and for techniques of promoting such empowerment, see Conger and Kanungo (1989)

29 For discussion of the role of participation and empowerment in accelerating the rate of human development see UNDP (1993 21)

30 See Conger and Kanungo (1988) and Mehta (1994a)

31 For capability development, see Sen (1990) and for discussion of objective and subjective conditions in inculcation of sense of helpless ness and hopefulness, see Seligman (1975), Zimmerman (1990) and Wallerstein (1993)

32 For this success story, see Srinivas (1989) For review of some similar projects where work- ers have taken over sick plants, see report by Sriniwasan et al (1992)

33 For elaboration of the concepts of needs for social achievement and influence and for rel- evant findings, see Mehta (1994a)

34 For discussion of creativity in organisation, see Khandwalla (1984 30-32)

35 Friedmann (1992 70)

36 Bowen et al (1979 115)

37 For review of research on need for co-opera- tion and other related needs and their func tioning at the workplace, and for pathologies when structural conditions fail to meet such needs, see Turner (1988) Also see Mead (1934/1964) for his concept on 'social behaviourism' and Baldwin (1986) for dis- cussion of Mead's theory of co-operation

38 For discussion of ethical questions concerning alienation and empowerment at the work place see Kanungo (1992)

39 For discussion of issues concerning non-func- tioning of motivation theories at the work- place see Fitzgerald (1986)

40 For some empirical evidence of such self-perpetuating cycle, see a case study of coal industry in Mehta (1994a)

41 For discussion of issues concerning public interest as against private gain under capitalist economy, see Bell (1976).

42 For data on rising sickness in small-scale industry, see a report by Saxena (1991).

43 For discussion of case studies of industrial sickness as processed by BIFR, see Narayanan (1994). A study in 1979 revealed that mismanagement including diversion of funds accounted for 52 per cent of this malady while labour trouble accounted for only 2 per cent. See Herald Review (1985).

44 For discussion of such tendencies in Indian industry, see Vyasulu (1993). Sau notes in this connection (1994:938) that, "our corporate sector had demonstrated a profound fancy for speculation. Public sector enterprises have not lagged behind in this respect".

45 Entrepreneurship has been defined as a creative response and innovation. For discussion of such concepts, see Schumpeter (1947).

46 Psychological dimensions of entrepreneurship and need for achievement suggest that the real motive-force in development is the concern to improve and expand rather than the concern to make profits. The term profit suggests that the motive is tied with a particular economic system, i e, capitalism, whereas it operates as well in a communist or socialist state. For elaboration and discussion, see McClelland (1961); also see McClelland and Winter (1969:9-15).

47 For discussion of trading and moneylending background of big industrialists in India, see Chaudhary (1975:140-43).

48 For discussion of such negative images among the public sector managers, see Mehta (1977, 1994a) and for attitudes of private sector and approach of Federation of Indian Chambers of Commerce and Industry (FICCI) and Associated Chambers of Commerce and Industry of India (ASSOCHAM) toward labour, see news-analysis by Kingshuk Nag (1994). They think, without deployment of labour, productivity cannot be raised.

49 For discussion of how competitive indigenous state of art technology was undermined by seekers of imported technology and by state interventions in favour of import of technology as against fully competitive Indian technology, see Ram Chandran (1991).

50 For discussion of issues concerning technology development and R and D in India, see a report by Raote (1992). Competitive advantage requires firms working in related areas of technology and industrial culture that invests in R and D constantly, for discussion, see Porter (1990).

51 The private sector industry is desperate for privatisation of the public sector undertakings. They think without privatisation, units like steel and petroleum cannot be efficient. See Nag (1994). Such criticism and negative attitudes ignore the fact that Steel Authority of India (SAIL), Oil and Natural Gas Commission (ONGC) and National Thermal Power Corporation (NTPC) showed record profits and high efficiency during 1993-94. For reports see *The Times of India*, New Delhi, April 2, 6 and 8, 1994 respectively for performance of these companies.

52 See Narayanan *op cit*. The great security scam of 1991-92 reflected lack of accountability on the part of various sectors in the industry to the investing public and to their own companies, see various reports on securities, transactions of banks, other financial institutions [Reserve Bank of India 1993] and on irregularities in securities and banking transactions, see report of the Joint Parliamentary Committee [JPC 1993].

53 For downsizing in American firms, see, report by Baumohl (1993:46).

54 Remarks by Gerald Celente of the Trends Research Institute quoted in Baumohl (ibid:46)

55 Baumohl (ibid:46).

56 American Management Association Study (1992) quoted in Baumohl (ibid:46)

57 For unemployment scenario in the US and its social consequences, see Dembo and Morehouse (1992).

58 See a report by Walsh (1993:16) on worsening social-economic conditions in Britain.

59 Summarised from Walsh (ibid)

60 Ibid:17

61 For a cross-cultural study of sense of political efficacy and civic behaviour, see Almond and Verba (1963). The quotation is from page 257.

62 For discussion of comparative data on sense of political efficacy, see ibid:186-87

63 Ibid:363.

64 Markle Foundation, based in New York, had set up a commission to study the role of media in functioning of electorate in the US. The central findings of the Markle Commission (1990) were very different from the findings of Almond and Verba (1963).

65 Ibid:9.

66 Ibid:23.

67 For detailed findings regarding the functioning of workplace in America, see O'Toole (1973). This was a report of a special task force appointed by the secretary, US, department of health, education and welfare to review various aspects of work-alienation and workplace in the US. This is a comprehensive review based on hundreds of studies from all over the country

68 Ibid:13

69 Ibid:28.

70 Ibid:31.

71 Ibid:31.

72 Ibid:40-41.

73 Education Testing Service, Princeton was commissioned by the US department of health, education and welfare to investigate the status of adult literacy in the US. For details see ETS (1993) as summarised in *The Times Magazine*, September 20, 1993.

74 For discussion of behavioural categories of social achievement motivation and of organisational dimensions of democratic workplace see Mehta (1994a).

75 For a study of these important political and scientific developments, see Chengappa (1994)

76 For the study of this remarkable technological and organisational breakthrough, see Chengappa (1994a).

77 For a commentary on deskilling of workers under the impact of hi-tech at work-place in the US, see Srinivas (1992).

78 For discussion and data on jobless growth and its impact on human development, see UNDP (1993:3-6).

79 Early in this century, Taylor proposed the work design of one-man-one-job based on the fragmentation of complex tasks into simpler jobs and called it 'scientific management'. This helped managements to actualise the workers' potential to work into output through a system of hierarchical supervision. See Taylor (1911).

80 The employment situation in the US has been deteriorating for the last few years. For a report, see Dembo and Morehouse (1992).

81 For an insightful discussion of this phenomenon and other related events and their implications, See Kothari (1993:22-23 and other pages).

82 For discussion of the importance of pluralist ideology at the workplace, see Fox (1973) and for its impact on development of mind and intelligence, see Kohn and Schooler (1983); Schwalve (1986) Also see classical studies on development of intelligence in children, see Piaget (1954; 1957)

83 For discussion of ethical imperatives of alienation and empowerment at the workplace, see Kanungo (1992)

References

Almond A G and Sidney Verba (1963): *The Civic Culture: Political Attitudes and Democracy in Five Nations*, University Press, Princeton, NJ.

American Management Association (1992): 'A Study of Downsizing, Efficiency and Profits in US Firms'. Quoted by Baumohl in *Time* March 15:46.

Argyris, C (1964): *Integrating the Individual and the Organisation*, New Delhi.

—(1973): 'Personality and Organisation Theory Revisited', *Administrative Science Quarterly*, 18.

Baldwin, J D (1986): *George Herbert Mead: A Unifying Theory for Sociology*, Sage, Newbury Park.

Baumohl, Bernard (1993): 'When Downsizing Becomes Dumbsizing', *Time* magazine, March 15.

Bell Denial (1976): *The Cultural Contradictions of Capitalism*, Basic Books, New York.

Blauner, Robert (1964): *Alienation and Freedom*, University Press, Chicago.

Blumberg, P (1968): *Industrial Democracy: The Sociology of Participation*, Constable, London

Bowen, Maria, Maureen Millers, Carl R Rogers and John K Wood (1979): 'Learning in Groups: Their Implications for the Future', *Education* 100 (2), 108-16.

Centre for Monitoring Indian Economy (1992): *Basic Statistics Relating to Indian Economy* CMIE, Bombay.

Chaudhar, Asim (1975): 'Private Economic Power in India', People's Publishing House, New Delhi.

Chengappa, Raj (1994): 'Nuclear Dilemma' *India Today*, April 30, 42-51.

—(1994a): 'The Missile Man', *India Today*, April 15, 66-75.

Cole, G D H (1913): 'The World of Labour' excerpts reprinted as 'Trade Unions as Co-Managers of Industry' in WEJ McCarthy (ed) *Trade Unions*, Penguin, London, 1972, 61-73.

Conger, Jay A and Robindra K Kanungo (1988): 'The Empowerment Process: Integrating Theory and Practice', *Academy of Management Reviews*, Vol 13(3), 471-82.

Dayal, Ishwar (1977): *Change in Work Organisation: Some Experience of Renewal in Social Systems*, Concept, New Delhi.

Dembo, David and Ward Morehouse (1992): 'The US Economy as a Global Model', *The Economic Times*, New Delhi, April 1, 19.

De, N R (1984): *Alternative Design of Human Organisation*, Sage, New Delhi.

Education Testing Science (1993): *Adult Literacy in America*, US Department of Education, Washington, DC.

European Economic Community (1975): 'Employee Participation and Company Structures', *EEC Bulletin Supplement*, 9/7.

Emergy, Fred and Thorsrud, Einar (1970): *Democracy at Work*, Centre for Continuing Education, Australian National University

Fitzgerald, Thomas H (1986): 'Why Motivation Theory Does Not Work' in *HBR on Human Relations: Vol 4: Classic Advice on Leadership*, Harper and Row, New York.

Fox, A (1973): 'Industrial Relations: A Social Critique of Pluralist Ideology' in J Child (ed) *Man and Organisation*, George Allen and Unwin, London

Friedmann, John (1992) *Empowerment The Politics of Alternative Development*, Blackwell, Cambridge (Mass)

Ganguli, H C (1954) 'An Enquiry into Incentives for Workers in an Engineering Factory, *Indian Journal of Social Work*, 15, 30-40

Garman, David (1979) 'Origins of the Assembly Line and Capitalist Control of Work at Ford' in Andrew Zimbalist (ed), *Case Studies on the Labour Process*, Monthly Review Press

Gecas, Viktor (1989) Rekindling the Sociological Imagination in Social Psychology' *Journal for the Theory of Social Behaviour* 19(1), 99-115

Gecas, V, M A Seff (1987) *Social Class Occupational Conditions and Self Esteem* Paper presented in the American Sociological Association Meet, Chicago

Government of India (1956) Second Five Year Plan, Planning Commission New Delhi

—(1969) *Report of the National Commission on Labour*, Manager of Publications, Delhi

Government of India (1975a) *Report on the Functioning of Joint Councils* Ministry of Labour and Employment, New Delhi

—(1977) 'Scheme of Workers' Participation in Management in Commercial and Service Organisations', Resolution No L-56025 14/75-DK I(B), January 4, Ministry of Labour, New Delhi

—(1991) *Report of the Committee (Narasimham Committee) on the Financial System*, Ministry of Finance, New Delhi

—(1994) *Report of the Committee on Reforms of Insurance (Malhotra Committee)* Ministry of Finance, New Delhi

Government of India Ministry of Labour (1975) 'Scheme of Workers' Participation in Industry and Shop Floor and Plant Level' *Gazette of India* (Extraordinary), Part I, Section I November 1

—(1983) 'Scheme of Employee Participation in Management', *Gazette of India* (extraordinary), Part I, Section 1, September 30

Herbst, P G (1962) *Autonomous Group Functioning*, Tavistock, London

—(1974) *Socio-Technical Design Strategies in Multi-Disciplinary Research* Tavistock Publications, London

Herald Review (1985) *Special Report on Labour Relations* April 21, No 33, 32-36

International Research Group (1981) *Industrial Democracy in Europe*, Clarendon, Oxford

Joint Parliamentary Committee (1993) *Report on Irregularities in Securities and Banking Transactions*, Lok Sabha, New Delhi

Kanungo, Rabindra N (1992) 'Alienation and Empowerment Some Ethical Imperatives in Business', *Journal of Business Ethics*, 11 413 22

Kanawaty, George, Einar Thorsurd, J P Semiono and J P Singh (1981) 'Field Experience with New Forms of Work Organisation', *International Labour Review*, 120(3), 263-77

Khandwalla, P N (1984) *The Fourth Eye Excellence through Creativity*, A H Wheeler, Allahabad.

Kohn, M L and C Schooler (1983) *Work and Personality An Enquiry into the Impact of Social Stratification*, Norwood, Albex, N J

Kothari, Rajni (1993) *Growing Amnesia*, Viking, New Delhi

Kornhauser, Arthur (1965) *Mental Health of the Individual Worker*, John Wiley, New York.

Lahiri, D K (1965) 'Perceived Importance of Job Factors by Government and Non-Government Employees', *Indian Journal of Psychology*, 40, 37-48.

Likert, R and S Hayes (eds) (1957) *Some Applications of Behavioural Research*, UNESCO, Paris

Markle Foundation (1990) *The Markle Commission on the Media and the Electorate*, Key Findings, Markle Foundation, New York

Martimer, J T, J Lorence (1979) 'Occupational Experience and the Self Concepts A Longitudinal Study', *So Psychol Quarterly*, 42 307 23

McClelland, David C (1961) *The Achieving Society* Van Nostrand, Princeton N J

McClelland, David C and D G Winter (1969) *Motivating Economic Achievement Free Press* New York

Mead, G H (1934/1964) *G H Mead on Social Psychology Selected Papers* (edited by Anselm Strauss), University of Chicago Press, Chicago

Mehta, Prayag (1977) 'Employee Motivation and Work Satisfaction in a Public Enterprise', *Vikalpa*, April issue

(1978) Objective and Subjective Factors in Employees' Satisfaction in Life and Work' *Indian Journal of Industrial Relations* 2(13), 433 44

—(1983) Political Efficacy and Participation in Socio Economic Development', *Journal of Rural Development* 2(6), 563-70

—(1992) Democratisation of Workplace' in Udai Pareek et al (eds), *Managing Transition The HRD Response* 111 30

– (1994) Empowering People for Social Achievement' in Rabindra N Kanungo and Manuel Mendonca (eds), *Work Motivation Models for Developing Countries* Sage, New Delhi, 161 83

—(1994a) *Social Achievement Motivation Needs Values and Work Organisation*, Concept, New Delhi

Nag Kingshuk (1994) 'Industry Sore with Government as Never Before News Analysis, *The Times of India* April 30, New Delhi

Narayanan M S (1994) Industrial Sickness Review of BIFR Role', *EPW*, February 12, 362-76

National Labour Law Association (1990) *Participation of Workers in Management Bill 1990* (Bill No XXVIII of 1990) Proceedings of the Seminar held on August 3-4, NLLA, New Delhi

Norwegian Federation of Trade Unions (1975) *Industrial Democracy A Survey of the Development of Democracy at Work in Norway* NFTU LO, Oslo

O'Toole, James (1973) *Work in America Report of a Special Task Force to the Secretary of Health Education and Welfare*, The MIT Press, Cambridge, Massachusetts

O'Toole James et al (1975) 'The Redesign of Jobs', excerpted from a *Report on Work in America* commissioned by the US Department of Education, Health and Welfare and was written by a 10-member task force head by O'Toole, excerpts reprinted in American Reporter, 19(3) 14 22

Palmore, Erdman (1969) 'Predicting Longevity A Follow-Up Controlling for Age', *Gerontology* Winter

Piaget, J (1954) *The Construction of Reality in the Child*, Basic Books, New York

—(1957) *Logic and Psychology*, translated by W Mays and F Whitehead, Basic Books, New York

Porter, William (1990) *The Competitive Advantage of Nations* Macmillan, New York

Raote, Dilip (1992) 'Toothless Tiger Dreams of R and D Claws', *The Economic Times*, October 4, New Delhi

Radin, Margaret Jane (1987) Market Inalienability, *Harvard Law Review*, 100(8), 1848-1937

Rehman, Anisur (1987) 'Participatory Rural Development and its Implications for Rural Employment Generation', *Programme on Participatory Organisations of Rural Poor*, ILO, Geneva, July

Rao, T V (1978) 'Psychology of Work Individual in Organisation' in *Survey of Research in Psychology in India*, Vol 2, Popular Prakashan, Bombay

Ramachandran, R (1991) 'Indigenous Technology Development Playing Pawn to Politics', *The Economic Times* December 21 New Delhi

Reserve Bank of India (1992-93) *Janakiraman Committee Reports on Securities Transactions of Banks and Financial Institutions*, (six reports published during 1992-93), RBI, Bombay

Rice, A K (1958) *Productivity and Social Organisation The Ahmedabad Experiment*, Tavistock Institute, London

Sau, Ranjit (1994) 'On Inflation and Subsidy', *EPW*, April 16-23 937-43

Saxena, Anil (1991) 'Concern Over Rising Sickness', *The Times of India* New Delhi, September 30

Schumpeter, J A (1947) The Creative Response in Economic History *Journal of Economic History*, 149 59

Schwalbe, M L (1986) *The Psychological Consequences of Natural and Alienated Labour*, Albany State University of New York Press

Sen Amritya (1990) Development as Capability Expansion' in K Griffin and J Knight (eds) *Human Development and International Development Strategy for 1990s* Macmillan, London

Seligman, M E P (1975) *Helplessness On Depression Development and Death*, Freeman San Francisco

Satyanarayan, S (1992) 'Labour Spurns Golden Handshake More Raw Deals for Industrial Workers', *The Economic Times* September 6

Srinivas B (1989) Management Plays Truant—Workers Initiate Take Over Plan *EPW* Vol 24, No 38, September 23

Sriniwasan Sandhya (along with Veena Mathews and Seema Guha) (1992) 'What About the Worker', *The Times of India* February 9

Srinivas, Ravi K (1992) 'Underclass, Hi Tech and Los-Angeles Uprising *EPW* October 24-31 2388

Taylor, F W (1911) *The Principles of Scientific Management*, Harper New York

Thorsrud, E (1972) 'Democratisation of Work Organisation Some Concrete ways of Restructuring the Workplace' Oslo Work *Research Institute*, 15/72

Turner, Jonathan H (1988) A Behaviour Theory of Social Structure', *Journal of the Theory of Social Behaviour*, 18(4), 355-72

UNDP (1990) *Human Development Report, 1990*, (Concept and Measurement of Human Development), Oxford University Press, New York

—(1992) *Human Development Report, 1992*, Oxford University Press, New York

—(1993) *Human Development Report, 1993*, Oxford University Press, New York

Vyasulu, Vinood (1993) 'New Economic Policy and Technological Change Towards New Initiatives', *EPW*, July 17-24, 1515-20

Veeraraghavan, P V (1960) 'Employee Attitudes', *Proceedings of the Second Conference on Human Relations in Industry*, The South India Textile Research Association, Coimbatore, 83-87

Walse, James (1993) 'Isle of Despair', *Time* magazine, March 15

Wallerstein Nina (1993) 'Employment and Health The Theory and Practice of Community Changes', *Community Development Journal*, 28(3), 218-27

Wignaraja, Ponna (1989) 'Towards a New Praxis for Sustainable Development in Asia' in Wignaraja, Ponna and Akmal Hussain (eds), *The Challenge in South Asia Development, Democracy and Regional Co-operation*, Sage Publications, New Delhi, 29-60

Zimmerman, M (1990) 'Towards a Theory of Learned Hopefulness A Structural Model Analysis of Participation and Empowerment', *Journal of Research in Personality*, 1, 77-86

Assessing Firms' Capabilities: Theory and Measurement

A Study of Indian Pharmaceutical Industry

Sumit K Majumdar

This paper has two objectives. First, the author describes an empirical approach to the assessment of intra-firm capabilities. Firms can acquire and configure resources. These are key building-blocks of firms' strategy as assumed in the emerging resource or capability-based view of strategic behaviour and performance analysis. However, the way resources are utilised are the principal causes of firms' success in attaining economic outcomes. While the process of resource utilisation is invisible, the use of data envelopment analysis (DEA) highlights firms' 'revealed' success in resource utilisation and co-ordination of activities, and DEA is described in detail. Second, empirical analyses of the capabilities and performance patterns of a group of firms in the Indian pharmaceutical industry are carried out.

I
Introduction

THE assessment of performance, and why firms might differ in performance, is one of the central issues in strategic management research. Performance differences arise because firms may have strategically positioned themselves in product markets, and are thus able to exploit the benefits of niche exploitation and high market share. By their choices as to which industries to participate in, which strategic groups to belong to, and what generic strategies to adopt [Porter 1980], firms can be protected by the barriers to entry and mobility that exist, and which define their strategic domains. This is the positioning view of strategy.

Concomitantly, firms are also conceptualised as bundles of key resources and capabilities, [Penrose 1959]. They possess heterogeneous skills which enable them to acquire, configure and utilise resources. Such skills give them idiosyncratic advantages which are often non-imitable. Such non-imitability arises because skills are not only firm specific and, therefore, idiosyncratic, but are also tacit. It is these tacit skills which raise barriers to imitation, and this is the primary argument from a competency or capabilities-based view of strategy.

There are three reasons to how idiosyncratic advantages can arise. Firms may have the ability to successfully acquire key resources by superior factor-market strategies, and then configure these resources into unique organisational forms [Prahalad and Hamel 1990]. However, the acquisition and configuration of resources, while not instantly imitable, is certainly imitable by other firms after a short lag. Then, strategic advantages arising out of such skills may be transient. Barriers to imitation arising out of such causes can afford only short-term protection. The key reason why firms may develop long-term successful barriers to imitation is because of their co-ordination capabilities.

The co-ordination capabilities firms possess is one of the central reasons why sustainable strategic performance differences arise among firms. However, co-ordination capability measurement is not an easy task. To understand if there truly are differences in co-ordination capabilities within firms is one of the first analytical tasks in contemporary strategic performance research. It is a first-order task; only thereafter can second-order explanations of why strategic performance differences exist among firms be attempted.

In this paper I illustrate the use of a recent technique called data envelopment analysis (DEA) which enables comparative co-ordination capability assessment to be carried out among a group of firms. Such analysis helps in understanding both the magnitude of strategic performance differences among firms, and why these differences arise. I use a sample of nine firms from the Indian pharmaceutical industry to empirically illustrate the technique, and I carry out two analyses. First, I compute the firm-level performance measure for these firms for the year 1990 only to illustrate the use of DEA. Second, I compute performance measures of these firms for four time periods: 1987, 1988, 1989 and 1990 to assess whether there are timewise differences in their capabilities.

II
Why Co-Ordination Capabilities Matter?

I briefly comment on why co-ordination capabilities matter to firms. Firms possess resources, material and intangible, which are utilised to undertake discrete activities, as Porter (1991) has suggested. Resource utilisation leads to their transformation in complex ways, which then creates value addition. The transformation takes place through linkages between various activities. How linkages between various activities are formed, how inter-dependencies are identified and exploited, and how these bring uniqueness and determinateness to a firm's operations is what co-ordination entails. Co-ordination is the principal intra-firm capability that generates successful outcomes, and it is the critical higher-order translation of lower-order routines, whereby activities are converted into major outcomes.

A key issue is, what is being co-ordinated? Firms are composed of bundles of resources. These resources are not only physical resources, but human resources which come together in a socially-complex way. The social-complexity of these resources arises because human beings own their labour and volunteer it towards firms' activities. Because human beings differ so widely in skills and abilities, there is cause-and-effect ambiguity in how socially-complex intangible resources, particularly human resources, interact with physical resources. The orchestration of this interaction process is what co-ordination entails. The components of the co-ordination process are invisible. Co-ordination, as orchestration of interaction between physical and human resources, thus exploits both technical and behavioural interdependencies.

Technical interdependencies are visible; physical linkages and conversion rates can be identified for a group of tangible assets. Human interdependencies are not visible, and the concatenation of technical plus human interdependencies requires the use of complex and invisible sets of routines. These higher-order routines enable activities to take place and firm-level outcomes to be generated. Thus, co-ordination is a key strategic process, but it is invisible. However, resource utilisation is a visible outcome, and the superiority of one firm's resource utilisation patterns enables us to evaluate whether its co-ordination capabilities are better or worse than its peers.

The argument I make is similar to the use of revealed preferences in the analysis of

consumers' utilities. A person's utility preferences can never be absolutely measured or known. However, from the choice of goods or services that she makes, we can indirectly infer what bundle of utilities she seeks to obtain. Prima facie, if a firm is successful at resource utilisation, it is better at the co-ordination of functional and strategic tasks and activities.

III
Data Envelopment Analysis

Data envelopment analysis (DEA) is a linear programming based technique that converts multiple output and input measures into a single comprehensive measure of firm-level performance. This is attained by the construction of an empirically-based production or resource conversion frontier, and by the identification of peer groups. The philosophy behind DEA is predicated by the fact that, in the theory of the firm I have based my conceptual arguments on, a frontier transformation function empirically captures the underlying processes defining firms' activities. Maximum possible output given inputs, or minimum inputs required given outputs, can be specified for production-oriented data. Other functions can be: a cost function describing the minimum cost of producing certain outputs, or a profit function, describing the maximum profit attainable, given outputs, input prices and technology.

A common feature of each function is optimality, whereby a minimum or maximum value attainable is calculated, and each function defines a frontier. The use of a frontier model can, first, define what performance levels are feasible for a set of firms making up an empirical population. Second, deviations from the frontier can be interpreted as a manifestation of inabilities to be managerially competent. Third, time-series information about the distance of each firm from the frontier over time yields insights about what is the rate and direction of change in its resource utilisation patterns. In other words, are its managerial or strategic co-ordination capabilities getting better, or worse, and by how much?

From a pragmatic perspective, DEA is an ideal tool in strategic performance analysis. An ideal or optimal strategic performance measure can never be specified, given the heterogeneity of prices, technologies and management capabilities. No one way of how best to do things can ever be specified, since there is causal ambiguity in how firms operate. However, with data on what firms have done, empirical functions can be derived based on what is actually attainable among a group of firms. Using the results, assessment of which are the seemingly managerially competent firms is possible. If firms differ, the quantum of such difference can be gauged, and data on 'revealed' co-ordinating capabilities among firms can be derived.

DEA Model and Definition

DEA is a performance measurement tool which is useful for uncovering patterns of dynamic performance. Using only observed output and input data for firms, the DEA algorithm calculates an ex-post measure of how efficient each observation was in converting inputs to outputs. This is accomplished by the construction of an empirically-based production frontier, and by evaluating each observation against others which are included in the data set. I do not do an extensive technical analysis of all the models feasible with DEA. While I do describe the DEA technique, the aim is to highlight the practical qualities. See Charnes, Cooper, Lewin and Seiford (1993) for codification of the various models possible, and the notation associated with each.

Dynamic performance patterns arise from changing production relationships over time, so that resource utilisation patterns show a rising trend. However, to empirically document the numerous changes in such relationships for the population of firms that can make up an industrial sector is a herculean task. In estimation of performance patterns, using algorithms that make no assumptions about the functional form of the production relationship or underlying technologies, other than convexity and piecewise linearity, the DEA programme factors in the impact that non-observable changes in production relationships have on observed efficiency patterns. If scores are rising over time, then it is prima facie, first-order, evidence that firms are responding to changing conditions and doing things better. While it is not easily empirically observable as to how things are being done differently, changing performance outcomes over time can point to changes taking place in intra-firm capabilities.

Following the classic work of Farrell (1957), two main paradigms have developed in the construction of performance frontiers, the parametric approach and the non-parametric approach. The advantage of the non-parametric approach is that no functional form needs to be imposed on the data and it can handle multiple outputs; however, frontier construction is sensitive to data contamination. The data need not be quantitative, and qualitative measures can be used as inputs or constraints. Concomitantly, real and physical values can be used at the same time as outputs or inputs, because the objective is not to estimate functional parameters but a relative measure of performance. Conversely, the parametric approach handles noise, but imposes an explicit and restrictive functional form for technology, and its use is restricted to the single output situation. See Bauer (1990) and Seiford and Thrall (1990) for descriptions of frontier estimation functions and DEA.

As developed by Charnes, Cooper and Rhodes (1978) [CCR], Farrell's output-input measure of performance is generalised to a multiple output-input case by means of a fractional mathematical programme, where the ratio of the weighted outputs to weighted inputs (an efficiency ratio) for each firm-level observation being evaluated is maximised. There are a total of n firm-level observations being evaluated. The data used for each observation j (where j are the observations: j=1, 2, ... k....n) are as follows: each observation consumes varying amounts of m different inputs to produce s different outputs. Specifically, observation j consumes $X_j = \{x_{ij}\}$ of inputs (i = 1,....m) and produces amounts $Y_j = \{y_{rj}\}$ of outputs (r = 1,....s). It is assumed that $x_{ij} > 0$ and $y_{rj} > 0$. The s x n matrix of output measures is denoted by Y and the m x n matrix of input measures is denoted by X.

For the k^{th} observation (among the j total observations) for which efficiency is being evaluated, the objective of the empirical exercise is to maximise the value of h_k which is the ratio of multiple outputs to multiple inputs, and the values of u and v; this function is expressed as:

$$h_k(u, v) = \sum_{r=1}^{s} u_r y_{rk} \Big/ \sum_{i=1}^{m} v_i x_{ik} \qquad (1)$$

In the above expression, h_k is a ratio measure of performance as to how efficient each observation was with regard to converting a set of inputs jointly and simultaneously into a set of outputs. For each k^{th} observation, y_{rk} are the multiple outputs which result from the conversion of x_{ik} inputs; u_r and v_i are weights which are calculated as values to be assigned to each output and input in order to maximise the efficiency rating, h_k, of the observation being evaluated.

The DEA procedure takes each observation's idiosyncrasies into account in the computation of its relative efficiency score. The set of weights (u_r, v_i) are implicit internal valuation schemes which are empirically determined by the algorithm, and may vary from observation to observation; for a firm which has multiple observations over time, they can vary over each period of time. This is based on a determination of which of the inputs a particular observation is particularly adept at in utilising, or which of the outputs it is particularly adept at in generating, based on data. By assigning high weights to those input and output variables which an observation seems to be more adept at in utilising, or in generating, and low weights to others, the algorithm attempts to

maximise the observed performance of each observation in light of its particular revealed capabilities. DEA may also be viewed as an extension of total factor productivity (TFP) calculations; it is as if each observation were to select the weights (i e, prices in a TFP calculation) that would present it in the best possible light, subject to the condition that the set of prices so selected does not give any other observation an efficiency ratio greater than unity.

Without any more constraints (1) is unbounded. Additional technological constraints are introduced with respect to every other firm-level observation to reflect the condition that the efficiency ratio be less than or equal to unity, or in other words, no observation can be super-efficient. The mathematical programming problem that results is:

$$\max h_k(u, v) = \sum_{r=1}^{s} u_r y_{rk} / \sum_{v=1}^{m} v_i x_{ik} \quad (2)$$

$$\text{subject to: } \sum_{r=1}^{s} u_r y_{rj} / \sum_{i=1}^{m} v_i x_{ij} \leq 1$$

$$(\text{for } j = 1, 2, \ldots 0, \ldots n) \quad (3)$$

$$u_r > 0 \quad (\text{for } r = 1, 2, \ldots s) \quad (4)$$

$$v_i > 0 \quad (\text{for } i = 1, 2, \ldots m) \quad (5)$$

The constraint in (3), therefore, ensures that the ratio measure of performance is not greater than one for any observation in the entire observation set, while the constraints in (4) and (5) are positivity constraints and are strictly greater than zero. (2) to (5) is a linear fractional programming problem, non-convex and difficult to solve. To do so, the fractional programme in (2) can be translated into a linear programme using the transformation developed in Charnes and Cooper (1962). Specifically, the transformation involves computation of two new variables:

$$\mu = \frac{u}{vx_k} \text{ and } \upsilon = \frac{v}{vx_k}$$

and to make the fractional programming problem a linear programming problem. The linear programming problem for the k[th] observation being evaluated now is:

$$\max w_k(\mu, \upsilon) = \sum_{r=1}^{s} \mu_r y_{rk} / \sum_{i=1}^{m} \upsilon_i x_{ik} \quad (6)$$

$$\text{subject to: } \sum_{i=1}^{m} \upsilon_i x_{ik} = 1 \quad (7)$$

$$\sum_{r=1}^{s} \mu_r y_{rj} - \sum_{i=1}^{m} \upsilon_i x_{ij} \leq 1 \; (j=1, 2, \ldots k, \ldots n) \quad (8)$$

$$\mu_r > 0 \; (r = 1, 2, \ldots s) \quad (9)$$

$$\upsilon_i > 0 \; (i = 1, 2, \ldots m) \quad (10)$$

In (6) now w_k is the objective function value for the observation being evaluated. In the LP in (6) the weighted sum of outputs that can be obtained is sought to be maximised, subject to the constraint that the weighted sum of inputs equals unity in (7). (8) is a constraint postulating that outputs cannot be less than inputs, and (9) and (10) are positivity constraints.

In (6), w_k is the objective function value which is the efficiency score to be calculated for the k[th] observation being evaluated. Each DEA model seeks to determine which subsets of the n observations determine parts of an envelopment surface. In the LP formulation the optimal value (optimal =*) of w_k^* is an efficiency indicator which measures the distance a particular firm-level observation lies from the frontier. The k[th] firm-level observation is efficient if $w_k^* = 1$ in (6). This observation is inefficient if it does not lie on the frontier or $w_k^* < 1$. The optimisation process in (6) is repeated n times, once for each firm-level observation for which efficiency is to be evaluated. In other words, the LP is solved with $(X_k, Y_k) = (X_j, Y_j)$ for $j = 1,2,\ldots k,. n$ Each time the optimisation is carried out data for other observations form part of the constraint set. The objective function values obtained partition the data-set into two parts: one consisting of efficient observations and the other consisting of observations which are inefficient and where $w_k^* < 1$.

Each firm that is rated as efficient is used to define an efficiency frontier, and firms not so efficient are evaluated by comparison with a hypothetical firm that is on the frontier, and which has the same output or input mix as the firm being compared. Then, the efficiency of the firm being compared is the ratio of the actual output levels to that of the hypothetical firm. One or several efficient firms having similar output or input mixes, and most similar in their operating characteristics relative to a firm being compared, can form the referent set and contribute in different percentages to the construction of the hypothetical firm against which a non-efficient firm is compared, A key assumption is that substitutability exists between any pair of inputs, and any pair of outputs, and the hypothetical firm's characteristics are realistically attainable. The use of significantly lumpy inputs, or where outputs are lumpy, can violate this assumption.

The choice of variables is also important, because the programme makes no a priori distinction between any two outputs or inputs. All variables that are in the programme have an equal opportunity to influence reported efficiency, and the definition and selection of variables to be included is important. However, DEA has one major attribute in that it places no restrictions on the functional form of the production relationships. The aim of optimisation is not to estimate structural parameters. The only assumptions made are that of piecewise linearity and convexity of the frontier, and that the underlying transformation model involves converting a set of inputs jointly and simultaneously into a set of outputs. Therefore, even attributes of the environment, or qualitative attributes of the production process can be included as input variables.

The efficiency of a firm does not decrease with the addition of a new variable to an already existing model; however, the proportion of firms that are rated as efficient will tend to increase, since there are more facets on which a given set of firms can now be efficient. A model with a large number of variables is one that may fail to have any discriminatory power between firms, because most firms will tend to be rated efficient. Hence, proper a priori choice of variables is vital in any DEA study.

For purposes of analysing managerial performance, the output of a DEA programme provides several aids. First, the relative efficiency measure gives an indication of how well each firm is performing relative to its potential. Since the best firms have to score 1, on a scale of 0 to 1, the difference in scores gives management policy-makers an idea of the scope of improvement possible, if any is required. Second, the identity of firms which form the referent set for a firm being evaluated gives an indication of which firms are closest to it in terms of operating characteristics. Further analyses can be based on following best practices of these referent firms. Third, the values of slack variables give an indication of the particular inputs that a non-efficient firm may have trouble conserving, or of the particular outputs that a firm may have trouble in augmenting. Thus, attention in subsequent follow-up analyses can focus on specific areas, rather than managerial resources being wasted in looking at all areas of a firm's operations including those which are non-critical.

Design of the data-set decides whether the optimisation in (6) to (10) is static or dynamic. All n observations can be taken for a particular year only. Thus, optimisation for the k[th] firm is done with respect to its cohorts for that particular year only. Information on several firms for several years can also be amalgamated to form a pooled cross-sectional time-series data set. In such a data set, when optimisation of each firm's score is carried out the comparator firm-level observations are those belonging to different time-periods, and there is comparison over time of the relative efficiency of each such firm. A comparison of relative efficiency characteristics for each of the j observations is carried out with respect to observations belonging to the same year as the compared observation, as well as with respect to those

observations belonging to different years. Therefore, within the DEA framework dynamic optimisation analysis can also be carried out.

The advantage of DEA lies in its approach. DEA is a methodology-oriented to frontiers rather than central tendencies. DEA optimizes for each individual firm-level observation, in place of overall aggregates and the single optimisation normally performed in statistical regressions [Seiford and Thrall 1990]. This attribute is particularly critical. In regressions where cross-sectional time-series data are pooled, the statistical package generates a single set of parameters for the entire data set. DEA, on the other hand, generates observationwise parameters; in dynamic analysis there is the certainty of knowledge that these parameters have been derived after a comparison of that observation with respect to observations which belong to other time-periods. Hence, inferences of dynamic efficiency patterns are feasible.

In extending the CCR model, Banker, Charnes and Cooper (1984) [BCC] show that the CCR efficiency score can be broken up into a measure of scale efficiency, and another for pure technical, or managerial efficiency given the scale of operations each observation is presently at. This is achieved by assuming that variable returns to scale exist for firms, and adding a variable k in the objective function in (6). The result of adding this variable is that hyperplanes for each observation do not pass through the origin, unlike in the CCR model where all hyperplanes go through the origin because constant returns to scale are assumed. In the constraint set, this variable is unconstrained in that it can take on values which are either negative (increasing returns to scale may exist), or 0 (constant returns to scale may exist) or positive (decreasing returns to scale may exist) for each k^{th} observation.

Empirical Analyses of the Indian Pharmaceutical Industry

I use data for a set of nine firms for the year 1990 to illustrate how DEA is useful as a tool for assessment of intra-firm co-ordination capabilities. Thereafter, I use data for these firms for three earlier years: 1987, 1988 and 1989. In conjunction with cross-sectional data analysis carried out for the year 1990, DEA is also shown to be useful in analysing dynamic strategic performance trends.

The choice of outputs and inputs is critical in any DEA based study. Prior work in the study of schools [Sengupta and Sfeir 1988] has used as output the achievement score of 6th grade pupils, while inputs were average teacher salary, proportion of Anglo-American pupils, average class size and parental socio-economic background. A study of steam-electricity generating plants [Banker 1984] has used net generation and peak demand as outputs, while inputs used were plant costs, labour and related costs, and fuel consumption. Recently, DEA has also been used to make a comprehensive assessment of the impact of market liberalisation on firm performance in the US telecommunications industry [Majumdar 1994]. Two basic models were estimated. In one of the input-conserving (cost-minimising) model outputs were total number of local calls and total number of toll calls; the inputs were maintenance and depreciation expenses, traffic, commercial and general office expenses, and other expenses. In one output-augmentation (revenue-maximising) model, the outputs were: total local revenue, total toll revenues, and total access and other revenue, while the inputs were: the total number of switches, total number of access lines, and the total number of employees.

DEA is a technique which allows for flexibility in use of data; by that token it is also extremely sensitive to data contamination and outliers. In this study, I use as output: the value added by operations of each firm. The inputs I use are: gross fixed capital, net working capital and the total number of employees in each firm. The data are derived from a Centre for Monitoring the Indian Economy (CMIE) publication titled *Data on Large Business Units* published in July 1992. Other firms in the Indian pharmaceutical industry did not report all data fully. I use the BCC method of estimation, since the performance score yielded by that algorithm is a pure measure of latent co-ordination capabilities in firms, irrespective of whether scale economies exist or not. I estimate input-oriented models of performance, since the knowledge of how much input slack there is can be a significant factor in strategic decision-making, and what facets of firms' operations need greater co-ordination.

The nine firms chosen are: E Merck and Company India, a private sector firm which is the subsidiary of a Germany-based drug multinational; Bengal Chemical and Pharmaceutical Works, and Bengal Immunity Company, both of which were erstwhile private sector firms established early this century as the first pharmaceutical manufacturers in India using Indian business expertise and technological know-how, but were taken over by the central government when they ran into severe difficulties; Hindustan Antibiotics, the first major bulk-drug manufacturing firm set up in the public sector, with assistance from the UN, to manufacture penicillin and other primary bulk drugs; Indian Drugs and Pharmaceuticals (IDPL), the second major public sector enterprise to be set up; Smith Stanistreet another former private sector firm which failed and was taken over by the government; Rajasthan Drugs and Pharmaceuticals, a public sector (state-owned) firm jointly promoted by the state government of Rajasthan and IDPL; Sandoz India, a private sector firm, and a subsidiary of one of the world's largest drug multinationals; and UP Drugs and Pharmaceuticals, a public sector firm jointly promoted by the state government of UP and IDPL. There is a wide variety of firms represented in the sample, and data on inputs and outputs for the year 1990 are given in Table 1. There is wide heterogeneity in origins, size, ownership patterns and presumed capabilities, but all these firms are in the same line of business.

Table 2. Performance Scores for 1990—Input Conserving Model

Firm studied	Performance Score
E Merck and Company India	0.8838
Bengal Chemicals and Pharmaceutical Works	0 5430
Bengal Immunity Company	0.7461
Hindustan Antibiotics	0.6855
Indian Drugs and Pharmaceuticals	1.0000
Smith Stanistreet	0.5429
Rajasthan Drugs and Pharmaceuticals	1.0000
Sandoz India	1.0000
UP Drugs and Pharmaceuticals	0.6994

Table 1: Actual Inputs and Outputs—Sample of Firms for 1990

Firm	Inputs			Output
	Fixed Capital (Rs crore)	Working Capital (Rs crore)	Employees (Number)	Value Added (Rs crore)
E Merck and Company India	38.11	48.08	1854	18.10
Bengal Chemicals and Pharmaceutical Works	9.72	12.37	1752	2.16
Bengal Immunity Company	6.84	8.04	1688	1.84
Hindustan Antibiotics	62.69	93.91	2634	27.85
Indian Drugs and Pharmaceuticals	152.09	164 38	12256	41.15
Smith Stanistreet	3.54	7.99	1020	1.10
Rajasthan Drugs and Pharmaceuticals	1.22	3.35	140	0.66
Sandoz India	48.84	80.11	2055	-34.86
UP Drugs and Pharmaceuticals	1.84	4.79	358	0.38

IV
Results from Cross-Sectional DEA Analysis

I first undertake a cross-sectional analysis of the performance of the nine firms for the year 1990. The results of the firm-level performance analyses are given in Table 2.

Of the nine firms evaluated in 1990, there are three best performers which define the frontier with a score of 1. They are Indian Drugs and Pharmaceuticals, Rajasthan Drugs and Pharmaceuticals, and Sandoz India. Each firm is of a different size; Indian Drugs and Pharmaceuticals is the largest, while Sandoz is medium sized and Rajasthan Drugs and Pharmaceuticals is tiny, relatively speaking. The BCC procedure which captures pure managerial efficiency, irrespective of scale consideration, has been used, and a widely divergent variety of firms in size are shown to be the most competent.

Among the seven non-efficient firms, the worst performers are Bengal Chemical and Pharmaceutical Works, and Smith Stanistreet. Both are turn-of-the-century firms, which were taken over by the government in the late 1970s and early 1980s, under the Industries Development and Regulation Act of 1951, for mismanagement. Their relative performance shows them still to be the worst in performance. The other public sector firms are not superior performers either In increasing score-order are. Hindustan Antibiotics, UP Drugs and Pharmaceuticals, and Bengal Immunity Company How incentives in government owned firms are structured seems very critical to the way latent capabilities are co-ordinated and resources utilised. Public sector ownership, on the whole, generates slack and inefficiency as the data, prima facie, reveal. Conversely, while E Merck, a private sector firm, is not a superior performer, its score of .884 places it, at least, at the top of the non-efficient firms' category.

Reference Set Analysis

In the linear programming formulation, the efficient firms form a referent set for calculating the performance scores of the non-efficient firms. For each firm which is a non-optimal performer, one or more firms similar in operational capabilities are identified, and the actual proportion by which each such optimal or efficient firm influences one which is non-optimal is given. Results related to this aspect for the non-optimal firms are given in Table 3

For E Merck the referent set firms are Rajasthan Drugs and Sandoz Both almost equally influence E Merck's performance score. E Merck and Company manufactures both prescription and over-the-counter products. Its activities and abilities are broadly similar to both firms in its referent set: that of Rajasthan Drugs' prescription drug orientation and the non-prescription skills of Sandoz. Bengal Chemical and Bengal Immunity are both smaller scale public sector units (volume manufacturers of key bulk drugs as well as prescription drugs). Hence, it is not surprising that Rajasthan Drugs, which is a smaller, but optimal, public sector firm, is the closest in capabilities to these firms. Hindustan Antibiotics is a public sector firm; hence, there are similarities in its operational capabilities with Rajasthan Drugs and Pharmaceuticals. However, it is a large organisation, making bulk drugs and using high-technology, and there is a much closer affinity to the operations of Sandoz. Sandoz, therefore, primarily makes up its referent set.

Of the other firms, each of the best, or efficient, firms have only themselves as fully dominating their referent sets. The empirical procedures also yield data which suggest that there are other firms similar to themselves; however, the influence of those firms on the efficient firms will be zero. For example, in the case of Indian Drugs and Pharmaceuticals it is a best performer; thus, in its referent set it is compared 100 per cent to itself. However, Sandoz is also similar to IDPL in its operational capabilities to it, given the activities Sandoz undertakes. Therefore, both IDPL and Sandoz form the referent set for IDPL However, given IDPL is efficient (score=1), the proportion influenced by Sandoz is zero. Nevertheless, the performance of Sandoz provides a useful benchmark for future performance evaluation of IDPL. For the other non-efficient firms in the data-set, Rajasthan Drugs is the primary referent firm. It is a small public sector unit and its operations are, therefore, most similar to those of Smith Stanistreet and UP Drugs and Pharmaceuticals.

Input Slack Analysis

Solution of the input conserving DEA programme also yields details of the maximum amount of inputs any non-optimal firm is to use, if it is to be as efficient as the others in its referent set. The optimal firms, of course, have no input slack. Details of the input slack are given in Table 4. The target input is what the firm in question ought to have consumed if it was to be rated efficient. The slack is the actual input consumed minus the target input a firm ought to have consumed

As is evidenced, the best firms, Indian Drugs and Pharmaceuticals, Rajasthan Drugs and Pharmaceuticals and Sandoz have input slack of zero E Merck is the better firm among the non-optimal performers, and its slack is relatively the least. While it does use excess plant and equipment (see the slack in gross fixed capital), its use of working capital is relatively better than the use of its fixed capital Hence, its co-ordination of current day-to-day operations seems more competent than management of its long-term operations, pharmaceutical industry operations need significant quantities of deferred (long-term) expenditures, for example, in R and D activities, and this is one area where E Merck, with its ostensibly superior foreign capabilities, can pay more attention to

If the worst firms, Bengal Chemical and Pharmaceutical Works or Smith Stanistreet are assessed next, large quantities of slack are shown to exist in resource utilisation. Not only can both firms halve their inputs of physical and working capital and attain the

Table 3 Referent Sets for Individual Firms, 1990

Firm Studied	Influential firm	Proportion Influenced
E Merck and Company India	Rajasthan Drugs	49
	Sandoz	51
Bengal Chemical and Pharmaceutical Works	Rajasthan Drugs	96
	Sandoz	04
Bengal Immunity Company	Rajasthan Drugs	97
	Sandoz	03
Hindustan Antibiotics	Rajasthan Drugs	20
	Sandoz	80
Indian Drugs and Pharmaceuticals	IDPL	1 00
	Sandoz	.00
Smith Stanistreet	Rajasthan Drugs	99
	Sandoz	01
Rajasthan Drugs and Pharmaceuticals	Rajasthan Drugs	1 00
	Sandoz	00
Sandoz India	IDPL	00
	Sandoz	1 00
UP Drugs and Pharmaceuticals	Rajasthan Drugs	1 00

same value added if their managerial capabilities are up to par, but there is maximum slack in the utilisation of employees. Overmanning is significant. Admittedly, this is a well known fact about many public enterprises. But the specific quantum of overmanning has been estimated. Bengal Chemicals can reduce almost 1,500 employees and not feel the pinch; Smith Stanistreet can reduce over 850 members of its workforce and attain the same output. These reductions are over 80 per cent of the work-force for each firm. Losing such a large number of employees will not in any way impair output, and can improve efficiency of these firms.

A bird's-eye view analysis of Table 4 shows that among all the non-efficient firms there is significant slack in how human capital is utilised. Clearly, if co-ordination capabilities were enhanced, and better quality effort extracted from employees towards enhancing outputs, significantly better results would ensue. Of the seven non-optimal firms, at least four of these: Bengal Chemical and Pharmaceutical Works, Bengal Immunity Company, Smith Stanistreet and UP Drugs and Pharmaceuticals have huge surpluses in human capital. While the evidenee is not surprising, what is worrying is the quantum of the surplus. The surplus in each case is more than double the number required for each firm to be as efficient as their compatriots. The employee surplus percentages are 451 per cent, 719 per cent, 521 per cent and 156 per cent of the optimal numbers needed in each firm respectively. Recollect also that for these four firms, the primary referent firm (Table 3) is Rajasthan Drugs and Pharmaceuticals, a public sector firm. Hence, it is not as if these firms are being compared with the larger branches of multinational firms operating in India, which may possess different behavioural predilections. The four firms are compared with their public sector sibling, where similar behavioural predilections can be expected to exist.

Continuing the bird's-eye view analysis further, it seems that all the nine pharmaceutical firms studied are more adept in co-ordinating day-to-day business activities which involve the use of working capital. These activities include operations such as sales and receivables management, distribution and stock management, and supplier management which also includes the management of payables. Conversely, production and development activities, involving the use of fixed and long-term oriented capital stock, are less successfully managed. The primary evidence to support such an assertion is in Table 4, where estimates for the relative proportion of slack to actual input of both gross fixed capital and net working capital are provided. Among the inefficient firms, in each and every case the lowest percentage of slack to actual input usage is in working capital. As regards the percentage of slack in use of physical capital, E Merck has the least percentage of such slack, while the other firms are quite profligate with the use of their capital resources.

Performance Analysis over Time

While DEA is useful for a cross-sectional assessment of co-ordination capabilities, it is equally useful for the assessment of dynamie performance changes. I use DEA to undertake such an assessment, for the nine firms for four years: 1987, 1988, 1989 and 1990. The aim is to uncover the changing patterns of performance for each firm. Results are given in Table 5.

Of the three firms that made up the referent set for the year 1990 in this analysis, only two are actually efficient in 1990 as the dynamic analysis shows. Remember now that we have data for all four years in the optimisation programme. Hence, the non-optimal firm for 1990 in this analysis, Rajasthan Drugs, is being compared against all firms in all years for the primary estimation. Of the three efficient firms in 1990, Indian Drugs and Pharmaceuticals was a gross non-performer in 1987, but in each succeeding year has improved its performance till in 1990 it was a frontier-defining firm. Rajasthan Drugs started out as a frontier-definer in 1987 and 1988, but its performance slipped a bit in 1989 and 1990. Sandoz was, on the other hand, a significant non-performer in 1987 and 1988, compared to its frontier-defining status for both 1989 and 1990.

Among the other firms which are non-efficient, the pattern of performance as revealed by the data is equally interesting.

Table 4: Target Inputs and Slack in Input Usage Among Inefficient Firms, 1990

Firm	Inputs	Fixed Capital	Working Capital	Employees
E Merck and Company India	Target	25.50	42 49	1116.54
	Slack	12 61	5.59	737.46
	Percentage of Slack to Target	49.55	13.16	66 05
Bengal Chemicals and Pharmaceutical Works	Target	3.31	6.72	323.99
	Slack	6.41	5.65	1464.01
	Percentage of Slack to Target	193.66	84.08	451.87
Bengal Immunity Company	Target	2.86	6.00	206.07
	Slack	3.98	2.64	1481.93
	Percentage of Slack to Target	139.16	44.00	719.14
Hindustan Antibiotics	Target	39.08	64.38	1662.48
	Slack	23.61	29.53	971.52
	Percentage of Slack to Target	60.41	45 87	58.48
Indian Drugs and Pharmaceuticals	Target	152.09	164.38	12256.00
	Slack	0 00	0.00	0.00
Smith Stanistreet	Target	1.83	4.34	164.64
	Slack	1.71	3.65	855.36
	Percentage of Slack to Target	93.44	84.10	519.54
Rajasthan Drugs and Pharmaceuticals	Target	1.22	3.35	140.00
	Slack	0.00	0.00	0.00
Sandoz India	Target	48.84	80.11	2053.00
	Slack	0.00	0.00	0.00
UP Drugs and Pharmaceuticals	Target	1.22	3.35	140.00
	Slack	0.62	1.44	218.00
	Percentage of Slack to Target	50.82	42.99	155.71

Table 5: Performance Score Trends Over Time

Firm	Performance Score			
	1987	1988	1989	1990
E Merck and Company India	.996	1.000	.886	.819
Bengal Chemicals and Pharmaceutical Works	.191	.186	.287	.363
Bengal Immunity Company	.603	.501	.411	.484
Hindustan Antibiotics	.788	.850	.855	.675
Indian Drugs and Pharmaceuticals	.098	.672	.789	1.000
Smith Stanistreet	.874	.704	.582	.409
Rajasthan Drugs and Pharmaceuticals	1.000	1.000	.966	.971
Sandoz India	.789	.770	1.000	1.000
UP Drugs and Pharmaceuticals	1.000	.626	.652	.603

E Merck was a highly efficient firm, almost a frontier-definer in 1987 and a frontier-definer in 1988, but slipped in its performance in 1989 and 1990. Such trends can be a warning signal to management to start paying attention to the way business is being currently managed. Bengal Chemical's performance is the worst of all firms in this four-year analysis, but it shows a rising trend in its performance score over the period 1987 to 1990. Take-over by the government may have revived its flagging performance.

However, similar comments cannot be made about the performance trends of Bengal Immunity and Smith Stanistreet. Between 1987 and 1990, the performance of both slipped, if not so precipitously for Bengal Immunity, precipitously enough for Smith Stanistreet as to call into question its continuation as an economic entity. Though such performance trends may be thought of as aberrations, questions as to the continued ability of these firms to survive can be raised when slack in resource utilisation, as earlier analysed, is also considered.

Finally, the performance of the two other companies studied bear commentary. Hindustan Antibiotics, as the leading large public sector unit, was set up to make bulk drugs and products for which private sector investment would not be forthcoming. It is not in the primary business of making and selling consumer-oriented products. There are public-good considerations involved in the operations of Hindustan Antibiotics. While its performance has never been stellar, it has been a reasonably adequate performer, with scores of .788 in 1987, .850 in 1988 and .855 in 1989. However, there has been a marked decline in its performance in the period to 1990. Similarly, UP Drugs was a frontier definer in 1987, but its performance slipped badly in 1988, and has stayed at almost the same levels thereafter.

Clearly, these are signals for firms' management that major slip-ups have occurred over time. There may be exogenous factors such as government-imposed price controls which keep revenue streams from growing while costs keep on increasing. Nevertheless, a comparison with firms in similar circumstances, such as Indian Drugs and Pharmaceuticals and Rajasthan Drugs and Pharmaceuticals which are currently doing well, may reveal the existence of lacunae in the way Hindustan Antibiotics and UP Drugs and Pharmaceuticals have recently been managed.

V
Conclusion

In this paper I have shown how intra-firm strategic performance assessment can be carried out using the data envelopment analysis. Firms are repertoires of resources, skills and capabilities, and it is their prowess and uniqueness in co-ordinating resources and capabilities which yields first-order strategic advantage. DEA enables the existence of such co-ordination capabilities to be revealed. I empirically demonstrate co-ordination capability assessment for a group of nine firms in the Indian Pharmaceutical industry both on a cross-sectional basis, and over a four-year period of time.

Given the context of the firms, which is the Indian pharmaceutical industry, DEA procedures have revealed that public sector firms are poor performers compared to their private sector counterparts. Admittedly, there are many impression-based writings which have hypothesised why public sector firms may be poor performers. However, the precise extent to which performance is poor can be assessed using DEA. Since DEA yields first-order performance data, further research is possible using several other explanatory variables for second-order analyses. In the case of the pharmaceutical firms, such second-order explanatory variables that I have used are not quantitative. Rather the explanations are based on brief assessments of the history of each of these firms. The firms which have turned out to be very poor performers are those which were taken over by the government for mismanagement.

However, not all public sector firms are poor performers. IDPL, after an initial bad spell in 1987, showed that it could turn the corner quite effectively and by 1990 was a frontier-defining firm. While this study is constrained by lack of adequate private sector firm data, of the two such firms studied one, E Merck, is not a frontier-defining firm, while the other, Sandoz, is such a firm. Even among private sector firms significant performance differences arise, though both ostensibly have access to superior technological capabilities of their parents.

Finally, the use of DEA reveals the specific areas of operations in which firms are able to utilise their resources better. The pharmaceutical firms seem more adept at day-to-day transactions management. Their working capital management skills seem intrinsically superior, compared to skills in utilising physical assets. Though complex production capabilities, and the propensities to use research-based high-technology items, are conducive to success in this industry, the firms studied do not seem to possess skills in these areas. Similarly, there are shortfalls in utilising human capital. Admittedly, the large employee numbers can be due to historical causes. Nevertheless, it is one resource many firms can shed without any detriment to output. Conversely, if all employees can be fully utilised, then there can be substantial augmentation of output for these firms.

[Research and writing of this paper were undertaken while the author was a visiting faculty member at the Indira Gandhi Institute of Development Research, Bombay. I am grateful to the director and staff of the Institute for facilities made available and help rendered.]

References

Banker, R D (1984): 'Estimating Most Productive Scale Size Using Data Envelopment Analysis', *European Journal of Operations Research*, 17, 35-44

Banker, R D, A Charnes and W W Cooper (1984): 'Some Models for Estimating Technical and Scale Efficiencies in Data Envelopment Analysis', *Management Science*, 30, 9, 1078-92

Bauer, P W (1990): 'Recent Developments in the Econometric Estimation of Frontiers', *Journal of Econometrics*, 46, 39-56.

Charnes, A and W W Cooper (1962): 'Programming with Linear Fractional Functionals', *Naval Research Logistics Quarterly*, 9, 181-85

Charnes, A, W W Cooper and E Rhodes (1978): 'Measuring the Efficiency of Decision Making Units', *European Journal of Operations Research*, 2, 6, 429-44.

Charnes, A, W W Cooper, A Y Lewin and L M Seiford (1993) *Data Envelopment Analysis Theory, Methodology and Applications*, Boston, MA, Kluwer Academic Publishers.

Farrell, M J (1957). 'The Measurement of Productive Efficiency', *Journal of the Royal Statistical Society Series A (General)*, 120, 3, 253-81.

Majumdar, S K (1994): '*X-Efficiency in Emerging Competitive Markets: The Case of US Telecommunications*', *Journal of Economic Behaviour and Organisation*, in press.

Penrose, E T (1959): *The Theory of the Growth of the Firm*, Oxford, Blackwell

Porter, M E (1980). *Competitive Strategy*, Free Press, New York.

—(1991) 'Towards a Dynamic Theory of Strategy', *Strategic Management Journal*, 12, 95-117

Prahalad, C K and G Hamel (1990): 'The Core Competence of the Corporation', *Harvard Business Review*, 68, 79-91

Seiford, L M, and R M Thrall (1990): 'Recent Developments in DEA The Mathematical Programming Approach to Frontier Analysis', *Journal of Econometrics*, 46, 7-38

Sengupta, J K and R Sfeir (1988): 'Efficiency Measurement by Data Envelopment Analysis with Econometric Applications' *Applied Economics*, 20, 285-93.

Merchant Banking under SEBI Guidelines

Sankar De
Sushil Khanna

This paper examines the economic and financial implications of some of the regulations introduced by the new Securities and Exchange Board of India (SEBI) through the guidelines it has periodically issued. The regulations apply to investment or merchant banking services required for corporate issues of long-term securities in India. The authors find that some implications of the guidelines may be in conflict with the professed objective of the current economic policy to induce the corporate sector to raise external funds from private investors. Further, the guidelines may be self-defeating in that they may result in less, *rather than more, information for the investing public about the typically unobservable quality of a new issue.*

Introduction

THE Securities and Exchange Board of India (SEBI), established as an administrative body in April 1988, became a statutory body in January 1992. The transformation was formalised by an Act of the Indian parliament in April 1992. The Act charged the SEBI, the first national regulatory body in India with comprehensive statutory powers over practically all aspects of capital market operations, "to protect the interests of the investors and to promote the development of, and to regulate, the securities markets by such measures as it thinks fit".[1]

To see the significance of the above charges, one has to take note of two major developments in Indian capital markets in recent years, one on the side of supply and the other on the side of demand. The last decade has witnessed a tremendous growth in the markets, aided in more recent years by the new economic policy of liberalisation introduced by the Indian government. On the other hand, the same economic policy, incorporating gradual introduction of free market principles, has created an unprecedented demand for private risk capital in industry and commerce. Traditionally, the Indian corporate sector has relied excessively on certain special financial institutions owned and/or controlled by the government for its long-term capital needs. While the institutions, which include Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), and a number of other national and state-level agencies, often provided funds to the private sector corporations on concessional terms, they themselves received in turn considerable concessional finance from the Reserve Bank of India.[2] To break this circle of subsidised financing, the new economic policy encourages the corporations to raise resources increasingly from private investors.[3] In this context, the promotion and development of the capital markets as well as facilitation of public participation in those markets by ensuring orderly disclosure of information about the borrowing corporations and other forms of investor protection were naturally recognised as two very important goals for the national regulatory body.

In this study, we examine the economic and financial implications of some of the regulations introduced by the SEBI, through the guidelines it has periodically issued, in execution of its responsibilities. The regulations in question apply to investment or merchant banking services required for corporate issues of long-term securities in India. It has been suggested in the financial press that the SEBI guidelines are in the process of making the current investment banking scenario in India fundamentally different from the past. In our analysis, we are concerned with determining whether the changes being effected by the regulations are consistent with the twin goals of capital market development and investor protection.

We proceed as follows. In Section II of this paper, we place the subject of the present study in its context and discuss certain institutional features of merchant banking relating to issues of long-term corporate securities. In the process, we draw attention to some merchant banking practices which differ between the US and India. In Section III, we discuss the implications of the choice of merchant banking services by the issuing corporations in the context of existing models proposed by De and Nabar (1991b, 1992). The models recognise the fact that the new issues markets are typically prone, perhaps more so in developing capital markets such as in India, to problems of asymmetric information between the issuing corporations and the investing public. As a result, the process of certification of prospective issues by merchant bankers, an aspect of merchant banking which in actual practice is very important for the regulatory authorities, plays a central role in the models. In Section IV, we examine the provisions of the SEBI guidelines in question in terms of the implications of the models. We find that some possible implications of the guidelines may be in conflict with the professed objective of the current economic policy of the Indian government to induce the corporate sector to raise external funds from private investors. More seriously, we find that the guidelines may be self-defeating in the sense that they may result in less, rather than more, information for the investing public about the typically unobservable quality of a new issue. In Section V, we present our recommendations and conclusions.

Several aspects of the study merit attention. The efficacy of government interventions has been studied extensively, in general terms as well as in the specific context of the historical experience of various countries, in certain other spheres, most notably in foreign trade but, to the best of our knowledge, not in capital markets under asymmetric information. It is hoped that in this respect the present study will add useful insights to the ongoing debate between government interventionists and proponents of market forces. We hope, further, that the study has useful observations to offer on the development and promotion of capital markets in India and in other countries similarly situated. In particular, we make the observation that promotion of capital market efficiency and enhancement of investor protection are often compatible and not conflicting goals. This is surely the case when capital market efficiency consists in reduction of asymmetric information between the issuing corporations and the investing public. Usually, the latter are better protected as they are more informed. This insight plays a major role in our recommendations.

II
Offering Methods

In raising capital with long-term securities, public corporations have the choice of broadly three methods of offering them for sale: public issues, rights issues, and private placements. In the first method, which has been by far the most important mode of raising long-term capital in the US and more important than the other two methods also in India,[4] the management of the issuing corporation offers the new issue to the investing public in general. The process involved is usually elaborate and often complex. As a result, the issuing corporation hires one or more merchant banking companies to manage the issue, including its origination, marketing, and distribution.

A very important part of the process of origination is the investigation and certification of the new issue provided by the merchant banker (usually by the lead merchant banker in case more than one banker are involved). Typically, the merchant banker is required to verify the content of the issue prospectus released by the issuing corporation and to exercise 'due diligence' in the process.

In the US courts of law, due diligence has been interpreted as the kind of diligence which a reasonable person will bring to bear on his personal financial matters. Normally, s require the merchant banker to furnish a due diligence certificate before they grant their approval to the issue. In India, provision of this certificate by lead merchant bankers involved in an issue is mandatory under the new guidelines for merchant banking activities.[5] In fact, the SEBI has prescribed a standard format for this certificate. The format, which has been revised several times, has been effective in its present version since January 1, 1992.

Even when no explicit certificate is either required or furnished, the certification implicit in an offering managed by an investment banker may be important. The quality of the new issue, which is often not evident to the investing public, may appear to be certified or vetted by the merchant banker concerned who is perceived to back it with his reputation. The quality certification aspect of the investment banking process has been noted in general terms as well as in the context of the US capital markets [Baron 1982; Beatty and Ritter; Booth and Smith 1986; De and Nabar 1991a, 1991b, 1992; Hansen 1986; and Rock 1986].

In trying to market the new issue, the merchant banker performs a number of different functions, including selection of advertisements, bankers, collection centres, and brokers. None of them, however, compares in importance with the task of securing underwriting arrangements for the issue. Under a typical underwriting arrangement in India, the underwriter (or a consortium of underwriters if the issue is sizeable, which may include, in addition to the merchant bankers themselves,[6] public financial institutions and approved commercial banks, insurance companies, and stockbrokers) undertakes to accept a specified number of shares in the event the public do not subscribe to them. The number of shares, thus underwritten, constitutes his accepted devolvement.[7]

Typically, the responsibilities of the merchant banker extend to the distribution of the new issue. In India, the distribution-related responsibilities of the merchant banker, including allotment of securities to the investors and timely refunds, have been formalised and incorporated in the new guidelines for merchant bankers. The guidelines clearly state that "the involvement of merchant bankers in an issue should continue at least until the completion of the essential steps".[8] In all, the responsibilities of merchant bankers under the new guidelines in force in India extend all the way from verification of material facts disclosed in the prospectus for the new issue under their management to the completion of all the issue formalities, including timely despatch of securities/refunds.

Under the second method of issuing long-term securities, namely, a rights issue, the corporation offers the new common stock directly to its current shareholders. To start with, each shareholder is given a 'right' to subscribe to a *pro rata* amount of the new offering at a fixed subscription price over a specified, usually short, subscription period. The shareholder has the option to exercise his subscription rights himself or sell the rights to others.[9]

How do the two methods, public issue and rights issue, compare with each other? The two relevant criteria in this connection are, as in any issue of this nature, relative benefits and costs of the two methods. On the side of benefits, a public issue carries with it the merchant banker's certification. On the other hand, a rights issue, being sold directly to the existing shareholders of the corporation, does not need to be managed by a merchant banker, in which case it is not screened for quality either (though in India the SEBI has made management by a lead merchant banker mandatory for a rights issue exceeding a certain size; more on this point in Section IV of this article below). However, there are costs to merchant banking services, and they can be significant. In India, the existing government regulations permit total merchant banking fees for an issue to go up to 0.5 per cent of the first Rs 25 crore of the issue proceeds and to 0.2 per cent of any additional amount.

A significant benefit to be considered in this connection is the degree of effectiveness with which either method ensures that the issue is successful in raising the target amount of capital. A public issue with full underwriting, of course, carries a guarantee of total success. This guarantee is absolute unless the underwriters involved in the issue default on their accepted devolvement. However, the underwriters provide this guarantee for a usually substantial commission. In India, under the current government regulations the ceiling rate for underwriting commission is 2.5 per cent of the underwriter's commitments. This amount, comparable to an insurance premium, is payable regardless of the number of shares eventually taken up by the underwriter. In addition, brokers to the issue selected by the lead merchant banker can charge up to 1.5 per cent of the value of the equity sold through them. However, since some shares of the new issue may be directly sold by the issuing corporation, the total brokerage costs of the issue may be less than 1.5 per cent of the issue proceeds.

By contrast the rights method can be equally reliable and, at the same time, cost the issuing company little or nothing. To see this point, let us note that the benefit to the current shareholders of the issuing company from holding the rights is the differential between the ex-rights price, that is, the market price per share after the rights are issued, and the subscription price of each new share. This benefit is positive as long as the ex-rights price exceeds the subscription price. Therefore, by setting the subscription price sufficiently low, this benefit can be made virtually certain, inducing the current shareholders to exercise their rights and take up the new issue. Equivalently, if a shareholde does not exercise his rights, or does not sel his rights to another shareholder who wil exercise the rights, his wealth is reduced b the market value of the rights. By making thi cost appropriately high through a sufficiently low subscription price, the probability o the failure of a rights issue can be mad arbitrarily small. Though there are a larg number of shares outstanding after the issue for any shareholder who exercises the right the *pro rata* ownership of the corporatio remains the same as before. There is n economic basis to suppose that the stock split effect of a rights offering by itself ca cause valuation losses and no empirica evidence to indicate that investors generall consider stock-splits as bad news. Further, i the entire new issue, for whatever reason, i not subscribed, a stand by underwriter can b contracted to take up the remaining shares a the end of the subscription period. Thoug this will require some cost, the resulting co will be considerably less than the underwriting cost for the full issue.

A new issue involves a number of othe usually smaller, expenses required fo advertising, printing and mailing of issu prospectus and share application form registration of shares, listing of the issue wit an exchange, and printing and mailing o share certificates and refund orders. Normall these expenses are also considerably highe for a public issue than for a rights issu According to the informal estimates supplie by the ICICI, one of the leading mercha banking houses in India, the other expense may add up to 3.5 per cent of the issu proceeds for a public issue of equity of Rs 5 crore and above. The corresponding figu for a rights issue of the same size is le definite but appears to be around 1.5 per cent.

On balance, if a corporation has the choic of raising a certain amount of long-ter capital through either a public issue or rights issue of long-term securities, the publi issue method will have the advantage c certification but, at the same time, enta appreciably higher costs. Since the 'sel insurance' of the success of a rights issue virtually costless, the difference in iss costs of a rights offering and a publ offering of the same size and same certain of issue success can be substantial. F example, for a Rs 50 crore offering of ne equity in India, the cost differential can be high as 6.6 per cent of the issue proceeds the rights offering is not managed by merchant banker, 0.6 per cent going towa merchant banking fees, 2.5 per cent towa underwriting commission, 1.5 per cent towa brokerage fees, and around 2 per cent bei accounted for by the other expense Documented evidence indicates that th differential is substantial, though somewh lower, also in the US capital markets.[11]

Conceivably, the differential between t actual total costs of the two issue methods even larger. There are implicit or indir costs associated with each method which a by their very nature, harder to estim

precisely. Even so, it would appear that they are, like direct costs, appreciably higher in the case of public issues. Although no systematic study on the subject has been undertaken in India, the existing studies in the US have identified principally two types of indirect costs associated with offerings of long-term securities: underpricing and negative reaction in the secondary market. Underpricing occurs when the offer price for the new issue is set below its true price or the price the market can bear. No matter why underpricing takes place,[12] underpricing cost adds to the direct floatation costs noted above. Measuring the extent of underpricing by the level of the offer price relative to the closing price on the day immediately following the offering, various studies have found that, on an average, underwritten issues of industrial corporations in the US are underpriced and that the magnitude of underpricing is statistically significant [Eckbo and Masulis 1989; Smith 1977]. Underpricing, however, is not an issue in the case of rights offerings as long as the rights are exercised, there being no change in the *pro rata* ownership of the corporation for the current shareholders. In fact, as we have discussed above, for a rights issue to be successful, the offer or subscription price must be lower than the ex-rights price.

The other component of indirect costs, namely, observed decline in the price of a corporation's outstanding stock in the secondary market consequent to the announcement of a new offering, can be very sizeable. The studies on the subject in the US have found that negative secondary market reaction to offerings of new equity by existing corporations is pervasive regardless of the offering method employed.[13] However, the negative market reaction to public offerings has been found to have twice the magnitude of the reaction to other offerings by industrial corporations [Asquith and Mullins 1986; Masulis and Korwar 1986; Eckbo and Masulis 1989]. In the case of offerings by public utilities also, market reaction appears to be more negative to underwritten offerings than to other offerings. Since the price decline is spread over all existing shares, the cost implications of an adverse market reaction can be huge. A 3 per cent decline attributable to the announcement of the new offering, which is the observed average decline for underwritten offerings by industrial corporations, translates into a loss equivalent to 30 per cent of the gross proceeds if the size of the new issue is about a tenth the size of the outstanding equity.

Although no systematic empirical study on the magnitude of either of the two types of indirect costs of new issues in India exists, there have been enough reports in the financial press, and many expressions of concern by the regulatory authorities, to suggest that underpricing is a persistent phenomenon. In fact, prior to the repeal of Capital Issues (Control) Act on May 29, 1992, the prescribed system of determining the price of new issues of equity was designed to make it significantly downward biased relative to actual market value.[14] The SEBI guidelines currently in force permit, within certain restrictions applicable largely to first public issues of new or existing private and closely held companies, 'free pricing' whereby the issuing company is empowered to decide on the issue price in consultation with the lead merchant banker.[15] The extent of underpricing under the new policy will probably go down and gravitate towards the level observed in other countries.

III
Choice of Offering Methods

As we have mentioned above, all documented evidence in the US indicates that, in spite of a substantial cost disadvantage, public issues are an overwhelmingly more popular method of raising long-term capital than rights issues. Although reliable data regarding patterns in security issues in India is scarce, on the basis of our existing evidence as well as conversations with corporate finance professionals it appears that public issues have been a more important capital raising method in India also. One of the present authors [De] has researched the probable causes of this apparently puzzling phenomenon in a general context and examined the implications of the general model for the US capital markets.

It has been recognised that markets for new issues are likely to have serious Akerlovian information asymmetry problems. It is in the nature of these markets that the issuers will know more about the quality of their issues than the outside investors. If anything, this problem is likely to be appreciably more acute in Indian capital markets than in their counterparts in the US. It makes sense to argue that in these markets the issuers will choose the offering method, out of the several available, which will be the best for them given the private information held by them.

Given asymmetric information in the markets for new issues, De and Nabar (1991b; 1992) have focused on the certification aspect of the underwriting process as being the key to the issuing corporation's choice of the offering method. They have noted that the public issue process has several distinct parts: namely, origination, certification, marketing and underwriting, and distribution of the new issue. However, all offerings require origination, marketing, and distribution. Further, as we have noted above, the insurance of issue success offered by underwriting, while undoubtedly important, has to be viewed in relation to the fact that a rights offering can provide virtually costless self-insurance. However, certification, which usually involves extensive investigation and audit of the issuing firm's activities, frequently with the help of legal, audit, and engineering experts from outside the corporation, is one function that appears to set public issues apart from the other offering methods. The other offering methods usually do not incorporate similar third-party evaluation. The value of this type of evaluation would be potentially high under asymmetric information between the managers and other insiders of the issuing corporation and all other investors including, perhaps, the current shareholders.[16]

In their work, De and Nabar postulate, realistically, that the certification process is noisy but efficient. Any or all of the components of what constitutes the investigation and audit of the issuing firm, including external opinion sought and obtained, can contribute to the noise in the merchant banker's evaluation. However, though a high quality issue may not always secure a favourable evaluation, or, for that matter, a low quality issue may not always obtain an unfavourable evaluation, the evaluation of a truly high quality issue is more likely to be favourable than the evaluation of a low quality issue.

In this setting, given imperfection of third-party evaluation, the issuing firm's choice of the offering method also has an information-transmitting role. The market beliefs and, consequently, market values in this model are conditioned by what the issuing firm conveys through its actions and what the merchant banker conveys through his findings.[17] Thus, if two types of firms (or, equivalently, issues), high quality and low quality, exist in the market though their respective quality levels are not directly observable to the outside world, and if they can freely choose between the two offering methods, two outcomes are possible: (1) if the cost differential between the two methods falls below a certain level, a pooling outcome in which all firms opt for merchant banking and the public issue process; and (2) for higher differentials, a semi-separating outcome in which all high quality firms opt for public issues while low quality firms follow a randomised strategy. High quality firms, with a higher likelihood of obtaining favourable certification for their offerings, expect to fetch a higher market value for their issues if they choose public offering. Since the certification process is noisy, some low quality firms also opt for public offering with a view to benefiting from the noise and possible misclassification. However, as more and more low quality firms choose public issues, the expected value of a low quality issue in this pool is diluted and, given a sufficiently high cost differential, is eventually no higher than what could be obtained from a rights issue which is uncertified. As a result, in the second equilibrium the low quality firms at the margin are indifferent as to the choice of the method and, consequently, randomise between the two issue methods. This result could be reinterpreted by saying that while a proportion of low quality firms choose public offering, the rest will choose the rights method. It can be shown that this proportion is unique, given the parameters of the system such as the differential between the costs of the two issue methods.

It should be noted that the second equilibrium is informationally more efficient

than the first equilibrium. In the second equilibrium, low quality firms are partially separated from high quality firms in that any firm making a rights offering is correctly identified as a low quality firm, while both types of firms may make public offerings. By contrast, in the first equilibrium there is no separation between firm types at all; all firms make an identical choice. The second equilibrium is also more consistent with empirical evidence than the first, since the rights method is used in practice to market a positive, though small, proportion of new issues. In terms of our analysis, it would appear that, empirically, relative costs of the two issue methods are appropriate for the second equilibrium to obtain.

IV

Implications of SEBI Guidelines

We now consider the implications of certain SEBI guidelines for the two offering methods in the light of our discussion in Sections II and III above.

In terms of the guidelines for merchant bankers issued by the government of India, ministry of finance in 1990,[18] all issues should be managed by at least one authorised merchant banker functioning as a sole manager or the lead manager. Subsequently, the SEBI has clarified that the guidelines cover public as well as rights issues, though in the case of rights issues of smaller size, implying issues of Rs 50 lakh or less, the issuing company will have the option to manage the issue itself or through a merchant banker.[19] Accordingly, for all issues above Rs 50 lakh management by an authorised merchant banker is mandatory. It may be noted that the guidelines in effect cover all issues, since rights issues smaller than Rs 50 lakh are exceedingly rare. In fact, in the month of November 1992, the last month for which this information is available, the smallest rights issue was exactly Rs 50 lakh, while the average issue size was as large as Rs 2,941.75 lakh.[20]

Separately, the SEBI has advised that in the case of rights issues lead managed by merchant bankers, they should submit a due diligence certificate to the SEBI. Together, the two guidelines have made merchant banker certification of effectively all rights issues mandatory in India. This is a marked departure from the regulations in other countries where rights issues typically do not require such certification.

Undoubtedly, the SEBI guidelines in this respect are well-intentioned and meant to enhance investor protection. However, they are open to problems of design as well as enforcement. In the usual set-up where more expensive public issues, managed by investment bankers, are certified for quality and the less expensive rights issues are not, the issuing company, by its deliberate act of opting for one or the other method, conveys valuable private information to the rest of the market. As outlined in Section III above, all other things being the same, a corporation with a high quality issue will be more inclined to seek certification than a low quality issue. However, since both public and rights issues require certification than a low quality issue. However, since both public and rights issues require certification by merchant bankers under the new SEBI guidelines, the only remaining difference of consequence between the two offering methods is the fact that public issues need costly underwriting for issue success while rights issues can virtually costlessly guarantee it. Separately, as part of its guidelines for disclosure and investor protection, the SEBI has made full underwriting mandatory for a public issue.[21] Hence, between a public issue with full underwriting and a rights issue of the same size, the differential in total issue costs will include the cost of full underwriting as well as the other costs which, as we have seen in Section II above, are also appreciably higher for a public offering. Provided all other things remain the same, this is likely to result in a shift of corporate preference from more expensive public issues to less expensive rights issues. One can think of two undesirable consequences of this development.

First, while in a public offering the issuing corporation seeks to approach the entire investing community, in a rights offering it focuses only on its current shareholders. A shift from the former method to the latter will be a regressive step in view of an important goal of the current financial sector reforms in India, namely, to have the corporate sector raise external funds increasingly from private investors and, in the process, achieve wider public participation in capital market activities. This goal, which has been articulated many times by various government sources, is intended to reduce the traditional dependence of the corporate sector in India on special financial institutions owned and/or controlled by the government, including the IFCI, ICICI, IDBI, and other national and state-level institutions, for the bulk of its long-term capital needs, often on concessional terms. As we have noted in Section I above, in the process the financial institutions have come to acquire considerable equity stakes in major Indian corporations. A recent survey of institutional holdings in the financial press indicates that the special financial institutions own between 35 per cent and 66 per cent of the equity in each of the 25 largest private corporations in India.[22] Under the circumstances, a rights offering by an Indian corporation involves, in a large measure, going back to the same financial institutions, and through them to the government, for more capital participation.

Another, and a potentially more serious, problem with this set of SEBI guidelines is that there is a very real possibility that they will result in making the capital markets in India informationally *less*, rather than more, efficient. In other words, their effect will be precisely the opposite of what the regulatory authorities have clearly intended to accomplish by requiring third-party certification of all offerings. With rights issues costing appreciably less than public issues while both types of issues carry the merchant banker's certification, the logic of the arguments in Section III above indicates that all issues will be rights issues and the resulting equilibrium will be a pooling equilibrium where the pool will consist of only rights offerings. However, as we have noted in Section III above, a pooling equilibrium is less informative than a semi-separating equilibrium where both types of offerings are made. While the latter equilibrium allows for partial separation between different types of issues in terms of quality, the former permits no differentiation at all. In this sense, the new situation is informationally less favourable for the investors than the normal scenario where only public offerings require certification, a feature which, coupled with a sufficiently high cost differential, results in a semi-separating equilibrium (see Section III above).

The argument behind the above observation can be stated as follows. A rights offering with certification offers as much as a public offering with full underwriting, but at a lower cost. As a result, the issuing corporation which would previously opt for a public offering now decide in favour of a rights issue. To that extent, there is no net change either in the total volume of certified offerings or in the information generated for the investing public. However, the low quality issues which previously would not go through the process of certification, the cost being too high in relation to the possible gains from misclassification, and would be recognised as low quality issues as a result have now access to certification through a low-cost rights offering. The certification process being imperfect, some of them wil

Table: New Capital Issues by Non-Government Public Limited Companies in India

(Volume in Rs crore)

	April 1989-March 1990*			April 1990-March 1991*			April 1991-March 1992*			March 1992-February 1993*		
	No	Volume	Per Cent	No	Volume	Per Cent	No	Volume	Per Cent	No	Volume	Per Cent
Public issues	190	3,140	48.5	152	2,045	48.4	210	1,904	33.1	527	5,404	31.
Rights issues	218	3,333	51.5	211	2,185	51.6	306	3,847	66.9	447	11,926	68
Total	408	6,473	100	363	4,230	100	516	5,751	100	974	17,330	10

Sources: * Reserve Bank of India Annual Review, 1991-92, Appendix, Table V 4.
** Praxis Consulting and Information Services Ltd, New Delhi.

ecure a higher classification than they merit note that, for them, there is no corresponding isk of being misclassified lower than they leserve). To that extent, information available o the potential investors will be vitiated.

We have argued above that the SEBI uidelines on merchant banking are designed o induce a shift in corporate preference from ublic offering, which has traditionally been he major method of raising long-term capital n India, to rights offering and noted some irable implications of this developt. There are indications that, in a good the shift has already taken place. table presents evidence in support of this ervation. In 1991-92, there was a sharp crease in the share of rights offerings in the tal volume of new capital issues, from a ttle over a half to almost two-thirds. It may noted that 1991-92 was the first financial ar following the SEBI directive, issued in ptember 1990, which explicitly made anagement and certification by a lead erchant banker mandatory for all rights ferings. Preliminary evidence indicates that e share of rights offerings has gone up even gher in 1992-93. This increase is especially nificant in view of the fact that the total lume of new capital issues has itself creased considerably in each of these two ars. In its last annual survey of Indian pital markets, the RBI has highlighted this velopment, but has not attempted an alysis of the underlying reasons.[23]

ecommendations and Conclusions

The priorities of a national regulatory ncy like the SEBI may appear occasionally conflict with each other. Investor protecn and smooth and efficient functioning of ital markets are two examples of such rities. In a genuine conflict, one could l enough justification for the SEBI to phasise investor protection at the expense capital market efficiency. However, at a per level of understanding and analysis, a flict of this nature is often more illusory n real. In fact, in many cases what promotes ital market efficiency is also what mately enhances investor protection. This ainly is the case when market efficiency sists in reduction of asymmetric rmation between the management of the ing corporations who typically have ate information about the quality of issues and the rest of the market icipants who usually are not privy to it. lly, the latter are better protected as they more informed. This observation has two ications for regulatory action. First, a latory control on normal market hanisms initiated in the mistaken notion fering better protection to investors may unter-productive and, if so, should be led. Second, it is important to promote et mechanisms which improve capital et efficiency by mitigating asymmetric mation problems, because it ultimately s in sc under investor protection.

In our recommendations, we have been guided by these two considerations. A prime candidate for the application of the first principle is the SEBI guideline which has made management by a lead merchant banker and certification mandatory for rights issues. Though this particular SEBI guideline was, undoubtedly, intended to generate more information about the quality of the rights offerings, as we have discussed in Section IV above it is likely to have resulted in less information being available to the investors at large to help them in their investment decisions. To correct this problem, we recommend repeal of the regulation in question and suggest that management and certification by a lead merchant banker should not be required for rights issues. In other words, we recommend that, in this regard, the regulatory system in India resemble the system in the US and elsewhere.

The second consideration, namely to suggest measures which would reduce asymmetric information in capital markets and thereby enhance investor protection, has prompted us to look at a related SEBI guideline. This is the guideline (see note 30) which has made full underwriting mandatory for a public issue. The same guideline also lays down a minimum 90 per cent subscription rule. If an issuing company does not receive 90 per cent of the issue from public subscriptions plus accepted commitments from the underwriters within 120 days of the opening of the issue, the company is required to refund the subscribed amount. This part of the guideline is apparently based on the logic that unless a firm is able to raise a substantial part of the capital required for a project, it will not have sufficient funds to undertake the project, in which case it should refund the money which was contributed in the belief that the project will be undertaken. However, given mandatory full underwriting this part of the guideline will be triggered only if one or more underwriters renege on their accepted commitments. In this case the issuing company itself merits protection, not punishment.

In its present form, this guideline is unquestionably difficult to justify. The simultaneous imposition of mandatory full underwriting and 90 per cent subscription rule is not only unnecessary for investor protection, it also imposes significant avoidable costs on the issuing corporations and perhaps also on the regulatory authorities. However, suitably modified the guideline could be used to improve capital market efficiency, reduce offering costs for the issuing corporations and, at the same time, enhance investor protection by generating more reliable information about the quality of the issues. The following modification could be proposed. Continue the 90 per cent subscription rule but make it stronger and have the issuing corporations refund the subscriptions with a penalty, the amount of the penalty in each case being proportional to the extent of the shortfall from 90 per cent. Given this provision, underwriting could be made optional for the corpora... choice of the level of underwriting—low, high, or full as the case may be—would then signal their private information about the quality of their issues, a low level indicating a high quality. The corporations that are confident of a favourable market response to their offerings would benefit from this provision and save considerable issue costs now eaten up by underwriting fees. It may be recalled from our discussion in Section II above that the underwriting fees in India are based on the amount of the new offering being underwritten, and not on the amount, if any, being eventually picked up by the underwriters. A corporation which chooses underwriting for 10 per cent of its issue will have its underwriting costs reduced to 0.25 per cent of its issue proceeds from the present level of 2.5 per cent. Further, regulatory supervision would be necessary to ensure compliance with one requirement rather than the two under the current guidelines. This, too, would presumably result in cost savings for the corporations as well as the regulatory authorities. Finally, the provision of refund of subscriptions with a penalty based on the extent of the shortfall will constitute a check on the possible tendency of the issuing corporations to signal falsely, because the potential cost would be higher for low quality issues than for high quality ones.[24]

A distinguishing feature of the above recommendations is that they substitute, for the most part, market mechanisms for government regulations such as mandatory certification for rights issues and mandatory full underwriting for public issues. It may be noticed that we have recommended the substitutions not because we take the position that government interventions are in general inferior to market forces in achieving most economic objectives but because, in the present case, the SEBI's objective of improving disclosure of private information and investor protection can be achieved in an economically more efficient way through the market mechanisms suggested above. To make our case, it has not been necessary for us to appeal to any of the well known economic and extra-economic arguments which may be invoked against government interventions in general. Having said that, we must mention that at least one of them is very relevant to the present case. As Krueger (1984) has pointed out, a regulation, once introduced as a response to a real or perceived crisis, induces the regulated parties to attempt to circumvent it, which in turn motivates the regulatory authorities to intensify the regulation or introduce additional interventions. Since the regulations in the present case may fall short of their goals, it may very well result in escalation of controls and regulations. The experience with regulations in other sectors of the Indian economy provides little assurance that it will not happen.

Notes

[The authors thank the Centre for Management and Development Studies (CMDS) at the Indian

Institute of Management, Calcutta, for financial support for the study. They benefited from discussions with many representatives of financial institutions and regulatory authorities They are especially grateful to A Chowdhury (ANZ Grindlays Bank), K A Chaukar (ICICI), G R Ramakrishna (SEBI), R Ravimohan (OTC), and R Vishwanathan (SBI Capital Markets) for their detailed input. They also thank the seminar participants at the Indian Statistical Institute (Delhi), Delhi School of Economics, National Institute of Public Finance and Policy (Delhi), and the Indian Institute of Management (Calcutta) for their comments on earlier versions of this paper. None of them, however, is responsible for any of the views expressed in this paper]

1 The Securities and Exchange Board of India Act, 1992, Chapter IV
2 The annual survey of capital markets in India, undertaken by the Reserve Bank of India and published in its annual report, provides aggregative data on the subject
3 A very recent articulation of this goal is found in the Pre-Budget Economic Survey, presented to parliament in February 1993 by the ministry of finance, which recommends, among other things, that "the corporate sector will have to be encouraged to raise resources increasingly from the market"
4 82 per cent of all equity offerings by companies in the US during the period 1963-81 were public issues, the other 18 per cent being rights issues [Eckbo and Masulis 1989] Further, fully two-thirds of the rights issues had a 'stand-by' underwriting arrangement whereby they could be sold to the public at large if they were not taken up by the existing shareholders Corresponding data for India is available only for more recent years see Section IV
5 See Section 4(g) of the Guidelines for Merchant Bankers, dated April 9, 1990, issued by the ministry of finance and subsequent notifications on the subject by the SEBI See also our discussion in Section IV
6 To ensure a direct stake in the issue under their management, the lead merchant bankers are required under the new guidelines to accept a minimum of 5 per cent underwriting obligation in the issue (see the Guidelines for Merchant Bankers, Section 4(h), April 1, 1990, issued by the ministry of finance), subject to a ceiling The SEBI has subsequently decreed (notification No F8/III/MB/92-SEBI, January 2, 1992) that the outstanding commitments of any individual merchant banker should not exceed five times his net worth at any point in time
7 This mode of underwriting is comparable to what is known in the US as 'stand-by underwriting', in the sense that the underwriter stands by to see if the public will subscribe to the shares in the first place In terms of the underwriter's liability, this particular arrangement stands somewhere between a 'firm commitment underwriting' arrangement and a 'best efforts' arrangement As its name implies, under a firm commitment underwriting arrangement the underwriter provides an explicit guarantee, a firm commitment, that the issue will be marketed The underwriter actually purchases the new issue from the issuing corporation at an agreed-upon price and then offers it for sale to the investing public on his own account The spread between the price paid to the corporation and the offering price to the public constitutes the bulk of his compensation On the other hand under a 'best efforts' arrangement an investment bank, without guaranteeing any results, undertakes to sell as many of the new shares as possible at an agreed-upon price It should be noted that neither of the above two underwriting arrangements are prevalent in India By contrast, however, firm commitment underwriting is by far the most popular mode of public issues in the US, accounting for as much as 82 per cent of all public issues and 88 per cent of all underwritten issues 'Best efforts' arrangements are, on the other hand, used exclusively to market initial public offerings of small companies
8 See Sections 4(i) and 4(j) of the Guidelines for Merchant Bankers, April 9, 1990, issued by the ministry of finance
9 As its name implies, a rights issue with a stand-by underwriting arrangement is a cross between the two methods Like the rights method this method offers privileged subscription rights to the current shareholders However, under this arrangement an underwriting syndicate is hired to 'stand by' during the subscription period and to 'take up' all unsubscribed shares at the end of this period at the subscription price Typically, the compensation of the syndicate consists of two distinct elements an initial stand-by fee and a take-up fee proportional to the number of shares taken up and resold
10 We are grateful to M K Jajoo of the ICICI, Calcutta, for sharing this information with us
11 In the most comprehensive empirical study on the subject, Eckbo and Masulis (1989) found that the ratio of total direct costs to gross proceeds was 6 8 per cent in the case of underwritten public offerings, 4 27 per cent in the case of rights offerings with stand-by underwriting based on the observed average take-up of 5 per cent of the issue by the underwriter, and 1 68 per cent in the case of pure rights offerings For public utilities, the ratios were 4 36 per cent, 2 51 per cent and 0 6 per cent, respectively Other studies have also noted significantly higher direct costs in underwritten offerings
12 Among other reasons, it has been suggested in the literature that the underwriting syndicate resorts to underpricing in order to favour preferred customers and to be able to market the issue with certainty
13 For a discussion of some of the possible explanations for the observed negative market reaction, see Smith (1986)
14 Under this system, the Controller of Capital Issues used to arrive at the 'fair value' of a new issue of equity on the basis of 'net asset value' (NAV), 'price earnings capitalisation value' (PECV), and market value of the issue If the average of NAV and PECV, capitalised at a specified rate, fell short of market value by less than 20 per cent, the average was regarded as a fair value In other words, as much as 20 per cent undervaluation was considered acceptable Since revaluation of fixed assets was not ordinarily permitted for NAV computation, the average was usually an underestimate of the true value
15 See SEBI guidelines for disclosure and investor protection *vide* GL/IP No 1/SEBI/PMD 92-93, June 11, 1992, and the clarifications issued thereon
16 Baron (1982), Beatty and Ritter (1986), Booth and Smith (1986), Hansen (1986), and Rock (1986), among others, have drawn attention to this feature of the underwriting process, though they have not specifically considered its significance in the issuing firm's choice of the offering method
17 In this regard, their work draws on their study of the economic implications of costly and imperfect quality evaluation in a general framework [see De and Nabar 1991a] The ensuing capital raising game between the informed insiders of the issuing firm and the uninformed outside investors is somewhat different from and more complex than standard signalling games, not the least because it incorporates two states of nature one, the uncertain issue quality, and, two, the uncertain underwriter s findings which are imperfectly correlated with issue quality and are not observable before the choice of the offering method is made
18 *Vide* Circular No F-1 (44) SE/86 Pt III, April 9, 1990, Section 4(e)
19 *Vide* SEBI press release No F8 (101) MB/91, July 25, 1991
20 *Prima*, a newsletter published by Praxis Consulting and Information Services, New Delhi-110 019
21 *Vide* Circular No GL/IP No 1/SEBI/PPMD 92-93, June 11, 1992.
22 See 'Corporate Dossier' in *The Economic Times*, June 19, 1992
23 "A marked feature of the new issue market during 1991-92 was the substantial rise in rights issues" (Reserve Bank of India Annual Report, 1991-92, p 64)
24 It may be noted that the scheme we are proposing here is essentially similar to the much discussed model of insurance contracts under asymmetric information where healthier insurees opt for a contract with a higher deductible and a lower premium than the others [see Rothschild and Stiglitz 1976; Riley 1979, Wilson 1980] Purchasing underwriting services is, after all, purchasing insurance against a possible lack of public response Given a suitable equilibrium concept [Riley 1979], this scheme may be shown to successfully separate different quality types

References

Asquith, P and D Mullins (1986) 'Equity Issues and Stock Price Dilution', *Journal of Financial Economics*, 15, pp 61-89
Baron, D (1982) 'A Model of the Demand for Investment Banking Advising and Distribution Services for New Issues', *Journal of Finance*, 37, pp 955-76
Beatty, R and J Ritter (1986) 'Investment Banking, Reputation, and the Underpricing of Initial Public Offerings', *Journal of Financial Economics* 15, pp 213-32
Booth, J and R Smith (1986) 'Capital Raising, Underwriting, and the Certification Hypothesis' *Journal of Financial Economics* 15, pp 261-81
De S and P Nabar (1991a) 'Economic Implications of Imperfect Quality Certification', *Economics Letters*, 37, pp 333-37
—(1991b) 'Optimality of Equity Issue Strategies under Costly and Imperfect Quality Certification', University of Wisconsin Working Paper
—(1992) 'Rights versus Underwriting Optimality of Equity Issue Strategies', Southern Methodist University Working Paper, *Research in Finance* Volume 10
Eckbo, E and R Masulis (1989) 'Rights vs Firm Commitment Offerings of Common Stock An Empirical Analysis', CSFIM Working Paper 89-9, Southern Methodist University
Hansen, R (1986) 'Evaluating the Costs of a New Equity Issue', *Midland Corporate Finance Journal*, pp 42-55
Krueger, A (1984) 'Problems of Liberalisation' in *World Economic Growth*, Institute of Contemporary Studies, San Francisco
—(1990) 'Government Failures in Development' *Journal of Economic Perspectives* Summer, 4
Masulis, R and A Korwar (1986) 'Seasoned Equity Offerings An Empirical Investigation', *Journal of Financial Economics* 15, pp 91-118
Riley, J (1979) 'Informational Equilibrium' *Econometrica*, 47, pp 331-59
Rock K (1986) 'Why New Issues Are Underpriced' *Journal of Financial Economics* 15, pp 187-212
Rothschild, M and J Stiglitz (1976) 'Equilibrium in Competitive Insurance Markets An Essay on the Economics of Imperfect Information', *Quarterly Journal of Economics* 90 pp 629-49
Smith C (1977) 'Alternative Methods for Raising Capital Rights vs Underwritten Offerings', *Journal of Financial Economics* 5, pp 273 307
—(1986) 'Investment Banking and the Capital Acquisition Process', *Journal of Financial Economics*, 15, pp 3-29
Wilson, C (1980) 'The Nature of Equilibrium in Markets with Adverse Selection', *Bell Journal of Economics*, 11, pp 108-30

High Price-Earnings Ratio of Indian Stock Market and Investment by Foreign Financial Institutions

Sidharth Sinha

*This paper explores the high level of the price-earnings (P/E) ratio of the Indian stock market in the context of investments by foreign financial institutions. The measured P/E ratio may be high because of abnormally low earnings during 1991-92 and the high P/E ratios of foreign controlled enterprises. Even after adjusting for these two factors the P/E ratios is likely to be high relative to historical levels and relative to P/E ratios of other emerging markets. However, given its excellent diversification potential the Indian stock market may be attractive to foreign investors in spite of its high P/E ratio.**

WITH the opening of the Indian financial markets to foreign financial institutions attention has focused on the valuation of stocks on the Indian stock market relative to the valuation of stocks of other emerging markets as measured by their P/E ratios. As Table 1 shows the P/E ratio for the Indian stock market at the end of March 1992 at 55 was way above that of other countries, the next highest being that of Argentina at 31. Of course, this was before the scam disclosures and since then the P/E ratio has dropped to about 30, as of end November 1992. The increase in the P/E ratio seems to have begun in July 1991, following the announcement of the government's liberalisation policy, reached its peak in March-April 1992 and has been declining since. However, as Table 2 indicates as of August 1992 the P/E ratio is still high compared to those of other countries. The high P/E ratio cannot be attributed to higher expected growth rate since India's estimated 1993 GDP growth rate of 4.5 per cent is at the lower end of the estimated growth rates for emerging markets. The current P/E ratio is also high when compared to the P/E ratio of about a year ago of 24. Presumably, the high P/E ratio would render the Indian equity market unattractive for foreign investors so that the expected inflow of foreign funds would not occur. This paper argues that the measured P/E ratio, based on the most recent reported earnings, may be high because of abnormally low earnings in the recent past. Perhaps the market does not expect this to continue in the future so that with more normal earnings the measured P/E ratio will be lower. In the process of carrying out this analysis we also identify certain patterns in the P/E ratio across firms. The most important of these is the relatively high P/E ratio of foreign controlled companies *vis-a-vis* domestic companies. Finally, we also show that given its superior diversification potential in an international portfolio context the Indian stock market may be attractive for foreign investment in spite of its relatively high P/E ratio.

The paper is organised as follows. Section I presents the conceptual foundation for the significance of the P/E ratio. Section II describes the data sources for the study. Section III examines the patterns in the P/E ratios of the 100 companies in the National Index. Section IV analyses the relationship between foreign control and P/E ratios. Section V evaluates the diversification potential of the Indian stock market *vis-a-vis* the stock markets of other emerging markets from the perspective of an US investor. Section VI concludes and presents issues for further research.

I
What Is P/E Ratio?

The price-earnings ratio is defined as the ratio of current price to *expected* earnings. The significance of the P/E ratio is derived from the perpetual growth dividend discount model for firm valuation. According to this the current price P_0 is given by

$$P_0 = \frac{DIV_1}{(r - g)}$$

where DIV_1 is the dividend expected next period which is expected to grow in perpetuity at rate g; r is the market capitalisation rate. Assuming growth is through reinvestment of earnings it can be shown that the P/E ratio is given by

$$\frac{P_0}{EPS_1} = \frac{b}{r - (1-b)ROE}$$

where b is the payout ratio, ROE is the return on equity and EPS_1 is the *expected* earnings per share.

According to this a high P/E ratio implies a low expected rate of return, r, by holding the firm's equity as in the case of a low risk firm. However, a high P/E ratio is consistent with a high r if the payout ratio is low and ROE > r so that the firm has a high growth rate through positive NPV opportunities. This would be the case with high risk high growth firms. Therefore, a high P/E ratio implies either or both a lower market capitalisation rate or more valuable growth. Commonly reported P/E ratios are calculated as the ratio of price to the most recent actual earnings and not expected earnings as the definition requires. Calculated this way the P/E ratio may be high, irrespective of the capitalisation rate and growth opportunities, if there has been a decline in earnings and the market perceives it to be transitory. Moreover, earnings per share is an accounting number and will be influenced by the accounting practices of the company with respect to such items as depreciation and inventory valuation. Thus differences in P/E ratios

TABLE 1 COMPARATIVE VALUATIONS OF EMERGING MARKETS—I
(End March 1992)

Market	Price-Earnings Ratio	
	This Quarter	One Year Ago
Latin America		
Argentina	31.72	3.38
Brazil	18.25	8.79
Chile	17.94	11.36
Colombia	30.81	11.52
Mexico	17.13	13.43
Venezuela	26.95	28.48
East Asia		
Korea	15.97	19.07
Philippines	16.63	30.24
Taiwan	23.51	27.37
South Asia		
India	55.17	19.82
Indonesia	15.25	23.75
Malaysia	27.28	24.85
Pakistan	12.78	8.04
Thailand	20.60	25.26
Europe/Mideast/Africa		
Greece	14.71	23.02
Jordan	12.05	23.02
Nigeria	10.09	8.33
Portugal	13.74	17.94
Turkey	11.20	21.82
Zimbabwe	5.37	12.23
Developed Markets		
France	14.90	10.90
Germany	16.50	13.60
Japan	29.30	35.20
United States	24.30	16.80

Source: *Emerging Markets Data Base*, IFC, Washington, DC.

may be due to differences in accounting practices even though there are no differences in risk and growth opportunities.

Empirical research has looked at the factors accounting for differences in P/E ratios across companies and the use of P/E ratio in security selection. Beaver and Morse (1978) in a study of the P/E ratios in the US find that the P/E ratios correlate negatively with the earnings growth in the current year and positively with the earnings growth in the subsequent year, suggesting that investors are forecasting only short-lived earnings expectation. They also find that the P/E ratio can vary positively or negatively with market risk depending upon the market conditions in a given year. Therefore, risk also does not supply the explanation for the P/E differences across firms. They conclude that the differences in measured P/E ratios are not because of growth or risk but because of differences in accounting methods for such items as depreciation.

Portfolio strategies based on the P/E ratio have been analysed by Basu (1983 and 1977). These studies show that low P/E stocks tend to earn positive risk adjusted excess returns. This has been one of the more enduring anomalies in finance and many stock selection strategies recommend using the P/E ratio for selecting undervalued stocks

II
Data Sources

For the purpose of this study the sample is limited to the 100 companies in the National Index. The current P/E ratio and cash P/E ratio is as reported in the October 15, 1992 issue of *The Economic Times*. The earnings per share (EPS) and cash earnings per share (CPS) is obtained by dividing the closing price by the P/E ratio and the cash P/E ratio respectively. The EPS is the average net profit after tax per equity share and the CPS is the average cash profit, after adding back depreciation per share. Depreciation as a proportion of CPS is estimated by 1-EPS/CPS. The growth in gross profits, i e, profits before depreciation and taxes, is also obtained from *The Economic Times*. While the growth in net profits would be more appropriate for the study this data is not available in *The Economic Times* and available for only 48 companies in the CMIE publications. Data on market capitalisation is obtained from the Stock Exchange Review of August 27, 1992. Finally, the payout ratio is calculated as last year's annual dividend as a proportion of EPS. Information on foreign control of companies is obtained from the CMIE publication, *Key Financial Data on Larger Business Units*.

Table 3 presents the descriptive statistics for the sample. The P/E ratio is almost double the cash P/E ratio pointing to the significant role of depreciation. The average dividend yield is about 1 per cent which is relatively low compared to the dividend yield of most other countries. The P/E ratio as of October 1992 is almost 50 per cent higher than the P/E ratio of a year ago.

III
Patterns in P/E Ratio

Table 4 presents the correlation coefficients between the P/E ratio and some variables predicted to be related to the P/E ratio on the basis of the perpetual growth valuation model.

For the total sample, the P/E ratio has a significant negative correlation with the growth in gross profits during the past year. This implies that stocks with relatively low earnings growth during the year tend to have relatively high P/E ratios. This is consistent with the argument that investors perceive changes in earnings to have a transitory component and price stocks accordingly. Thus the high P/E stocks will be those for which there is a negative transitory component, i e, the realised earnings was below expected earnings, and conversely for the low P/E stocks.

This may also be applicable to the market as a whole, i e, the earnings overall may have been lower than expected resulting in a relatively high measured P/E ratio. 1991-92 was not a good year for the Indian industrial sector. The index of industrial production grew by only 0.1 per cent during 1991-92 as against more than 8 per cent in each of the previous three years. In fact the index for the manufacturing sector declined by 1.4 per cent. This is also confirmed by the data on growth in profits available from the CMIE publication, *Monthly Review of the Indian Economy*. Of the 48 companies from the sample, for which data is available for 1991-92, only 25 companies had a positive growth in net profits over 1990-91. Of the remaining 23 companies 4 had a loss and 19 had a negative or no growth in net profits. The median growth in net profits was 5 per cent. Moreover, for 636 companies in the private sector the growth in net profit, after taxes and adjustment for non-recurring income, was

Table 3: Descriptive Statistics for 100 Companies in the National Index

Variable	N	Mean	Median
Market capitalisation (Rs crore)	100	902.48	430.12
P/E ratio (current)	90	36.60	29.5
P/E ratio (year ago)	95	24.00	20.00
Cash P/E ratio	90	20.36	17.05
Payout ratio	85	0.46	0.37
Dividend yield (per cent)	93	1.3	1.1
Gross profit growth (per cent)	89	21.75	20.00

Source Data for market capitalisation is obtained from the *Stock Exchange Review* of August 27, 1992. The current P/E ratios are as of October 15, 1992. The payout ratio, dividend yield and EPS growth are based on the most recent data for the previous year available in October 1992.

Table 2: Comparative Valuations of Emerging Markets—II
(Stock market capitalisation as of June 30. All other data August 30, 1992.)

Market	P/E Ratio	Market Cap (Billion $)	Est 93 GDP Growth (Per Cent)	Rate of Inflation (Per Cent)
Latin America				
Argentina	25	20	4.5	20.0
Brazil	15	47	3.0	600.0
Chile	21	37	5.0	16.0
Colombia	–	–	–	–
Mexico	11	129	4.7	12.5
Venezuela	–	–	–	–
East Asia				
Korea	16	92	7.0	9.5
Philippines	12	17	4.5	9.5
Taiwan	29	134	7.2	4.0
South Asia				
India	29	79	4.5	12.5
Indonesia	16	12	5.5	7.5
Malaysia	18	78	8.5	4.5
Pakistan	–	–	–	–
Thailand	12	43	7.0	4.4
Developed Markets				
France	14	337	1.5	2.8
Germany	15	392	0.3	3.2
Japan	38	2100	3.2	1.8
United States	23	3700	3.0	3.0

Source: Stock market data from Morgan Stanley and economic data from J P Morgan, as reported in *The Economic Times*, November 30, 1992.

only 13 per cent during 1991-92 as compared to 42 per cent during 1990-91. However, even with a 20 per cent expected growth in earnings over last year the P/E ratio would be lower only by about five points. Even at 25, the P/E ratio would be high compared to the P/E ratio of other countries.

The other important correlation of the P/E ratio is with the depreciation measure. The significant positive correlation indicates that higher the depreciation the higher the P/E ratio. This is consistent with the conjecture that differences in P/E ratios may be because of differences in accounting practices for such items as depreciation. In this context it may also be pointed out that whereas the P/E ratio ranges from 9.2 to 137.3 the cash P/E ratio, which uses the cash earnings per share, ranges only from 5.9 to 63.8. The standard deviation of the cash P/E ratio is also only 13 as compared to 25 for the P/E ratio. Thus differences in P/E ratios may be because of differences in depreciation.

Finally, the positive correlation between the P/E ratio and the payout ratio must be interpreted carefully. According to the perpetual growth model there is a negative relationship between the P/E ratio and the payout ratio if growth is financed internally and the return on equity is higher than the capitalisation rate. However, given that firms like to maintain stable dividends a lower than expected earnings may cause both the P/E ratio and the payout ratio to be high for a particular year resulting in a positive correlation between them. Secondly, the assumption of internally financed growth may not be valid so that firms may have high growth in spite of high payout ratios.

The results of a multiple regression analysis are presented in Table 5. Given the possibility of a spurious correlation between the P/E ratio and payout ratio this variable is not included in the regression analysis. For the al sample, the variables depreciation measure, growth in gross profits and market capitalisation explain about 16 per cent of the variation in the P/E ratios. The coefficients are significant for depreciation and growth in gross profits.

IV
Foreign Control and P/E Ratios

About a third of the companies in the National Index are foreign controlled. The data confirms that foreign controlled companies tend to have relatively high P/E ratios. As shown in Table 6 the mean P/E ratio is 54 for the foreign controlled firms and about 28 for the non-foreign controlled firms. This difference is statistically significant with t = 4.198. Thus the overall high P/E ratio is partly accounted for by the high P/E ratio of foreign controlled companies. This cannot be as a result of differences in depreciation because the depreciation measure is in fact lower for the foreign controlled firms. Moreover, the mean cash P/E ratio of foreign firms at 32 is also significantly higher (t = 5.888) than that for non-foreign controlled firms at 14.6.

It is possible that differences in earnings growth has contributed to the difference in the P/E ratio between foreign and non-foreign controlled firms. The mean growth in gross profits is 10.8 per cent for foreign controlled firms and 27.4 per cent for domestic firms and the difference is statistically significant (t = 2.313). However, the P/E ratios were significantly different even one year ago with a mean P/E ratio of 32 for foreign controlled firms and 20 for non-foreign controlled firms. Therefore, it is unlikely that differences in EPS growth completely account for the differences in the P/E ratio though it is likely that they have accentuated the difference.

Another possible factor accounting for the high P/E ratio of foreign controlled companies could be the high P/E ratio of foreign controlled drug companies. Among the foreign controlled companies, three drug companies Pfizer, Glaxo and Sandoz have the three highest P/E ratios of 123, 125 and 137 respectively. However, even if these companies are excluded the mean P/E ratio of foreign controlled companies is 45 as against 28 for non-foreign controlled companies.

The difference between the foreign controlled and non-foreign controlled enterprises is also reflected in the results of the regression analysis reported in Table 5. The variables depreciation, profit growth and market capitalisation explain about 41 per cent of the variation in the P/E ratio of the foreign controlled enterprises but only about 20 per cent in the case of the non-foreign controlled enterprises. Moreover, the coefficient on growth in profits is not significant in the case

TABLE 4: CORRELATION COEFFICIENTS BETWEEN P/E RATIO AND OTHER VARIABLES
(Significance levels in parentheses)

Variable N	Total 85	Foreign Controlled 29	Non-Foreign Controlled 56
Payout ratio	0.28	0.096	0.68
	(0.009)	(0 619)	(0.0001)
Gross profit growth	–0.332	–0 298	–0.287
	(0.002)	(0.116)	(0.032)
Depreciation measure	0.297	0.55	0.435
	(0.004)	(0.001)	(0.0005)
Market capitalisation	0.06	–0.01	0.192
	(0.603)	(0 96)	(0.142)

TABLE 5: REGRESSION ANALYSIS
(Regression coefficients with the t-statistics in parentheses)

Variable	Total Sample (N=85)	Foreign Controlled (N=29)	Non-Foreign Controlled (N=56)
Intercept	24.577	20.199	11.333
	(3.418)	(2.012)	(1.546)
Depreciation	36.547	91.533	35.624
	(2.555)	(4.226)	(2.594)
Profit growth	–0.242	–0.406	–0.079
	(–3.034)	(–2.414)	(–1.312)
Capitalisation	0.002	0.008	0.003
	(1.473)	(2.032)	(2.317)
Adjusted R^2	0.158	0.414	0.195

Note: The dependent variable in each case is the price-earnings ratio.

TABLE 6: DESCRIPTIVE STATISTICS FOR FOREIGN AND NON-FOREIGN CONTROLLED SUB-GROUPS

Variable	Foreign Controlled			Non-Foreign Controlled		
	N	Mean	Median	N	Mean	Median
Market capitalisation (Rs crore)	33	795.75	429.64	67	955.04	430.59
P/E (current)	30	54.06	46.55	60	27.87	25.85
P/E (year ago)	31	31.60	28.10	64	19.87	16.65
Cash P/E ratio	30	31.96	30.0	60	14.55	13.9
Depreciation measure	30	0.34	0.31	60	0.44	0.43
Payout (per cent)	29	70.27	48.1	56	34.25	32.6
Dividend yield (per cent)	31	1.48	0.93	62	1.27	1.14
Profit growth (per cent)	32	10.86	17.3	61	27.45	22.4

Source: Information on foreign control is obtained from the CMIE publication, *Key Financial Data on Larger Business Units*.

of non-foreign controlled enterprises. Thus growth in profits appears to be important for explaining variation in the P/E ratios of foreign controlled companies but not domestic companies.

The differences in the P/E ratios of foreign and non-foreign controlled firms is interesting in the light of research in economics on the differential performance of foreign controlled firms. Kumar (1990) compares the characteristics and performance of foreign controlled and locally controlled enterprises across 49 industries. Using the Wilcoxon signed rank test he finds that the measures for size, profit margins, proportion of high income employees in total wage bill, degree of vertical integration, effective tax rate and liquidity are significantly higher, at the 5 per cent or higher level of confidence, for foreign controlled enterprises. On the other hand the measures for the R and D intensity, growth rate, retention ratio and leverage ratio are lower for the foreign controlled enterprises. According to the author, "The picture of FCEs that emerges from the analysis, therefore, is one of relatively larger, more prosperous, vertically integrated, fund flush firms with better paid personnel." The differences in the P/E ratios may be related to these differences in firm characteristics. The study also mentions that in some industries such as motor vehicles, machine tools, man-made fibres and automobile tyres and tubes, local firms affiliated with large industrial houses with the complement of technology obtained on licensing basis from abroad have closely resembled their foreign controlled counterparts in almost all the dimensions covered. With the recent liberalisations, it is possible that licensing and foreign affiliations may become more common thereby reducing or eliminating the differences, including that of the P/E ratio, between foreign and locally controlled enterprises. Experiences of other developing countries in this regard may be useful.

Market Valuation and Foreign Investments

In the context of international investment a high P/E ratio is considered unattractive because it implies a low capitalisation rate. However, in a risk-return framework the capitalisation rate should not be considered in isolation but along with the risk that Indian securities would contribute to an international portfolio. If this risk is low then Indian securities would be attractive even with low capitalisation rates. It may be useful to do this analysis from the perspective of the US investor considering investment in foreign equities. It is possible to work out a break-even rate of return for each market as

$$\text{Break-even rate}: \left[\frac{R_{US} - r_f}{\delta_{us}}\right] \rho_{US,F}\, \delta_F$$

where,

R_{US} : expected rate of return for the US market.

δ_{US} : standard deviation of return for the US market.

r_f risk free rate of return for the US.

δ_F standard deviation of return of the foreign market.

$r_{US,F}$ correlation coefficient between the rates of return of the US and foreign markets.

If the expected return for the foreign market is greater than this break-even rate, then the inclusion of foreign securities in the portfolio of an US investor will result in a superior risk return opportunity set. This result is based on the Markowitz risk return optimisation framework and discussed in Blume (1984). The critical input into the break-even rate is the correlation coefficient. The lower the correlation coefficient, the higher the diversification potential of the foreign securities and therefore the lower the break-even rate.

These break-even rates are listed in Table 7. Among the 20 countries India has the third lowest break-even rate of return of 1.65 per cent. This implies that so long as the expected rate of return is more than 1.65 per cent per year Indian securities will be attractive to US investors in a portfolio context. However, these results must be treated with extreme caution. They are based on historical returns and are subject to all the limitations of using the past to predict the future. In fact the problem may be worse given international differences. Moreover, the risk return aspect is only one of many considerations that would go into international portfolio diversification decisions. These include liquidity, availability of timely information, transaction costs, etc. However, in spite of these caveats one can state that based on historical returns the Indian equity market provides good diversification opportunities for an international investor. The low rate of return implied by a high P/E ratio needs to be viewed in this context.

VI
Conclusions and Extensions

An analysis of the P/E ratios of the 100 companies in the National Index reveals certain patterns useful for assessing the level of the P/E ratio of the market as a whole. Since reported P/E ratios are calculated using the most recent reported EPS

TABLE 7: BREAK-EVEN RATES OF RETURN FOR EMERGING MARKETS

Market	Standard Deviation	Correlation Coefficient with US	Break-Even Rate of Return
Latin America			
Argentina	117 81	0 08	7 53
Brazil	80 99	0 18	10 00
Chile	29 44	0 42	8 94
Colombia	36 34	0 09	4 57
Mexico	52 69	0 53	16 41
Venezuela	48 91	0 10	0 65
East Asia			
Korea	29 90	0 26	6 73
Philippines	39 14	0 42	10 89
Taiwan	64 81	0 16	7 98
South Asia			
India	35 06	0 08	1 65
Indonesia	33 53	0 14	5 25
Malaysia	26 29	0 70	11 84
Pakistan	25 29	0 08	3 97
Thailand	33 22	0 58	12 25
Europe/Mideast/Africa			
Greece	53 66	0 12	6 09
Jordan	18 15	0 17	4 48
Nigeria	27 26	0 03	3 39
Portugal	51.79	0 20	7 97
Turkey	105 76	-0 03	1 47
Zimbabwe	27.40	-0 10	1 68

Source: *Emerging Markets Data Base*, IFC, Washington, DC

Based on US \$ returns on an annualised basis for five years ending March 1992. The following values for the US market have been used to calculate the break-even rates

$R_{US} = 11.52$ per cent; $r_f = 3$ per cent, $\delta_{US} = 17.74$ per cent

The break-even rate is calculated as

$$\text{Break-even rate} = r_f + \left[\frac{R_{US} - r_f}{\delta_{US}}\right] \rho_{US,F}\ ^{\cdot}$$

they are likely to be higher for companies with recent poor performance. This is cofirmed by the data. In this context the high P/E ratio of the Indian stock market relative to those of other countries may be due to the poor performance of the Indian industry during 1991-92. Perhaps the market considers this poor performance temporary so that on the basis of expected earnings the P/E ratios may not be as high as the reported P/E ratios seem to indicate.

The analysis of the P/E ratios also reveals that foreign controlled companies on average have higher P/E ratios than domestic companies. This is consistent with other research findings that indicate that foreign controlled enterprises have significantly different performance characteristics. With increasing liberalisation of the Indian industry with respect to foreign investment it is possible that this difference may decrease over time. In this context it will be useful to examine the experience of other developing countries. If the differential performance of foreign controlled enterprises is expected to persist, then all market analysis should take this differential into account. Thus from the perspective of foreign financial institutions the diversification potential of foreign controlled enterprises may be significantly different from that of domestic enterprises.

Differences in accounting practices, for example, with respect to depreciation, can also cause P/E ratios to vary systematically from their true values. This is supported by the data for the 100 companies of the National Index. Different accounting practices are also likely to account for some of the differences in the P/E ratios across countries. This could be established by a comparative examination of accounting practices in the various countries under consideration.

Finally, this paper argues that the high P/E ratio and the implied low rates of return for the Indian stock market may be counterbalanced by its diversification potential in an international portfolio context. This conclusion rests on the historically low correlation coefficient between the Indian stock market and the US market, as an example. It is an important question whether this low correlation coefficient will be maintained with the increasing integration of the Indian economy in the world market. This requires an investigation of the pattern of correlation coefficients. Some studies, e g, Roll (1992) have found that similarities or differences in underlying industrial structure determine a significant part of the international pattern of correlations. There may also be patterns in the P/E ratios across industries which has not been analysed in this study.

[I would like to thank Sebastian Morris, Krishna Kumar A, Venkatesh Ganesan and Namrata Rana for helpful discussions. This paper was completed in January 1993.]

References

Basu, S (1977): 'The Investment Performance of Common Stocks in Relation to Their Price-Earnings Ratio: A Test of the Efficient Market Hypothesis', *Journal of Finance*, Vol 32, pp 663-82.

—(1983): 'The Relationship between Earnings, Yield, Market Value and Return for NYSE Common Stocks: Further Evidence', *Journal of Finance Economics*, Vol 12, pp 129-56.

Beaver, W and D Morse (1978): 'What Determines Price-Earnings Ratios?', *Financial Analysts Journal*, Vol 34 (4), pp 65-76.

Blume, M E (1984): 'The Use of Alphas to Improve Performance', *Journal of Portfolio Management*, Vol 11(1), pp 86-92.

Kumar, N (1990): 'Foreign Controlled Enterprises in Indian Industry: Distribution, Characteristics and Export Behaviour', Export-Import Bank of India, Occasional Paper No 8, April.

Roll, Richard (1992): 'Industrial Structure and the Comparative Behaviour of International Stock Market Indices', *Journal of Finance*, March, pp 3-41.

Labour Market Flexibility

Arup Mitra

The Indian Labour Market and Economic Structural Change edited by L K Deshpande and Gerry Rodgers; BR Publishing Corporation, Delhi 1994; pp 276, Rs 190.

WITH the structural adjustment programme under implementation, an understanding of the nature and response of the labour market is essential, for the efficacy and success of the new economic policy depend to a large extent on the functioning of the labour market. The volume under review, published earlier as a special number of the *Indian Journal of Labour Economics*, will be widely read mainly because of its topicality and its success in integrating several aspects of the Indian labour market.

Following a brief Introduction by Deshpande and Rodgers, 13 articles have been presented in four different sections, namely, (a) the aggregate employment level, (b) institutional arrangements, (c) technology and labour, and (d) policy issues in economic reform. The first section includes three papers by Jose, Mundle and Papola. Jose examines employment, productivity and earnings per employee data for 19 major industry groups in the organised sector for the period 1970-71 to 1987-88. Seventies witnessed relatively high growth of employment both among the high and low wage groups of industries and during the 80s employment declined considerably in the low wage sector. This tends to discount the view that employment growth in the high productivity sector has been sluggish as wages have been set at a high level. On the other hand, 1980s were marked by a sharp acceleration in productivity rates particularly in the high wage industries. Further, productivity rise improved real earnings as workers in the high wage capital intensive industries could benefit from the rise in productivity by exercising their bargaining strength in the labour market. On the whole, it is rapid productivity growth (resulting from technological factors) which kept labour absorption at a low level while permitting high wages. The shift in the structure of demand in favour of capital-intensive industries led to a decline in the overall employment elasticity of the manufacturing sector during the 80s [Papola 1994]. On the other hand, minimum wages are 'sawdust', not 'hard wood', and are rarely set at levels where they cut seriously into employment.

Rise in productivity levels and deceleration in employment growth rates are, however, not only the outcomes of technological changes but structural reforms as well. Mundle's projections for the early 90s also suggest that though visible underemployment as a phenomenon has been declining quite rapidly, the stabilisation programme could still result in extra underemployment of about half to one million persons per annum. However, for making a forecast about underemployment an analysis based on much greater sectoral disaggregation, sector-specific employment elasticities and inter-sectoral linkages is essential. A more optimistic picture is presented in Papola's paper in the context of the rural non-farm sector. Much of the rise in employment in the rural non-agricultural activities is taken to be demand-induced. Although employment growth in the manufacturing sector has been lower than that in the non-agricultural sector as a whole, it is indeed higher than that in agriculture. Growing public expenditure was mainly responsible for rapid employment growth in the rural non-farm sector in the 80s [ILO-ARTEP 1992]. The fall in public expenditure, including that on anti-poverty programmes, associated with stabilisation is therefore expected to have arrested the employment growth in this sector [ILO-ARTEP 1993].

In the second section the paper by Mathur examines the employment security practices in Indian industry and points out how the notion of employment security regulations has undergone fundamental transformation in the 80s in several ways. Unions are often found to impede the processes of structural adjustment. With greater participation of employees, employers, unions and government, the process of restructuring the Indian economy through institutional change can be made successful. However, in this context it is important to look into the institutional structure and the regimentation of the labour market which has been extensively dealt with in the paper by Rodgers. In fact, he poses two pertinent questions at the beginning of his paper, namely, "How do differences between jobs in quality and desirability affect the setting of employment goals and the design of employment policy? Do they have implications for the strategy of development?" In the face of poverty, jobs of any sort would probably be recommended by the policy-makers but the position he takes is that the creation of jobs is inextricably linked to the nature of the jobs which are created, and, then, who gets them. This determines not only the success of the economy in providing widespread access to income opportunities, but also the level of productivity in the economy and the success of the development process itself. In their study of Coimbatore, Harriss, Kannan and Rodgers (1990) identified seven labour statuses instead of addressing the issues in a dual sector (formal-informal) framework and pointed out that access to these different categories of labour status was unevenly distributed across the population. Methods of access to jobs and patterns of mobility across labour statuses are some of the important indicators of the unequal access to better jobs. Such inequalities in the labour market due to the disadvantaged situation of particular groups can be reduced through affirmative action. The structural adjustment programme is likely to heighten the inequality within the labour market and the brunt of the adjustment process will be borne by those at the lower rungs of the lower status hierarchy (Mukhopadhyay). In particular, women in the labour market, as Kapadia points out in the case of rural wage labour in Tamil Nadu, are in a more vulnerable position as compared to their male counterparts.

In the third section Samaddar talks about new technology, knowledge and power in the context of the newspaper industry. Datta's paper based on a survey in two large engineering firms examines the impact of the introduction of micro-electronics-based technology on labour-management relations. The workers tend to resist new technology as it is mainly labour-saving. Further, since it is highly capital-intensive, huge investment on capital is required which, unless output increases rapidly, will be difficult to undertake without reducing the labour costs and thus employment. This tends to put management and unions in direct conflict with each other and in order to reduce this conflict, output should be inceased rather than employment decreased.

The final section includes four interesting papers by Deshpande, Hirway, Etienne and Kannapan. In addition to the short-run impact of structural adjustment on labour market as discussed by Mundle in the first section of the volume, Deshpande analyses the long-run demand and supply of labour. Liberalisation leads to flexibilisation of labour in the sense that employment of temporary, casual, contract and female labour increases. With increasing exports and direct investment, employment of flexible labour is likely to shoot up. But realisation of full-employment will partly have to

depend on population growth as well. However, what is more important is not just full-employment but, as also emphasised by Rodgers, the quality of employment and the unequal access of certain sections of the population to better jobs in the labour market.

Hirway shows that the primary concern of structural adjustment programme is with the financial crisis, failure of the public sector and the over-regulation of the private sector, and not with poverty and unemployment. Such a partial diagnosis of the economic problems by the policy-makers led them to adopt a programme which is not likely to correct the growth path in favour of the poor. Also Etienne, although more optimistic about the adjustment programme, argues that a new stress on large-scale public investment in agriculture is needed to complement the reforms and Kannapan recommends a long-run strategy integrating employment promotion, human capital formation and development of institutional finance for resolving the conflict.

The volume is indeed interesting and should be read by those with an interest in labour market issues particularly in the context of adjustment policy formulation.

References

Freeman, R (1992): 'Labour Market Institutions and Policies: Help or Hindrance to Economic Development', paper prepared for the World Bank Annual Conference on Development Economics, Washington, DC, April.

Harriss, J, K P Kannan and G Rodgers (1990): 'Urban Labour Market Structure and Job Access in India: A Study of Coimbatore', Research Series 92, International Institute for Labour Studies, Geneva.

International Labour Organisation-ARTEP (1993): *India: Employment, Poverty and Economic Policies*, a report prepared under a project sponsored by the UNDP under the Technical Support Services 1.

Papola, T S (1994): 'Structural Adjustment, Labour Market Flexibility and Employment', Presidential Address, 35th Annual Conference of the Indian Society of Labour Economics, Ahmedabad.

Jharkhand: Focus on Culture

Tilak D Gupta

Jharkhand Movement, Ethnicity and Culture of Silence by Sajal Basu; Indian Institute of Advanced Study, Shimla, 1994; pp 160, Rs 175.

SAJAL BASU's book seeks to take an overview of the Jharkhand movement in its totality. But Basu is primarily interested in detailing and analysing the movement's contribution in helping the people to assert their ethnic identity and regenerate their cultural heritage. This is not surprising, given the author's considered opinion that the positive aspects of the Jharkhand movement lie in the "creation of script, development of language and regeneration of cultural symbols".

The book begins with a brief description of the people and the area and strives to sketch the history of the tribal rebellions of the colonial period. Basu rejects the contention that these tribal revolts represented democratic thinking rooted in the traditional system, nor does he accept the claim of the subaltern theorists who have tried to designate these revolts as a parallel stream in the anti-colonial struggle. Instead he relies on the Bengal judicial proceedings and statements of British officials to argue that "the movements were mostly shaped by gossips and myths created around some leaders who claimed to be God-gifted and/or deputed by an oracle". The question of the author's uncritical dependence on colonial sources apart, it escapes Basu's attention that the above two views need not be mutually exclusive.

The book goes on to depict the various efforts to develop a distinct script and language of the indegenous people and highlights the cultural resurgence taking place in the region. In this connection Basu draws our attention to the growth of the Ol Chiki script and the Kurmali language. But one problem with Basu's book is that it overemphasises the role of intellectuals in such cultural resurgence and neglects the part played by the mass movement in rejuvenating the traditional culture and social customs.

Basu is quite right in pointing out the havoc caused by the state's development and forest policies on the local people's lives. But one wonders why few treatises on the subject mention the role of private sector industries in disrupting the traditional community living of the nature-dependent people. Unfortunately too, the grabbing of tribal land by aliens as well as domiciled moneylenders and powerful rural gentry that still continues, albeit in a subtler manner, does not get attention in the book.

In the chapter titled 'Politics without Polity', the author contends that the 'basic weakness' of the Jharkhand movement is that it does not have a 'constant polity-base', as the process of involvement of new groups and alienation of participant communities continues. Moreover, argues Basu, the existing division of the Jharkhand region among four states where the conditions and responses vary further contributes to this 'in-built weakness'. In this connection he opines that the "Jharkhand leadership and the movement as a whole have failed to design a strategy to square up this weakness".

The political leadership of the Jharkhand movement fares badly in the author's judgment. "The positive achievement of the movement in the sphere of language, identity have been hijacked by the activities of its leaders who carry on their squabbles and personal fortune-making", pronounces Basu rather harshly. However, in line with the book's explicit enthusiasm regarding ethnic issues, the author admires the Jharkhandi cultural organisations as being "most effective in asserting ethno-cultural issues and commonness in ethnicity".

The author is on much stronger ground when he argues that the half-century old Jharkhand movement has never received any democratic response from the governments concerned. Basu suggests that the authorities should consider with a humane approach the demand of the movement for autonomy and distinct cultural existence. But he concedes that the autonomy demand can be realised only when the movement is able to mobilise the masses "to the extent of posing a threat to existing state heirarchy".

But does the Jharkhand movement have the potential to rise to that level? The book appears to be somewhat ambiguous on that score. But it is apparent that the author is sceptical about the possibility of radicalisation of the movement along class lines. On the contrary, he pins his hope on the formation of such demands by the Jharkhand movement that would make the "identity aspirations and sense of indigenousism" of the people "more meaningful".

A monograph on the ethno-cultural aspects of the Jharkhand region or even of a particular area within it would have been interesting reading. It is also true that the various efforts to regenerate and enrich the traditional culture have been an important component of the Jharkhand movement since long. But the difficulty with the book under review is that it seeks to exaggerate the ethnic and cultural factors in the contemporary Jharkhand movement. And this is all the more strange when the struggle for autonomy, particularly where it has a strong and stable mass base, shows distinct signs of being transformed into a regional movement from an ethnic one. Basu, with his passion for ethnicity, however, continues to vaguely label it as a "broad-based ethnic movement".

More to the point, the excessive preoccupation with the ethnic and cultural aspects may marginalise the common people

who support the Jharkhand cause, above all, for realising their rights on land and forest as well as a dignified place in the development process. As the experience of the Jharkhand movement shows, it has acquired a mass character precisely in those areas where efforts were made to link the toiling people's immediate economic demands with the autonomy question. The Jharkhand Mukti Morcha (JMM), the strongest Jharkhandi organisation of the day, despite its present opportunistic politics, owes its popularity among the rural masses precisely to its struggle in the early 70s against land-grabbers and money-lenders.

It therefore appears odd that the book does not mention the role played by these struggles for land and against usury in rendering to the Jharkhand movement a mass character. Besides, the present demographic character of the Jharkhand region where tribals have been reduced to a minority status provides less scope for forging unity in the movement through the medium of "identity aspirations and sense of indigenousism". To put it differently, with the metamorphosis of the Jharkhand movement into a regional movement, the ethnic question is gradually losing its importance in the eyes of its leadership.

To cite an instance, in south Bihar, the nerve centre of Jharkhand movement, most Jharkhandi organisations have settled for Hindi as the link language for the region. The influx of a large number of Hindi-speaking locals into the movement as well as adoption of Hindi by a substantial section of the tribal people for economic reasons have probably made such a choice imperative. Nevertheless, there is a strong case for protecting and developing the tribal languages and providing facilities for imparting education to the adivasis through their mother-tongues. But the book's emphasis on a common Jharkhandi language for cementing a Jharkhandi identity seems rather misplaced. The historical developments of the past so many centuries has, perhaps, foreclosed such a possibility for ever.

As for the cultural resurgence in the region described in the book, two points need to be made. For one, the book focuses mainly on the efforts of cultural regeneration in the West Bengal part of the Jharkhand region where the movement remains a marginal phenomenon. All the contemporary Jharkhandi poetry quoted in Basu's book is written in a language that remains unintelligible to the overwhelming majority of the people of the Jharkhand region falling within Bihar, Orissa and Madhya Pradesh. Similarly, the Ol Chiki script is relevant only for the Santhal language and as yet not quite popular even among literate Santhalis who usually who usually use different scripts in different states.

The other point one would like to stress is that the book fails to locate the cultural resurgence as an integral part of a many-sided mass movement essentially political in nature. Thus the honest Jharkhandi intellectuals active on the cultural front seemingly stand apart from the movement led by 'opportunist' leaders. The text also fails to mention how the JMM-led movement in the early 70s popularised the adivasi social and cultural rituals among a large segment of the Jharkhand population. As a matter of fact it might be easier for the ruling classes to partially accommodate the cultural aspirations of the growing petty-bourgeoisie among the tribals than fulfil the political-economic demands of the toiling adivasis.

For example, Basu laments that "so far, Jharkhand has been denied the privilege of being considered as a linguistic-cultural region". He may now be reassured to learn that the Committee on Jharkhand Matters constituted by the union government has recommended that the "whole of Jharkhand comprising 22 districts spread over four states should be recognised as a distinct cultural area". But such recommendations do not really carry much meaning for those toilers of the region who see the Jharkhand movement mainly as a means to get back their land, forest and human dignity.

As things stand, the unity of the Jharkhand movement cutting across four states with a common aim and leadership indeed seems a remote possibility. One reason for it, as Basu has correctly pointed out, is the existing diversity in the political situations in the different states. Besides, whatever cultural resurgence is taking place is basically intra-tribal in nature and is not leading the Jharkhandis towards a common culture or language. And lastly, what Basu fails to discern is that the continuous penetration of capital into the region has intensified the process of class differentiation in Jharkhand society. And this process will also ensure that various political forces with disparate class ideologies will fight among themselves to capture the centre-stage of the Jharkhand movement.

There are many factual errors in the book that could have been avoided with some careful editing. The index at the end of the book too is incomplete. The cataloguing of "prominent tribes", of the region clubs the backward castes (potter, blacksmith, goldsmith, oil-makers, barbers, etc) and the scheduled castes (washerman, cobbler, dusad) with the genuine tribes to produce an incredibly long list of tribes. The assertion that Kurmali and Sadri are the dominant languages in the Jharkhand region and spoken by 10 million and 5 million people, respectively, is not substantiated by any source. The Jharkhand Co-ordianation Committee, now a thing of history, is referred at one place as "newly-formed" (p 35). A one-time important leader of the Jharkhand movement, Bagun Sambrai, is mentioned at two places in two different spellings, both incorrect.

Public Enterprises and Private Purposes

Sudip Chaudhuri

A basic premise underlying much of the critical writing on public enterprises is that there is something wrong with public enterprises per se. *The author contests this view that public enterprises are inherently inefficient and contends that a crucial aspect has been the objectives and the priorities with which the public enterprises have been run. The focus of the paper is on the manufacturing enterprises under the central government.*

FOR quite some time now the public enterprises (PEs) in India have been subject to attack. The critics refer to the low financial return of the PEs and their poor service, shortages and delays in delivering goods and services, etc. Of course others point out that the deficiencies of the PEs have often been exaggerated. Nagaraj (1993), for example, found that the financial performance of the PEs, in India improved in the 1980s and their resource generation effort is now comparable to that of the private corporate sector. Some PEs, for example, Bharat Heavy Electricals has significant achievements to their credit [Lochan 1991; Ramamurti 1987]. But it is generally agreed that the performance of the PEs on the whole has been less than their potential and below the expectations with which they were set up.

Different aspects of the operation of the PEs have been stressed by different authors/committees to explain their shortcomings. Among the explanatory factors mentioned in the literature are: managerial weaknesses, over-manning and low work ethics, technical inefficiencies, over-capitalisation due to substantial time and cost overruns, faulty investment decisions, political and bureaucratic interferences, the burden of taken over private sector sick units, subsidised pricing, unprofitable product mix (leaving the more profitable items to the private sector), excessive social welfare expenditure, under-investment, using the PEs for private purposes, etc [Bhagwati and Desai 1970: Chapter 9; omic Advisory Council 1987; World Bank 1988: Chapter II; Bagchi 1990; Morris 0; Bardhan 1984: Chapter 8; Ahluwalia 85: Chapter 5; Economic Administration Reforms Commission 1984a, etc].

Restructuring the PEs is an important element of the current programme of Economic Reforms initiated by the central government. Important proponents of such reforms, e g, Bhagwati and Srinivasan (1993: 50-52) recommend that the PEs must be privatised. The government in fact has already initiated steps to get rid of the loss-making PEs though a circuitous way. The government has announced that budgetary support in the form of non-Plan loans to loss-making PEs will be phased out after 1994-95. After the amendment of the Sick Industrial Companies Act, the government has started referring the sick PEs to the Board for Industrial and Financial Reconstruction to decide about the future of these units [Ministry of Finance n d: 18-19]. The board has decided to recommend privatisation (or winding up in case the private sector is not interested) if the government is not willing to invest the requisite funds for revival. As was revealed in the case of a PE, Triveni Structurals, the government did not object to such a plan of action since it was unable to induct additional funds [Viswanath 1993].

A basic premise underlying much of the critical writings on the PEs is that there is something wrong with the PEs *per se*. We contest this view that the PEs are inherently inefficient. In this paper we will try to further pursue the point of view that a crucial aspect has been the objectives and the priorities with which the PEs have been run. We will concentrate primarily on the manufacturing PEs under the central government.

In Sections I to III we will discuss the impact of sluggish and *ad hoc* public investment and how the capacities and the capabilities of the PEs were not properly utilised or developed. These adversely affected the performance of the PEs. In Sections IV and V we will give some examples of how the PEs have been used for private purposes and the inaction and apathetic attitude of the government. In the last section we will sum up the discussion and will argue that a basic factor behind the disappointing performance of the PEs is that those who ultimately control the PEs did not have efficient operation of the PEs as the major objective. They were often not interested in the PEs. And when they were interested, they used the PEs for other purposes thereby hampering the operation of the PEs.

I
Changes in Level and Nature of Public Sector Investment

An important feature of the Indian economy in the post independence period has been the expansion and diversification of the public sector. Public sector gross fixed capital formation at 1980-81 prices increased steadily from Rs 16,420 million in 1950-51 to Rs 78,660 million in 1965-66 (Table 1). The stress initially was on infrastructure.[1] With the Second Five-Year Plan, the manufacturing activities of the PEs rose sharply. Different PEs producing different types of goods and services began to be set up. Central government PEs was envisaged to play the lead role in the economy particularly in the basic goods and the machinery sectors. Among the important central government PEs set up during the Second and the Third Five-Year Plan periods were the steel plants in Rourkela, Durgapur and Bhilai under the Hindusthan Steel (established in 1954), Fertiliser Corporation of India (established in 1961 to take over the Sindri Fertiliser Factory and the Nangal Plant and to set up more fertiliser plants), Heavy Engineering Corporation (HEC) (1956 to manufacture mainly steel plant equipment), Hindustan Organic Chemicals (1960 to manufacture different types of chemical intermediates), Bharat Heavy Electricals (BHEL) (1964 to manufacture power plant equipment, etc), Instrumentation (1964 to provide instrumentation and control systems to power plants, steel plants, fertiliser plants, etc), Bharat Earth Movers (BEML) (1964 to manufacture transportation equipment), Bharat Aluminium Co (1965 to manufacture aluminium), Cement Corporation of India (1965 to manufacture cement), Cochin Refineries (1965), Bharat Heavy Plate and Vessels (BHPV) (1966 for fabrication of equipment for process industries like fertilisers, chemicals, etc).

Interlinkages were self-evident. PEs themselves were to be the major transactors for a number of products. Thus steel plant equipment (manufactured by HEC) were to be used for setting up the public sector steel plants; power equipment (BHEL) for public sector power generation and transmission; railway coaches and other equipment (BEML) for the government monopoly of railways, etc (Table 2).

In 1966-67, there was a sharp fall in public sector gross fixed capital formation (1980-81 prices) in absolute terms to Rs 67,360 million, a decline of 14.4 per cent. It continued to decline and reached Rs 61,610 million in 1969-70. The slide has since been prevented. But it was only in 1972-73 that the level of 1965-66 was crossed. In 1974-75 again the

public sector gross fixed capital formation declined in absolute terms to Rs 69,370 million. It was not before the mid-1970s that the aggregate public sector investment in absolute terms started rising (Table 1).

The sharp fall in public investment in the late 1960s and the stagnation in absolute terms till the mid-1970s was a severe blow to the growth of PEs. Particularly so because it happened at a time when manufacturing PEs were still in the formative stage.

The fall in public investment implied a fall in the demand for PEs producing capital goods. With PEs themselves the major/sole buyers of many capital goods, e g, steel equipment, power equipment, railway equipment, etc, from other PEs, demand naturally appeared as a major problem for them. The fall in demand, by reducing profits and hence resources for investment, in turn had a depressing effect on public investment.

As we mentioned above, in absolute terms public investment recovered by the mid-1970s. But by then the structure and the character of public investment had changed for the worse.

An important sector never recovered. Public sector gross domestic capital formation at 1980-81 prices in railways was Rs 7,790 million in 1960-61. It went up to Rs 14,510 million in 1963-64. Since then it went down steadily to Rs 5,680 million in 1969-70 and further—with some fluctuations—to Rs 5,260 million in 1977-78. It has recovered to some extent lately. But the level of Rs 12,550 million in 1986-87 in absolute terms (at 1980-81 prices) is still below the peak attained in 1963-64 [CSO 1989: Statement 19; CSO 1990: Statement 31].[2] Railways used to be an important buyer of capital goods. In fact in the early 1960s, railways alone accounted for a fifth of the total public sector gross fixed capital formation at current prices [CSO 1983:168-99]. Railways are the sole buyers of a large number of products of PEs, e g, rolling stock, points and crossings, sleepers, springs, etc (manufactured by Burn Standard Company), wagons (Braithwaite and Company), railway coaches, breakdown cranes (Jessop and Company), etc (Table 2). A substantial portion of the installed capital in the public sector thus faced a demand problem. But for the decline in railway investment the capacity utilisation and hence profits would have been much higher, other things remaining the same.

The allocation of central government equity and loans in PEs reflects the priority accorded by the central government to different sectors. It is the single most important source of funds for investment expenditure, the other sources being retained earnings and loans from other sources. As on March 31, 1965, central government invested Rs 20,396 million (equity and loans) in central government PEs (Table 3). In accordance with the priorities in the Second Five-Year Plan and the Third Five-Year Plan, the steel sector received 43.81 per cent of the funds and heavy engineering 11.63 per cent. The other important sectors were petroleum, minerals, coal, etc (Table 3). Since then however the priorities have changed significantly. The public sector steel plants received 18.84 per cent of the funds between 1965 and 1975. The share went down further to 7.48 per cent during the period 1975 to 1990. The corresponding shares of heavy engineering similarly were 8.70 per cent and 1.33 per cent. On the other hand, the producing sectors which gained in importance are coal and power. Similarly the services sector receive more funds now. As on March 31, 1965, the services sector received only 8.34 per cent of the funds. But between 1965 and 1975, the share went up to 20 per cent and further to 23.09 per cent during 1975 to 1990.

When the PEs were set up in the 1950s and 1960s, the capacities were determined with some expectation about the future growth of demand. The latter in turn is linked to the growth of investment in related areas. The changes in investment priorities after the mid-1960s however created demand problem for many PEs particularly in the machine manufacturing sector [Economic Advisory Council 1987: 10]. The level of HEC's steel plant making capacity, e g, was based on the assumption that the country would add 1 million tons of steel-making capacity every year in the 1960s and 1970s. In reality the expansion of capacity was about half that rate. Hence HEC faced a severe demand problem, which is considered to be the most important factor behind its poor financial performance [Ramamurti 1987: 131-43].

The relative decline in steel was compensated by increases in other areas. But the demand remained depressed for the machinery manufacturing units. As we will discuss in the next section, despite indigenous capacity, a part of the demand for capital goods is met from imports. Again, increases in investment, e g, in a number of the services sector generated hardly any demand for the type of machine building capacity India generated.

II
Imports of Capital Goods and Technology

A large number of PEs were set up for manufacturing capital goods and providing technological services. Naturally one would have expected that when new plants are set up and existing plants are expanded in the public sector, the PEs would buy the available capital goods and technology from the sister PEs. In reality however imports of capital goods and technology continued despite the domestic availability.

In a number of cases, the PEs were denied the opportunity to even compete against imports. This is very common in bilaterally aided projects. In such cases the foreign aid agencies usually insist on using the equipment manufactured within their home countries. Power equipment, e g, have been imported under such arrangements depriving BHEL [BHEL 1991]. The grant of contract for setting up the Bhatinda and Panipat fertiliser plants to Toyo Engineering Corporation of Japan was basically influenced by the fact that the Japanese government provided credit for these projects. The public sector company, Engineers India, which was given the task of preparing the initial project reports, actually invited proposals only from Japanese companies though Planning and Development Division of FCI (P and D) was active in the field, equipment too were imported from Japan ignoring Bharat Heavy Plate and Vessels (BHPV) [Gouri n d: 20-28].

Table 1. Public Sector Gross Fixed Capital Formation at 1980-81 Prices

Year	Value (in Rs million)	Annual Rate of Growth
1950-51	16420	
1951-52	18140	10.5
1952-53	18920	4.3
1953-54	21360	12.9
1954-55	24190	13.2
1955-56	33130	37.0
1956-57	37610	13.5
1957-58	40590	7.9
1958-59	36250	-10.7
1959-60	45100	24.4
1960-61	51650	14.5
1961-62	51490	-0.3
1962-63	59810	16.2
1963-64	66580	11.3
1964-65	74690	12.2
1965-66	78660	5.3
1966-67	67360	-14.4
1967-68	62300	-7.5
1968-69	63150	1.4
1969-70	61610	-2.4
1970-71	63310	2.8
1971-72	70030	10.6
1972-73	82890	18.4
1973-74	81490	-1.7
1974-75	69370	-14.9
1975-76	82310	18.7
1976-77	101600	23.4
1977-78	108070	6.4
1978-79	108280	0.2
1979-80	110910	2.4
1980-81	116930	5.4
1981-82	130310	11.4
1982-83	152230	16.8
1983-84	151530	-0.5
1984-85	158010	4.3
1985-86	167270	5.9
1986-87	186270	11.4
1987-88	185430	-0.5

Sources: CSO (1989, 1990). Following Chandra (1982; Notes to Table 15), the constant price series for PS GFCG has been obtained by multiplying the PS share in aggregate GFCG at current prices with the aggregate GFCG at 1980-81 prices.

Again when foreign companies are appointed as prime contractors for public sector projects, they often choose international suppliers of plants, equipment and technology ignoring domestic sources. For example, the contract for erecting the Hazira Bijapur Jagdishpur pipeline was given to foreign companies. BEML wanted to produce and supply pipe-layers for the project. But the foreign contractors had their own stock of such equipment. They insisted and were allowed to import them and re-export them after use [Committee on Public Undertakings (CPU) 1988a: 11-12]. Even when indigenous enterprises are competitive, the foreign contractors can ignore them by simply stating that they are unreliable. There is no independent check. The foreign contractors in the Thal Vaishet and Hazira fertiliser plants raised doubts about BHEL's ability to produce reliable equipment and recommended imports of synthesis gas compressors and drive turbines [CPU 1982b: 32]. Again at Thal Vaishet, the foreign contractor arranged for imports of catalysts. It in fact refused to provide performance guarantee if indigenous sources are insisted upon. [Dhar 1989: 281]

In other cases however imports have been justified on the ground that PEs were given the opportunity but they were unable to compete against foreign manufacturers. The government itself progressively liberalised the imports particularly since the 1970s [see, e g, BHPV 1978]. However even when import controls were in force, these were often relaxed due to World Bank's insistence on global tendering for the projects funded by it. Recently the government has decided, e g, regarding public sector power projects, that even if not insisted upon by the financiers, it would go for global tendering on its own for reducing the project costs [*The Economic Times* 1992a].

Price Competition

Higher domestic prices have often been cited as the reason for resorting to imports. Thus while Indian shipyards including PEs like Cochin Shipyard were starving for orders, the public sector Shipping Corporation of India (SCI) acquired only eight vessels from domestic sources against 90 from foreign countries during 1973-74 to 1984-85 on the ground that the latter are cheaper (and also the delivery time is shorter) [CPU 1988b:82].

International manufacturers having surplus capacity for exports often adopt marginal cost pricing for the exported part and charge a price which may not cover the full cost. They still would be earning profits in the aggregate with higher prices charged for the remaining sales. PEs in India were set up primarily to cater to domestic production. Forcing them to compete against such low prices for sales in their main markets

Table 2: Intra-Public Sector Transactions

Enterprise and Products Manufactured	Major Actual/Potential Buyers
(1) Bharat Heavy Electricals	
(i) Power plant equipment	(i) Electricity boards; power companies
(ii) Drilling rigs	(ii) Oil and Natural Gas Commission
(iii) Electric traction and control equipment for electric and diesel locomotives	(iii) Indian Railways
(iv) AC locomotives	(iv) Indian Railways
(2) Burn Standard Company	
(i) Railway rolling stock, points and crossings, sleepers, springs, etc	(i) Indian Railways
(3) Bharat Heavy Plate and Vessels	
(i) Equipment like columns, storage vessels, spheres, etc, for process industries	(i) Fertiliser companies, Petroleum companies, Petrochemical companies
(4) Braithwaite and Company	
(i) Railway wagons	(i) Indian Railways
(5) Indian Telephone Industries	
(i) Telecommunication equipment	(i) Department of telecommunications; Mahanagar Telephone Nigam
(6) Mining and Allied Machinery Corporationn	
(i) Mining machinery	(i) Coal India and other coal companies
(ii) Fabrication, erection and commissioning of material handling plants for power, steel, coal companies	(ii) Coal India and other coal companies; Steel Authority of India; electricity boards and power companies, etc
(7) Jessop and Company	
(i) Railway rolling stock	(i) Indian Railways
(ii) Railway breakdown cranes	(ii) Indian Railways
(8) Bharat Pumps and Compressors	
(i) Fluid handling equipment	(i) ONGC; Petroleum companies; Fertiliser companies; Petrochemical companies; Nuclear Power Plants, etc
(9) Hindustan Cables	
(i) Telecommunication cables	(i) Department of Telecommunications; Mahanagar Telephone Nigam; Indian Railways, Ministry of Defence, etc
(10) Bharat Wagon and Engineering Company	
(i) Railway freight wagon	(i) Indian Railways
(11) Instrumentation	
(i) Instrumentation and control systems	(i) Electricity Boards; SAIL and other steel plants; Fertiliser companies; Petroleum companies, etc
(12) Bharat Earth Movers	
(i) Railways coaches, overhead electric inspection car and track laying equipment	(i) Indian Railways
(ii) Heavy duty trucks and heavy duty trailors	(ii) Ministry of Defence
(13) Bridge and Roof Company (India)	
(i) Railway wagons	(i) Indian Railways
(14) Heavy Engineering Corporation	
(i) Heavy capital equipment	(i) SAIL and other Steel companies; Coal India and other coal companies; Indian Railways; Ministry of Defence; Electricity Boards; Power companies, etc
(15) Triveni Structurals	
(i) Towers and masts for power transmission, communication, TV telecasting	(i) Electricity and Po[illegible]npanies b[illegible] Ministry of Information and Broadcasting, etc
(16) Uranium Corporation of India	
(i) Uranium	(i) Department of Atomic Energy

Sources: Department of Public Enterprise, 1990, Vol 2; Annual Reports (selected companies); Reports of the Committee on Public Undertakings (selected companies).

obviously does not test their competitiveness. They would be either competed out if they do not similarly charge a low price or incur losses if they do. BHEL, e g, successfully competed in international competitive bidding on various occasions [BHEL 1991]. Lochan (1991) found BHEL to be competitive in terms of both price and quality. But analysing the price-cost data he pointed out that BHEL often had to quote too low a price to win tenders with negative implications for profits. As the condition of the PEs weakens and their ability to provide effective competition goes down, the import prices may not continue to be low; the international manufacturers can afford to charge higher prices in the long run.

Suppose however that unlike the situation just discussed, the prices in fact reflect the competitiveness. It is possible to argue that even then imports should not necessarily be allowed even if they are cheaper. As we mentioned above, SCI imported vessels rather than buying them from Cochin Shipyard whose price was higher. If SCI had bought from Cochin Shipyard, then other things remaining the same their profits would naturally have been lower. But on the other hand, if Cochin Shipyard had got the order then its profits would have been higher/losses lower provided of course that the prices were higher than the variable cost. The net impact on the profits for the PEs as a whole would depend on the extent of changes of profits in these two PEs. Depending on the situation, buying costlier vessels from Cochin Shipyard might in fact be more profitable in the aggregate. In India this perspective of thinking for the public sector a whole is missing. It is not that the decisions are always taken at the enterprise level. Very often the controlling ministries are involved. But even when enterprises are under the same ministry (as in our example) the impact on the different firms are not compared before taking the decision.

Non-Price Competition

Imports have been preferred not only because domestic prices are higher, but on the ground that they take more time to deliver the goods, that they are unable to produce the goods as per the required specifications, that they cannot ensure reliability, etc. In fact these non-price factors are cited more often than the price factor in defending imports.

The Department of Post and Telegraph, e g, placed orders for some equipment with Bharat Electronics. However due to long delay in supplying and inability to produce as per the specifications, Department of P and T later withdrew the order and went in for imports [CPU 1986: 105-06]. The engineering contracts for the Thal Vaishet and Hazira fertiliser projects were given to foreign companies on the grounds that public sector organisations like the Planning and Development Division of FCI do not have experience of setting up ammonia plants of 1,350 tonnes per day (tpd) capacity, that their previous experience of setting up plants of smaller capacities were also not satisfactory [Dhar 1989:250-51; Ghosh 1986:703].

That PEs can/may fail to match the quality of imported products and services is not denied. But as we will discuss below, the capabilities of PEs were often not recognised to justify imports. We will argue the more basic point that the full potential of PEs were not explored to make them more competitive.

The PEs as we have noted above were assigned an important role in India's industrialisation. They were to produce various goods and services, in a scale and using technologies which were not done previously in the country. Initial mistakes in such new activities cannot be ruled out—in

Table 3 Central Government Investment (Equity and Loans) in Central Government PEs

(Rs million and percentages)

Sector	As on 31/3/1965		As on 31/3/1975		As on 31/3/1990		Between 31/3/65 and 31/3/75		Between 31/3/75 and 31/3/90		Between 31/3/65 and 31/3/90	
	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent	Value	Per Cent
Goods manufacturing												
Agro-based	3	0.02	91	0.12	719	0.08	87	0.17	628	0.07	715	0.08
Chemicals and pharmaceutical	288	1.41	2229	3.06	20115	2.16	1941	3.71	17887	2.08	19828	2.18
Coal and lignite	1290	6.33	5748	7.90	119972	12.89	4458	8.51	114224	13.31	118682	13.03
Consumer	129	0.63	1339	1.84	25344	2.72	1210	2.31	24005	2.80	25216	2.77
Fertilisers	1073	5.26	8300	11.41	52711	5.66	7226	13.80	44412	5.18	51638	5.67
Heavy engineering	2372	11.63	6927	9.52	18340	1.97	4556	8.70	11413	1.33	15969	1.75
Minerals and metals	1305	6.40	7163	9.85	57777	6.21	5858	11.19	50614	5.90	56472	6.20
Medium and light engineering	442	2.17	1700	2.34	21468	2.31	1258	2.40	19768	2.30	21026	2.31
Petroleum	2414	11.84	4808	6.61	100048	10.75	2394	4.57	95240	11.10	97634	10.72
Power	0	0.00	0	0.00	172535	18.53	0	0.00	172535	20.11	172535	18.95
Steel	8935	43.81	18801	25.84	82999	8.92	9865	18.84	64198	7.48	74064	8.13
Textiles	0	0.00	780	1.07	23156	2.49	780	1.49	22376	2.61	23156	2.54
Transport	443	2.17	2702	3.71	25407	2.73	2260	4.32	22705	2.65	24965	2.74
Total goods manufactured	18695	91.66	60587	83.27	720591	77.41	41892	80.00	660004	76.91	701897	77.09
Services												
Contracts and construction	75	0.37	249	0.34	7577	0.81	173	0.33	7328	0.85	7502	0.82
Financial services	13	0.06	1699	2.34	96458	10.36	1686	3.22	94759	11.04	96445	10.59
Section 25	6	0.03	7	0.01	680	0.07	1	0.00	673	0.08	674	0.07
Telecommunication	0	0.00	0	0.00	28040	3.01	0	0.00	28040	3.27	28040	3.08
Tourist services	20	0.10	198	0.27	1789.	0.19	177	0.34	1591	0.19	1768	0.19
Trading and marketing	333	1.63	3212	4.41	24542	2.64	2879	5.50	21331	2.49	24210	2.66
Transportation	1012	4.96	6397	8.79	47119	5.06	5384	10.28	40722	4.75	46107	5.06
Ind dev and technical consultancy	241	1.18	411	0.56	4115	0.44	169	0.32	3704	0.43	3874	0.43
Total services	1701	8.34	12171	16.73	210319	22.59	10470	20.00	198148	23.09	208618	22.91
Grand total	20396	100.00	72758	100.00	930911	100.00	52362	100.00	858152	100.00	910515	100.00

Sources: Department of Public Enterprises (1990: Vol 1 for 1989-90) and Bureau of Public Enterprises, 1976, Vol 1 for 1974-75.

fact these are quite common. It is difficult for such efforts to succeed unless one is willing to bear the costs of trial and error in terms of time, resource loss, etc. Such losses are in fact the short-term costs for the long-term benefits of not only self-reliance but that of efficient production. Ideally the persons involved in the projects should be given a reasonable time to deliver the goods. Hence it is important to plan for the future. During that time they need to be given the necessary facilities with the attitude that they would succeed, rather than questioning their potential every now and then. In particular they need to be protected against foreign interests. Since their output was meant to replace imports, international manufacturers who otherwise would find a larger market would be adversely affected. Naturally it would be in the interest of these foreign sellers and their Indian agents to see that such indigenous efforts do not succeed.

Indigenous efforts just like any other effort may not prove to be successful. But we are not aware of examples where such efforts failed despite the necessary support. On the other hand we can cite examples where PEs demonstrated their capabilities. However lack of proper planning, lack of support, indifference and even active opposition prevented the full indigenous potential from being realised. The experience of Planning and Development Division of FCI (P and D) would be a good case study to substantiate this.[3]

Experience of P and D

P and D started as the Technological Department of the Sindri plant of FCI to undertake routine maintenance and trouble shooting. Thanks to the initiative of the scientists and engineers, the activities of the department soon diversified. From the very beginning P and D demonstrated its competence in different areas connected with fertiliser production and research. For example, it started developing processes for fertiliser production and catalysts. P and D was among the few organisations to have a full range of catalysts. It also set up successfully nitric acid and calcium ammonium nitrate plants in Rourkela in the early 1960s.

In the late 1960s when the government decided to set up the Durgapur and Cochin fertiliser plants, P and D along with FACT Engineering and Design Organisation (FEDO) were appointed as the prime contractors with the responsibility of design-engineering, erecting and commissioning. The government insisted on large plants of capacity of 600 tonnes per day and above despite P and D's preference for more standard plants of smaller capacities. In fact such big size plants were new even by the international standards at that time [Ghosh 1986:700].

Despite certain achievements in terms of using more indigenous equipment, saving foreign exchange, etc,[4] some problems were faced [Ghosh 1986:700]. This is not unexpected. What was necessary was to give P and D the time to learn from experience and the opportunity to utilise such experience for setting up plants in future. The necessary time however was not available. The government failed to plan fertiliser production properly. Perhaps to compensate for its earlier inaction, the government decided to set up several other plants in the public sector in quick succession during the short period of about 10 years between the late 1960s and the late 1970s and appointed P and D as the prime contractor. Even before the trial runs began for the Durgapur and Cochin plants in 1972, the design-engineering of the plants at Barauni, Namrup II, Haldia, Talcher and Ramagundam were finalised and were at different stages of construction [Ghosh 1986:701]. Further the government did not go for standardisation in terms of scale of operation and feedstocks used. Except the Durgapur and the Barauni plants all these projects were dissimilar in terms of the scale of operation and the feedstocks used (naphtha, fuel oil, natural/associated gas or coal) [Dhar 1989: Chapter IV]. Hence on various basic aspects the process started anew. Past experience could not be fully utilised. The government started with 600 tonnes per day ammonia plant and soon decided to go for 900 tpd plants. In the 1980s when Thal Vaishet and Hazira plants were set up, government went in for even a bigger capacity of 1,350 tpd plants. And this time the government did not even short list the public sector engineering contractors, P and D and FEDO. Thus government decided not to use whatever experience was earned at P and D. It may be noted that despite the constraints mentioned above, the performance of the plants improved over the years. In fact the plants set up in the late 1970s (e g, Sindri modernisation plant, Nangal expansion plant, Neyveli fertiliser, etc) performed much better than the first generation ones [Ghosh 1986:701]. This turned out to be a controversial decision. Some have argued that government went in for the 1,350 tpd capacity plants to basically sidetrack P and D. There are indications to believe such allegations. Significantly enough, even internationally, 1,350 tpd were not yet the standard size. There are also international and domestic findings to suggest that the 1,350 tpd plants may not be cost effective.[6]

P and D in fact all through has been the subject of opposition from various interests. The government in the 1960s actively negotiated with an US firm, Bechtal, a proposal for giving them the main responsibility for setting up fertiliser plants in the country. If the conditions imposed by Bechtal were not so onerous,[7] then the Bechtal proposal may have materialised and naturally P and D would have had a much restricted role to play, if at all.

When the government approached USAID for aid for the Trombay fertiliser project in 1967, it imposed the condition that the job must be given to an American contractor on a turnkey basis and not to any indigenous contractor [Ghosh 1986:699-700].

The president of the World Bank in the late 1960s openly expressed his scepticism about India's technological and managerial competence to set up fertiliser plants [Dhar 1989:214]. World Bank holds no brief for indigenous efforts. There is in fact an in-built bias against indigenous enterprises in the World Bank funded projects. The World Bank insist on global tendering for selecting engineering contractors, suppliers of plant and machinery, etc. The bids are evaluated on the basis of price and/or competence. Regarding competence, the subjective assessment has often been the deciding factor. The World Bank would insist on comparison with international manufacturers. The less experienced indigenous firms would naturally be in a disadvantageous position particularly if experience of doing the latest things are insisted upon. They often cannot cite previous experience in their support. And the World Bank does not consider the potentiality—the fact that under certain conditions explained above the indigenous enterprises can also deliver the goods. It may be mentioned that P and D was actually appointed as the prime contractor for two World Bank funded public sector projects—Sindri modernisation and Nangal expansion. However the World Bank restricted the usual role of a prime contractor and insisted upon a larger role for foreign companies [Dhar 1989:237-39]. Several studies [Menon 1980; Dhar 1989:237-47] in fact have pointed out that the involvement of indigenous contractors and equipment manufacturers is significantly less in World Bank funded projects compared to those funded otherwise.

Since the 1960s it has been suggested on several occasions that FCI should be reorganised and P and D separated from it. This in fact was a major recommendation of the US team which came to India (as insisted by USAID and accepted by the government of India) to review the operations of FCI. This had all through been opposed by the supporters of indigenous efforts on the ground that research would suffer if de-linked from production units since the constant feedback would be absent. That there are other advantages of being a part of a larger organisation in terms of getting funds for research. That as a part of the company which is supposed to use the services, it would be more difficult to ignore the claims of P and D. Thanks ultimately to the support of some senior bureaucrats and technocrats, some of whom later joined organisations like Bechtal and the

World Bank, FCI actually was split into several companies in 1978 and P and D was de-linked from production units and reorganised as an independent firm, Fertiliser (Planning and Development) India, later renamed Projects and Development (India), [Ghosh 1986:701-4].

Other Examples

One can provide several other examples of how lack of planning, lack of support and active opposition have resulted in imports.

A Computer Group was set up under Electronics Corpn of India (ECIL) to manufacture computers. Mid-way however the government liberalised imports thereby making indigenous efforts superfluous. The company in fact suggested that the government should decide where it wants to develop indigenous technology and use it and where imports are to be permitted [CPU 1981a:48].

Centre for the Development of Telematics (C-DOT) is a good example of what government support can do and also the implications of absence of it. C-DOT was set up in 1984 to design and develop electronic telephone exchanges. The TNCs in the area together with some politicians and bureaucrats had all through opposed C-DOT. However initially it was able to withstand such pressures primarily due to the direct support provided by the then prime minister, Rajiv Gandhi, to Sam Pitroda and his team at C-DOT. It successfully developed the 128 line exchange in 1985, then the rural automatic exchange (RAX), which functions without air-conditioning and for which orders have been received from other countries as well. It also developed the 10,000 line exchange. C-DOT received international recognition for such achievements in such a short time in an area dominated by a few big telecom TNCs. At home however the opponents were not willing to provide the necessary encouragement and support to C-DOT to complete the final stage of the original programme, viz, the development of the 40,000 line main automatic exchange (MAX). The indigenous efforts were condemned as being too slow. They preferred off the shelf technology from the TNCs. Despite such obstacles, C-DOT ultimately in 1993 did develop the 40,000 line exchange though significantly behind schedule and short of some of the original specifications.[8] Meanwhile the opponents of C-DOT ultimately had their say—the Indian market has been thrown open to the giant telecom TNCs. Naturally the entry of these TNCs would be an obstacle to the further development of indigenous technology at C-DOT [*The Economic Times* 1991; Anand 1992, 1994; Chandra 1990:28; Aggarwal 1993].

The government has recently decided to import 6,000 HP electric locomotives worth $190 million from the Swedish TNC, Asea Brown Boveri (ABB). The government argued that to fulfill the targets of freight and passenger traffic in the coming years, Indian Railways would need ABB type high speed heavier engines with long haulage capacity and the country does not have the technology to produce them [Sanyal 1992]. The deal has become controversial with BHEL claiming that it can produce these 6,000 HP engines. A company spokesman pointed out that though Japanese collaboration is contemplated, at least 20 per cent indigenous technology would be used and with the transfer of technology, the engines would soon be produced indigenously [*The Statesman* 1992a]. It is significant that when tenders were first floated, ABB was not the lowest bidder. The railway ministry did not award the contract to the lowest bidder. Instead the ministry called for two more tenders, allowed protracted negotiations with companies with higher bids and ultimately selected ABB [Bhushan 1992]. The railway minister defended the decision to prefer ABB to BHEL basically on the ground that the ABB offer is cheaper and that the BHEL technology was untested. The finance ministry cleared the deal though a note prepared by its own department of economic affairs expressed strong reservations about the claims of the railway ministry. The note pointed out that the ABB technology was also untested and that the railway ministry evaluated the tenders on the basis of a higher exchange rate of rupee which implied a higher cost of the BHEL offer[9] [Chengalvarayan 1992].

BHEL was also involved in upgrading 5,000 HP engines. According to the Railway Convention Committee of Parliament, which probed the ABB deal, these engines could have been used for meeting at least the short- and medium-term requirements of the railways rather than importing the ABB engines at such a high price. The ABB locomotives would cost Rs 450 million each compared to the price of Rs 30 million for the indigenously manufactured locomotives of similar power (5,000 HP). The committee also recommended that indigenous R and D in the field should be strengthened and better engines developed in the future [*The Statesman* 1992b; *The Economic Times* 1992b].

It is significant that the government took hardly any initiative in the matter. Assuming that, as claimed by the government, the 5,000 HP ABB type machines are absolutely necessary to handle the projected growth in traffic, the government could have anticipated the growth in traffic. It could have undertaken an R and D programme and asked the public sector locomotive manufacturing/R and D units (Chittaranjan Locomotive Works, BHEL and Research Design and Standard Organisation) well in advance to develop the required engines. If despite the support, the latter had failed to deliver the goods within a reasonable time, then one can contemplate imports. Some efforts were made at BHEL But these too were ignored. It is significar that an expert in the field, A K Chattc padhyay, currently with the Indian Institut of Technology, Kharagpur, while admittin that there are certain techno-economic ac vantages of the ABB engines over the ur graded 5,000 HP engines being developed b BHEL, pointed out, "This does not mean tha I am advocating the controversial deal t import the ABB locomotives at an astrono mical cost. They could have been develope indigenously much earlier with a little fore sight and confidence in our own engineer This particular technology was among th projects discussed by the delegates of a na tional workshop on 'Power Electronics—Industry/Academic Interaction' held at IIT Kharagpur in May 1988. Further work o this in research and academic institutes an industries and production units was recom mended. But follow-up action by RDSO an the BHEL was too slow. It was finally aborte by the decision to import the locos [Chattopadhyay 1992].

III
Excess Capacity and Lack of Planning

Over the years PEs have created hug capacities in diverse fields. Due to import and inadequate investment in relevant ar eas, as discussed above, a significant pro portion of it has remained under-utilise [Department of Public Enterprises 1991 Vol 1, Statement 23]. The government o the other hand continues to incur expendi ture on new capital goods. A part of it is o course supplied by the PEs. One woul have expected the government to explor the possibility of utilising such excess capa city in the public sector to reduce the pur chases from others including imports. Th requirements of capital equipment in dif ferent PEs and other governmen organisations could have been identified i advance and the other PEs could have bee asked to see whether they can deliver thes goods, and if so, at what costs It is possibl that with marginal investments and give reasonable time they could have supplie competitive products. As we have explaine above, so long as the prices are higher tha the variable costs, it may pay to buy fro these PEs even if the prices are higher tha those available from others.

One can go a step further and argue th. even when PEs are unable to deliver th entire goods in the short run, the PEs ca use its bargaining power to make room fo a larger role of the PEs. For example, ONG is a major buyer of equipment from abroa By virtue of this, it can insist that PE should be involved as sub-contractors su plying a part of those they are capable o [CPU 1987a 96].

Such overall planning for the public sector as a whole is conspicuous by its absence. CPU (1987a) in fact has commented on "the absence of any long-term and perspective planning for the optimal utilisation of the facilities created at huge cost" (p 96).

Two major constraints on increasing public investment are availability of foreign exchange and problems of raising domestic resources in a non-inflationary way. A higher utilisation of capacities would lessen these pressures by reducing imports and by increasing profits.

An elaborate system has developed over the years for deciding public sector projects. Any major public sector project is finalised only after it is examined at different levels in different official agencies/committees of bureaucrats and ministers, e g, Public Investment Board, Plan Finance Division of the Ministry of Finance, Project Appraisal Division of the Planning Commission, Bureau of Public Enterprise, the administrative ministry concerned, the Cabinet, etc [Morris 1987].

There is however hardly any forum where an investment project is evaluated from the point of view of the public sector as a whole. Bureau of Public Enterprises was actually set up with the objectives, among others, of performing the function of co-ordinating PEs on important matters and of formulating policies for the public sector as a whole. However such objectives have basically remained unfulfilled [Economic Administration Reforms Commission 1984b:54-55]. BPE has hardly attempted the type of planning for the public sector as discussed above.

On the basis of the resources available, the Planning Commission provides estimates of sectoral output that are necessary to achieve the overall targeted rate of growth in the plan. These sectoral outputs and targets give the investment requirements in each sector. The public (as well as the private) sector projects are expected to be consistent with these sectoral estimates [Morris 1987.9]. Naturally if the extent of excess capacity in a sector is such that the anticipated increase in output can be taken care of, then extra capacities should not be set up if planning exercises are competent and strictly carried out. But the Planning Commission (or for that matter any other official body) does not consider whether the capacities set up for particular purposes and at present under-utilised, can be utilised for the new investments proposed.

In this context one may mention the new rail coach factory set up by the government at Kapurthala as an example of the government's inattention to the objective of profitability of the public sector as a whole. The factory commenced production in 1988 [Ministry of Railways 1990:33]. Railway coaches till then were produced by three other PEs, Integral Coach Factory, BEML and Jessop. The new factory with a capacity to produce 1,000 coaches per annum was justified on the ground that there is a huge demand potential. That there is need for increasing the number of coaches is not denied. But due to budgetary constraints the railways were unable to buy whatever these three PEs could offer. In fact the Kapurthala Factory made BEML apprehensive about their demand. Between 1979-80 and 1986-87, railways, e g, placed orders for only 297 coaches per annum on an average with BEML. Hence about 25 per cent of the installed capacity of 400 numbers of BEML remained under-utilised [CPU 1988a:54]. Even if purchase of coaches by the railways were to go up, the question remains whether it would not have been better from the point of view of profitable operation of the public sector to rely on the existing factories. Not only Jessop which has direct experience in manufacturing coaches, there are a number of other engineering companies, e g, Burn Standard Company and Bridge and Roof Company (India), which produce related products like wagons for the railways. A basic problem of these units is under-utilisation of capacities. It would have been naturally much cheaper to use the infrastructure already available to expand/diversify to meet the requirements of the railways rather than setting up a green field project.

IV
Private Interests

Persons running PEs have very often used them to further their own private interests rather than that of the enterprises. The reports of the CPU can be used to identify concrete instances.

Two sick tannery units of a private firm were taken over in 1969 to form Tannery and Footwear Corpn of India (TAFCO). CPU (1981b) reported that though the dues were promptly paid to the erstwhile owners, the assets of the firm including trademarks were yet to be legally transferred to TAFCO due to some disputes. The TAFCO management went out of its way to keep the claims of the ex-owners of the firm alive. This directly went against the interests of TAFCO since it could not take any legal action against the widespread misuse of its trademarks by others which took place during the long period.

Central Inland Water Transport Corporation (CIWTC) sold many vessels which were very much in running condition, at a fraction of the market price. CPU (1978a) narrates how a handful of top officials of CIWTC in collaboration with the buyers manipulated the entire sale procedure to derive private monetary benefits at the cost of the company. In one case, the company sold a vessel for just Rs 0.31 million after spending Rs 1.33 million on repairing it. The replacement value was estimated at Rs 8 million.

Again CIWTC imported seven vacuvators. CPU (1978b) pointed out that due to private motive, two top officials of the company did not explore lower cost alternatives. Indigenous manufacturers were contacted but effectively by-passed. The CPU quotes from internal notes of the company officials to show how negotiations with indigenous manufacturers were delayed as a part of the strategy to justify imports which would be quicker. Use of vacuvators owned by the Food Corporation of India was also not explored. CPU also pointed out that the vacuvators were probably not new but reconditioned ones. The engine numbers quoted by the suppliers did not tally with the numbers actually given in the vacuvators. Moreover there were frequent breakdowns.

The Trombay unit of the FCI entered into an agreement with a foreign firm for the supply and installation of ammonia, urea and nitric acid plants. The foreign firm could not start the plant in time and FCI made a claim for compensation for the delay. Despite the opinion of the general manager and the legal advice taken that the company stick to its claims, the company withdrew the claim on the ground that a compromise would be better than going in for arbitration. The managing director who withdrew the claim and signed an agreement for a much smaller compensation left the company soon after and joined the same foreign company as consultant. CPU (1969) commented that "the managing director did not act entirely in the interests of the corporation" (p 9).

Stealing of coal and other malpractices in the coal fields are well known. CPU (1981c), e g, commented, "An in-depth survey of malpractices in Dhanbad coal field area by CBI teams has brought to light several malpractices in sale and movement of coal, award of contracts and purchase orders, reporting of stocks, etc. Involvement of senior officials of coal companies is clearly indicated" (p 48). Such private gain is a major factor behind the public sector coal mines' losses.

Similarly theft of power has reduced the revenues of state electricity boards. It has been estimated that about 5-10 per cent of the electricity generated has been lost due to unmetered use (theft) and also due to inadequacies in the distribution system [Surrey 1988:369].

V
Apathy

That things may go wrong is of course not unexpected. What is important is to take corrective action. The reports of the CPU however have highlighted over the years instances of government's inaction and apathetic attitude.

After examining Biecco Lawrie, the CPU came to the conclusion "that it is a case of utter neglect, indecisiveness and apathy both

on the part of the undertaking as well as the government" [CPU 1988c:74]. The government did not close down the unit or merge it with another healthier company as recommended by an official committee. Neither did it commit itself to any concrete plan of action for the revival of the company. In fact the CPU (1988c) reported that the government did not even approve the micro-objectives of the company on the ground that its future is undecided.

Another CPU came to a similar conclusion regarding Khetri Copper Complex: "An in-depth study of the Khetri Copper Complex has brought to light among other things, that the administrative department of the government was more or less passive witness to the bad performance almost throughout" [CPU 1981d:44].

The Surgical Instruments Plant under the Indian Drugs and Pharmaceutical has been incurring losses since its inception in the early 1960s. There is practically no demand for its product: it can produce instruments based on Russian design but the surgical profession in India is used to western designs. It employs more than 1,100 persons out of which 50 are utilised in general engineering side and 150 in the pharmaceutical formulation unit, which was set up later. The remaining 900 persons are without work: they come and literally sit and go back. Possibilities of utilising the surplus staff in other PEs, e g, HMT and Bharat Electronics were explored but no concrete steps have been taken as yet [CPU 1987b:77].

Jessop complained to the CPU that lack of demand is a major problem. But even when they manage to get orders, shortage of working capital prevents them from making full use of the situation [CPU 1982a:2]. The government ultimately is forced to provide may be larger amounts of money to finance the loss, which further increases costs due to the interest burden. Instead if initiative were taken to provide/arrange working capital beforehand, then losses and costs would have been less.

A factory was set up at Gaziabad under Bharat Electronics primarily for manufacturing specific defence equipment. After the commercial production was started, the defence ministry changed its purchase plan and stopped buying, rendering thereby the capacities created superfluous. The company, like a private sector firm if similarly placed, sought compensation from the government for not honouring its commitments. Of course for the public sector as a whole intra-firm compensation does not mean much. But what is worth mentioning is the lackadaisical attitude of the government. It not only denied compensation but argued that "problem of under-utilisation of capacity should be treated as a normal production problem [CPU 1986:101].

VI
Summary and Conclusions

The sharp fall in public investment in absolute terms (at constant prices) in the late 1960s and the stagnation in absolute terms till the mid-1970s was a severe blow to the growth of PEs. Particularly so because it happened at a time when manufacturing PEs were still in the formative stage. The fall in public investment implied a fall in the demand for many PEs producing capital goods. With PEs themselves the major/sole buyers of many capital goods from other PEs, demand naturally appeared as a major problem. The fall in demand by reducing profits and hence resources for investment, had a further depressing effect on public investment (Section I).

In absolute terms public investment recovered by the mid-1970s. But by then the structure and the character of public investment had changed. Investment in an important sector, viz. railways remained depressed all through. In accordance with the priorities in the Second and Third Five-Year Plans, steel and heavy engineering received the bulk of the government's investment funds. But the allocation in these sectors went down subsequently creating problems in other sectors which developed to cater to the former's requirements. On the other hand increases in investment, e g, in a number of the services sector generated hardly any demand for the type of machine building capacity India generated. Moreover despite domestic availability, capital goods and technology began to be imported (Section I).

Imports have taken place under different circumstances. In a number of cases the PEs were denied the opportunity to even compete against imports as, e g, in bilaterally aided projects. In other cases imports have been justified on the ground that the PEs were given the opportunity but they could not compete against the foreign manufacturers. But depending on the variable costs of production, it may be more profitable—from the point of view of the PEs as a whole—for a PE to buy costlier goods from its sister PE. Such impact on the profits of the PEs as a whole was not considered. Non-price factors such as delivery time, quality, reliability have been cited more often than the price factor in defending imports. But our examples in fertilisers, electronic telephone exchanges and electric locomotives show that the capabilities of PEs were often not recognised or further developed paving the way for imports. Lack of proper planning, lack of support, indifference and even active opposition prevented the full indigenous potential from being realised (Section II).

Due to such imports (and also inadequate investments in relevant areas) a significant proportion of the capacities created over the years in the public sector has remained unutilised. The requirements of capital equipment in different PEs and other government organisations could have been identified in advance and the other PEs could have been asked to see whether they can deliver these goods and if so, at what costs. It is possible that with marginal investments and given reasonable time they could have supplied competitive products. One does not observe such overall planning for the public sector (Section III).

The inadequate and *ad hoc* public investments and the under-utilisation of public sector capacities discussed in sections I to III reflect to a large extent the situation that those who control the PEs do not have efficient operation of the PEs as their major objective.

The shares of the central government PEs are held by the president of India. On behalf of the president, the central government not only appoints the board of directors, the chairman, the managing director, etc, to run the enterprises. It also exercises control in different formal and informal ways. The PEs are required to get a host of approvals from the government, e g, regarding investments, pricing etc. In addition the government calls for different types of information and gives instructions/suggestions. These are done not only in writing but also verbally. It encompasses the entire range of operation of the enterprises, e g, awarding contracts for purchases, dealership, etc [Economic Administration Reforms Commission 1984b:51,75; Economic Administration Reforms Commission 1984c:22-23]. Hence PEs may be considered to be controlled by the ministers and bureaucrats—representing the government—and the top management.

A necessary condition for the profitable operation and the growth of the PEs is that those who run them should be interested in such objectives. We have indicated a number of cases where the top management of the PEs have used them to further their private interests rather than that of the enterprises (Section IV). Such private interests have operated not only at the firm level. There are reasons to believe that some top level decision-makers in the government have also used the PEs to further their own interests. Imports provide one such opportunity. Foreign manufacturers are naturally interested in pushing their products into India. Reportedly it is quite common for them to bribe influential persons to secure the order. Once this is realised it may not be difficult to understand why the capabilities of PEs were often not recognised or further developed, why indigenous efforts were often opposed and imports were preferred. Circumstantial evidence suggests that the lure of private financial gain on the part of some decision-makers may have been an important factor in such matters.

Since powerful persons are involved, it is difficult to get hard evidence. But newspapers occasionally contain reports and comments about such manipulations. The Central Bureau of Investigation recently filed a case against V Krishnamurthy (a former secretary to government of India, former member, Planning Commission, former chairman of two large PEs, Maruti Udyog and Steel Authority of India) and some of his associates for allegedly receiving commissions from foreign companies in connection with the latter's transactions with some PEs [*The Economic Times* 1992c]. Another significant news item recently was the arrest of a businessman by the directorate of revenue Intelligence of the central government. He is reported to be very close to a union minister. His job was to secure global tenders for foreign companies and act as commission agent between the supplier and the concerned minister and some bureaucrats [*The Economic Times* 1994]. Again a reputed columnist, Nikhil Chakravartty (1992) while commenting on the imports of locomotives from ABB by Indian railways pointed out that "there is very little room for doubting that a magnum-size kickback was involved in the deal".

Apart from private financial gain, the top decision-makers have used PEs for a number of other objectives not connected with the interests of the PEs.

The level of public investment depends to a large extent on the resources mobilised and the tolerance limit of the government regarding inflation. Sluggish public investment which had a negative impact on the PEs, is basically explained by the inability/unwillingness of the government to raise resources and to face a higher level of inflation. The ways of raising resources to finance investment in a non-inflationary way are well known. The fact that the politicians in power did not adequately resort to such measures as taxing the rich farmers and landlords, the unaccounted income, etc, implies that they were more interested in preserving the interests of these prospective taxpayers rather than the growth of the country and the PEs. The lower the mobilisation of domestic resources, the higher was the tendency to seek foreign assistance. Foreign fund agencies more often than not insisted on imports and deprived the PEs of the market.

The pattern of public investment changed significantly particularly after the mid-60s to the detriment of the growth of many PEs. Increasingly investment allocation served the political ends of the decision-makers rather than the growth objectives of the PEs [Economic Advisory Council 1987:5-6, 13; Jha 1985: viii]. The government, e g, set up a new rail coach factory at Kapurthala, which was the Lok Sabha constituency of a close associate of the then prime minister. If the profitable operation of the public sector were the main consideration, then it would have been better to expand/diversify some existing PEs which produce similar goods but currently are suffering from the problem of demand. Morris (1990) found that one of the important reasons for cost and time overruns of public sector projects is the inadequate funding of the projects. Due to political expediency the government has a tendency to spread its resources thinly over a larger number of projects.

We have also highlighted several instances of the government's inaction and apathetic attitude (Section V). We discussed that while deciding the investment and imports of individual PEs, the government did not bother about the long-run implications and the impact on the profits of the PEs as a whole. Lack of co-ordination between PEs and planning for the PEs as a whole has been conspicuous by its absence. Such crucial decisions were not taken not necessarily due to private gain on the part of the decision-makers. It could be a reflection of the degree of importance attached by them to the PEs. They may have been pre-occupied with other matters.

Thus we would like to conclude that a basic factor explaining the disappointing performance of the PEs in India has been that those who control PEs were often either not interested in them or pursued their own objectives when they were interested. Top government functionaries including the prime minister directly participate in the decision-making process when they independently or through different committees, e g, the cabinet meetings take decisions, say about major investments, pricing, etc. The prime minister directly or indirectly appoints all others involved in decision-making—chairmen, managing directors, bureaucrats and other ministers. Hence we can say that the objectives with which the PEs are run ultimately reflect the priorities of the top political authority.

Obviously these objectives are not the sole determinants of the performances of PEs. A private firm does not necessarily succeed even when those who control it try to maximise its profits. Similarly there is no guarantee that PEs would necessarily respond to a more congenial environment. However there is no *a priori* reason either why PEs should not perform better if they are run with the objectives of efficiency and growth.[10]

Notes

[The paper is a revised version of a Working Paper of the Indian Institute of Management, Calcutta, issued in June 1993. The author thanks A K Bagchi for discussions, D Bhattacherji and B D'Mello for comments and in particular R Nagaraj and S Morris for discussions and comments. They do not necessarily agree with the opinions expressed. Financial assistance from CMDS, Indian Institute of Management, Calcutta, is gratefully acknowledged.]

1 During the First Five-Year Plan period, 29 per cent of the public sector outlay was spent on irrigation and power and 27 per cent on transport and communication. Funds spent directly on industry and minerals were relatively small (4 per cent) [Planning Commission 1961:33].

2 It would have been better to consider the figures for gross fixed capital formation. But these are not available at constant prices for railway investments. However, given the distinct long-term pattern, gross domestic capital formation can be treated here as a proxy for gross fixed capital formation.

3 For this case study we have primarily relied upon Dhar (1989: Chapters 3-6) and Ghosh (1986).

4 The foreign exchange component of the total project cost were estimated to be 35 per cent for the Durgapur plant compared to 60 per cent for other projects set up in the late 1960s [Dhar 1989:139].

5 As just mentioned, the Barauni plant was taken up before the Durgapur plant was completed and hence the experience of the latter could not be utilised.

6 Out of the total installed capacity of ammonia plants in the world, the share of 1,350 tpd plants and above is only 25 per cent. About 58 per cent of the capacity were for the 900-1,000 tpd range [Dhar 1989. 263-64] Again an UNIDO study cited by Dhar (1989: 272) shows that at 80 per cent capacity utilisation, 900-1,000 tpd plants would be more cost-effective

7 Bechtal insisted it should be granted 49 per cent participation, guaranteed profits, right to supply India the crude oil to be used as the raw material, etc [Ghosh 1989: 699].

8 The MAX developed by C-DOT can take only three lakh call attempts in an hour compared to the Department of Telecommunication's target of eight lakh calls. In a press interview, the executive director of C-DOT admitted this shortcoming but pointed out that the exchange meets the international norm and in fact compares favourably with that of the French TNC Alcatel's E-10B exchanges working in India [Aggarwal 1993].

9 The railway ministry used the exchange rate as on June 26, 1991, i e, the date of opening the tender. But as per the guidelines of the Asian Development Bank, which financed the purchase, if the exchange rate as on December 24, 1991 is used then the BHEL offer would actually be cheaper.

10 In this context we note that privatisation of PEs has often been recommended on the ground that it will eliminate the political and bureaucratic interferences and hence take care of a basic constraint faced by the PEs (see, e g, S A Aiyar, *The Economic Times*, Calcutta, March 8, 1993). A discussion on it is beyond the scope of the present paper. However, it may be mentioned that such prescriptions do not allow for the possibility of change of priorities of the political authority. Moreover, privatisation may eliminate the political and bureaucratic intereferences as argued by Aiyar. But as pointed out by Nagaraj (in the same issue of *The Economic Times*), depending on the market structure, quality of management, etc, the situation may not necessarily im-

prove. The rents now enjoyed by the politicians and bureaucrats may be replaced by private monopoly rents. To fully assess the feasibility and effectiveness of privatisation, it is also important to examine the business environment and the nature of the operation of the private sector in India.

References

Aggarwal, A (1993) 'Big Leap in Technology C-DOT Develops 40,000 Line MAX', *The Economic Times*, Calcutta, August 27

Ahluwalia, I J (1985) *Industrial Growth in India: Stagnation since the Mid-sixties*, Oxford University Press, New Delhi

Anand U (1992) 'C-DOT Entry of Multinationals may mean the Death of an Indigenous Initiative', *The Economic Times*, Calcutta, February 9

—(1994): 'How C-DOT Fell Victim to MNC Manipulation', *The Economic Times*, Calcutta, February 9

Bagchi, A K (1990) 'Public Sector Industry and the Political Economy of Indian Development', Occasional Paper No 119, Centre for Studies in Social Sciences, Calcutta

Bardhan, P (1984) *The Political Economy of Development in India*, Oxford University Press, New Delhi

Bhagwati, J N and Padma Desai (1970) *India Planning for Industrialisation* Oxford University Press, London

Bhagwati, J N and T N Srinivasan (1993) *India's Economic Reforms*, Ministry of Finance, New Delhi

Bharat Heavy Electricals (1991) *Annual Report, 1990-91*

Bharat Heavy Plate and Vessels (1978) *Annual Report, 1977-78*

Bhushan B (1992) 'Locomotive Purchase Railways in a Hurry to Favour MNC', *Indian Express*, New Delhi, February 9

Bureau of Public Enterprises (1970) *A Handbook of Information on Public Enterprises*, Bureau of Public Enterprises, New Delhi

—(1976) *Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government 1974-75* Vol I, Bureau of Public Enterprises, New Delhi

Chakravartty, N (1992) 'Steamrolling PSUs', *The Economic Times*, Calcutta, April 14

Chandra, N K (1982) 'Long-Term Stagnation in Indian Economy, 1900-75', *EPW*, Annual Number

—(1990) 'Planning and Foreign Investment in Indian Manufacturing', Working Paper No 146(90), Indian Institute of Management, Calcutta

Chattopadhyay, A K (1992) 'ABB Loco Import Was Avoidable', *The Statesman*, Calcutta, November 10

Chengalvarayan, S (1992) 'Going on Another Swedish Ride', *Business Standard*, Calcutta, April 5.

Committee on Public Undertakings (CPU) (1969) *Twenty-Sixth Report Trombay Unit of Fertiliser Corpn of India (Fourth Lok Sabha) (1968-69)*, Lok Sabha Secretariat, New Delhi

—(1978a) *Second Report Central Inland Water Transport Corporation—Reckless and Fraudulent Sale of Numerous Vessels (Sixth Lok Sabha) (1977-78)*, Lok Sabha Secretariat, New Delhi.

—(1978b): *Fifth Report Central Inland Water Transport Corporation—Procurement of Vacuvators under Mysterious Circumstances (Sixth Lok Sabha) (1977-78)*, Lok Sabha Secretariat, New Delhi

—(1981a) *Nineteenth Report Electronics Corporation of India (Seventh Lok Sabha) (1980-81)*, Lok Sabha Secretariat, New Delhi

—(1981b) *Twentieth Report Tannery and Footwear Corporation of India (Seventh Lok Sabha) (1980 81)*, Lok Sabha Secretariat, New Delhi

—(1981c) *Seventeenth Report Coal India (Seventh Lok Sabha) (1980-81)* Lok Sabha Secretariat, New Delhi

—(1981d) *Seventh Report Khetri Copper Complex of Hindustan Copper (Seventh Lok Sabha) (1980 81)*, Lok Sabha Secretariat, New Delhi

—(1982a) *Twenty Ninth Report Jessop and Company Employment and Overheads (Seventh Lok Sabha) (1981-82)*, Lok Sabha Secretariat, New Delhi

—(1982b) *Forty-Fourth Report Bharat Heavy Electricals (Seventh Lok Sabha) (1981 82)*, Lok Sabha Secretariat, New Delhi

—(1986) *Ninth Report Bharat Electronics (Eighth Lok Sabha) (1985 86)*, Lok Sabha Secretariat, New Delhi

—(1987a). *Twenty Sixth Report Cochin Shipyard (Eighth Lok Sabha) (1986 87)* Lok Sabha Secretariat, New Delhi

—(1987b) *Twenty Ninth Report Indian Drugs and Pharmaceuticals (Eighth Lok Sabha) (1986 87)* Lok Sabha Secretariat, New Delhi

—(1988a) *Forty-Fifth Report Bharat Earth Movers (Eighth Lok Sabha) (1987 88)* Lok Sabha Secretariat, New Delhi

—(1988b) *Forty Fourth Report Shipping Corporation of India (Eighth Lok Sabha) (1987 88)*, Lok Sabha Secretariat, New Delhi

—(1988c) *Forty Second Report Braithwaite Lawrie (Eighth Lok Sabha) (1987 88)* Lok Sabha Secretariat, New Delhi

CSO (1983) *Transactions of the Public Sector 1960-61-1979 80* Central Statistical Organisation, New Delhi

—(1989) *National Accounts Statistics (New Series) 1950 51 1979 80* Central Statistical Organisation New Delhi

—(1990) *National Accounts Statistics*, Central Statistical Organisation, New Delhi

Department of Public Enterprises (1991) *Public Enterprises Survey 1989-90* in 3 Vols, Ministry of Programme Implementation, New Delhi

Dhar, B (1989) 'Problems of Technology and Development in the Indian Fertiliser Industry', unpublished thesis, Jawaharlal Nehru University, New Delhi

Economic Administration Reforms Commission (1984a) *Government and Public Enterprises The Profitability of Public Enterprises*, Economic Administration Reforms Commission (Chairman L K Jha) (mimeo), New Delhi

—(1984b) *Government and Public Enterprises Government Clearance and Approvals*, Economic Administration Reforms Commission (Chairman L K Jha) (mimeo), New Delhi.

—(1984c): *Government and Public Enterprises Autonomy and Accountability*, Economic Administration Reforms Commission (Chairman L K Jha) (mimeo), New Delhi

Economic Advisory Council (1987): *Public Enterprise in India Some Current Issues*, Economic Advisory Council (Chairman S Chakravarty) (mimeo), New Delhi

The Economic Times (1991) 'MNCs to Manufacture Telecom Equipment, Old Policy Abandoned', New Delhi, October 16

—(1992a) 'Govt to Float Global Tenders for all PSU Power Projects', Calcutta, April 4

—(1992b) 'RCC Concerned over ABB Deal', Calcutta, November 25

—(1992c) 'Krishnamurthys Raided, CBI Registers Case', Calcutta, December 3

—(1994) 'Businessman's Arrest Shocks Political and Corporate Circles', Calcutta, February 4

Ghosh, S (1986) 'Fertiliser Technology Fractured Profile of Self-Reliance', *EPW*, April 19

Gouri, G (n d) 'Policy Making with regard to Choice of Technology under Foreign Aid The Case of Bhatinda and Panipat Fertiliser Units', Institute of Public Enterprise (mimeo), Hyderabad

Jha, L K (1985) 'Foreword' in Ahluwalia

Lochan R (1991) 'How Competitive is BHEL?', *EPW* May 25

Menon, U (1980) 'World Bank and Transfer of Technology Case of Indian Fertiliser Industry', *EPW* August 23

Ministry of Finance (n d) *Economic Reforms Two Years After and the Task Ahead*, Ministry of Finance, New Delhi

Ministry of Railways (1990) *Indian Railways Annual Report and Accounts, 1988-89*, Ministry of Railways, New Delhi

Morris, S (1987) 'The Process of Investment Decisions in the Public Sector A Study of the Delays and Cost Overruns', Institute of Public Enterprise (mimeo), Hyderabad

—(1990) 'Cost and Time Overruns in Public Sector Projects', *EPW*, November 24

Nagaraj, R (1993) 'Macro-Economic Impact of Public Sector Enterprises Some Further Evidence', *EPW* January 16-23

Planning Commission (1961) *Third Five Year Plan* Planning Commission New Delhi

Ramamurti R (1987) *State Owned Enterprises in High Technology Industries Studies in India and Brazil* Praeger New York

Sanyal, S (1992) 'CLW All Set To Get Controversial ABB Electric Loco Engines', *The Economic Times* Calcutta, April 14

The Statesman, (1992a) 'Capability of BHEL Ignored', Calcutta, April 7

—(1992b) Parliament Body Flays ABB Deal', Calcutta, November 25

Surrey, J (1988) Electric Power Plant in India A Strategy of Self Reliance', *EPW*, February 20

Viswanath T S (1993) 'BIFR Takes First Step in Privatising Sick Company' *The Economic Times*, Calcutta, April 10

World Bank (1988) *India Review of Public Enterprises – Propositions for Greater Efficiency in the Central Government Public Enterprises*, World Bank, Vol II, Washington, DC

Backward Communities and Migrant Workers in Surat Riots

Irfan Engineer

In the riots in Surat that followed the demolition of Babri masjid on December 6, 1992, the BJP and Hindutva forces had the backing of the migrant Hindu communities in the city. These upwardly mobile communities were looking for a broader identity and a larger political role, which the Congress had failed to provide. The BJP attempted to fill this vacuum and, therefore, had the resources of these communities at its disposal.

THE communal riots which broke out all over the country after the planned demolition of Babri masjid in Ayodhya on December 6, 1992 found their most barbaric expression in the industrial city of Surat. Hundreds of people belonging to the minority Muslim community were done to death in an extremely cruel manner, women were subjected to repeated rapes and were humiliated by hoodlums of organised communal outfits like the BJP, VHP, Shiv Sena and Bajrang Dal, and property owned by members of the minority community worth crores of rupees was systematically looted or destroyed. The consequences of riots continue even today and a sense of unease prevails among the Muslims of Surat.

While the element of shock and anguish was common to incidents of communal riots in different parts of the country and Gujarat, the riots in Surat gave rise to another question. How and why did the riots break out in Surat which was known for its communal harmony and peace?

Riots in Surat were preplanned by the BJP with help from other Hindutva forces. While the general purpose of these riots was to communalise Hindus and prepare them for control over the state apparatus by Hindu fascist forces, the immediate purpose in Surat was to win municipal elections, which were due to be held soon, by translating Hindu fears after riots into a vote bank for the BJP. The riots were not unexpected on account of the vicious and vigorous communal campaign being carried out in the country in the immediate past. However the extent of spontaneous participation by different sections in the riots was not imagined even by the BJP. Large-scale participation of migrant workers and the role played by rumours in mobilising the mobs on the streets were crucial factors. The police were either absent or inactive. In some cases the police even abetted the rioters, anti-social elements actively participated in the riots as the police looked the other way. Muslims provided the necessary spark by giving a bandh call to protest [illegible] BJP harnessed [illegible] due to anger, frustration [illegible] support for elections. Kathiawadi workers indulged in raping women on an unprecedented scale, partly to vent their sexual frustration and to demonstrate their power over middle class women and partly in retaliation of the rumours about rapes of Kathiawadi women in Sayyedpura. Rioting took place mostly in middle class societies and RCC concrete houses. There was hardly any violence in the slums. In spite of the communal outbreak, solidarity and mutual help cut across communal as well as class lines. There was a marked difference between the first phase and the subsequent two spells of rioting. While in the first phase rioting took place mostly on the outskirts of the city, with participation of large number of migrant workers and the Muslims by and large on the receiving end, subsequent spells of rioting occurred within the walled city and in Rander, with local Surtees participating. The Machhi and the Kharwa youth participated with all the militancy and solidarity at the command of the community. Here some local factors also played a significant role which was by and large absent in the first phase of rioting. In the later period of the second spell of rioting Muslims resorted to revengeful actions like throwing bombs on Kathiawadis and setting fire to the slums of the Oriyan workers. The third spell of violence was caused by the Hindutva forces' attempt to cash on an opportunity and give it a communal turn. The secular forces were totally absent from the scene as the city is yet to witness strong working class movements and organisations on class lines. The conservative but prospering middle class and the rising castes are subscribing to the Hindutva ideology and so there is little hope from these sections to support the cause of democratic and secular forces. The role of the media in supporting and propagating the assertive 'cultural nationalism' of the Hindutva is considerable.

Since much has already been written about Surat riots, the details of events will not be recalled here. In this article I propose to examine the background of the city in the first part. In the second part, I will describe the hold of communal politics on Gujarat and its impact on Surat and examine why the BJP could develop a strong network in Surat with the help of upwardly mobile Rana, Ghanchi, Kharwa and Machhi communities. I will also investigate how the Congress has lost credibility amongst the people in Surat and did not counter BJP's propaganda. In addition I will describe the Muslim communities of Surat. In the third part, I will focus on the conditions of the migrant workers.

I
Surat City

It was in 1795 that there were riots in the city for the first time. The riots occurred between the bania community of traders and Muslims because of traders' support to the British. The British gained control over the city but gradually shifted trading activities to Bombay. As a result, the importance of Surat as a port began to decline. While the Hindu merchants of the city entered into new relations with the British and adapted to the changing conditions, the Muslims, who identified with Nawabs, could not do so.

Before the British rule in India, relations between the Hindu and Muslims were cordial in Surat because of their interdependence in economic activities. However, the British administration brought about many changes which strengthened caste/communal bonds among people. The British encouraged and welcomed delegations as well as representations on the basis of caste and community. Not surprisingly, the opposition to British policies by different elites also asserted itself in terms of the caste/community interests that the elites claimed to represent. While it divided elites along caste/communal lines, it also strengthened the caste/community basis of ties and laid the foundation for inter-community rivalries.

After independence, Surat made rapid economic progress with the growth of small-scale industries and informal sector in the city. Several factors account for this growth. Oil exploration at Hazira and natural gas exploration, a few kilometres away led to the establishment of big projects near Surat. The city is well connected by rail and road to other major cities like Ahmedabad, Baroda, Bombay, Calcutta and Madras. The state government encouraged small-scale units and the informal sector in Surat. The transport network and cheap labour contributed to these developments. The crisis in some industries, especially in textile industry in Bombay and Ahmedabad, also led to their shift to Surat.

A large volume of industrial production in Surat is exported. Zari, powerlooms and diamonds are major industries. These have attracted a large number of workers from

other parts of the country as well as the state. Due to this migration, the population of Surat has increased phenomenally from 8 lakh to 1.8 million between 1981-1991.

Industries in Surat

Surat produces 40 per cent of total yarn in the country. It also accounts for 40 per cent of the entire production of synthetic textile in the country. It has more than 2.5 lakh powerlooms (about 50 per cent of total powerlooms in the country). The industry employs more than 30 per cent of labour force of the city.

There are about 250 medium- and large-scale dyeing units. They employ about 30,000 workers. There are many export-oriented ready-made garment manufacturing units. Diamond industry in the city employs more than 4 lakh workers. It contributes more than 80 per cent of total diamond exports from India. The diamond exports from Surat are worth more than Rs 3,000 crore annually. The workers as well as owners are from Kathiawad (Saurashtra) while distributors are mostly from north Gujarat.

Zari (gold thread) was once a major industry of Surat. In 1927, it employed 20,000 workers and produced output worth Rs 80 lakh. Later, with the emergence of textile and diamond industries, it was relegated to third position. According to 1971 census, there were 300 big and 800 small producers in Zari industry. It employed 30,000 workers and exports amounted to Rs 7 crore annually. However, of late the industry is facing threats from units producing artificial gold thread.

Though Surat is dominated by small-scale units, it ranks next only to Ahmedabad in collection of income tax in Gujarat. As per 1971 census, while its population was one-third of that of Ahmedabad, its income tax collections amounted to about one-half of the collections in Ahmedabad.

The growth of industries in Surat has been haphazard. Unlicensed and unregistered units abound. Today, nobody is in a position to give a reliable estimate of numbers of operating units in the city in different industries. Many household units are in remote areas and slums. Labour laws are unheard of and workers are paid on the basis of production. All means are employed to squeeze out maximum labour power of the workers by paying extremely low wages. There is no security of work. Workers are freely hired and fired by owners of industrial units. Industrial regulation laws are rarely implemented. Ruthless exploitation of labour forces them to live in abysmal conditions.

The lumpen entrepreneurs of the city want quick returns by any means, fair or foul. In search of super profits, lumpen capital organises large-scale evasion of octroi, excise and sales tax. This is so common that it hardly raises any eyebrows in Surat. There are organised gangs with sufficient muscle power and powerful connections to help in evasion of octroi for a price. These gangs earn lakhs of rupees daily from octroi evasion alone! The super profits of lumpen capital further thrives on thefts of electricity. The unregulated and illegal units are hardly known to get legal electric connections. However, even the registered factories pay the Surat Electricity Company employees to connect their wires, bypassing the meter. Boom in land prices partly reflects this aspect. Land prices in Surat are comparable to those of Bombay! Affluence has increased. While the working class lives in poor quality, over-crowded shelters with dirty surroundings and the number of high-rise building in affluent parts of the city, Athwa Lines and Ghod Dod Road, is growing. There are expensive parlours, restaurants and shopping plazas for the rich. The builders' lobby has become rich and powerful. According to one builder, there is a slump in demand of housing from the middle class. Builders are now concentrating on either low-cost housing (price less than Rs 1 lakh) or elite-housing (costing more than Rs 20 lakh per flat) with modern amenities. The strong lobby of builders has not only pushed up the price of land exorbitantly but has also encouraged land sharks with muscle power to grab land.

The lumpenised capital needs organised muscle power and criminal gangs for its immoral and unregulated growth. The crime rate in Surat is very high. Of late, the city has begun to attract attention of Dawood Ibrahim even as Latif gang from Ahmedabad already has its hold over the city through its liquor distribution network (in spite of prohibition). Thefts and dacoity incidents occur frequently due to 'Chaddi Baniyan Dhari Gang', allegedly of migrant labourers from Orissa and Banda district in UP. The gang is notorious for attacking almost one flat every day and terrorising its occupants. One columnist, Hakumat Desai wrote in his column in *Sandesh*, a daily in Gujarat, that according to available statistics, almost one-eighth of residents of Surat are rapists! Workers, especially Kathiawadis, staying away from their families for long, are sexually frustrated and frequently visit prostitutes. AIDS is making rapid inroads among them. 'Supari' contract for murders are also common.

A few incidents will illustrate the magnitude of criminalisation in Surat. Recently in Bombay, when a prisoner was taken to the J J Hospital for treatment, he was shot at, allegedly due to rivalries between gangs. The killers were also injured in a shoot-out with the police party guarding the prisoner. Later they were brought to Surat for shelter and clandestine medical treatment. They were arrested under TADA, along with the doctor treating them, from Surat. One Mahendra Choudhary, became a famous blackmailer and supari (contract) killer. He is alleged to have links with a number of politicians. When the police arrested him, he threatened to expose their misdeeds. Subsequently, he was shot dead by the police while he was being taken for investigations. The police justified the killing on the ground that he was trying to escape. The smugglers of Porbunder are known to hide in Surat because of its safe underworld network.

Thus, in Surat, extortion, blackmailing, protection money rackets, thefts, rapes, eveteasing, 'tackling' the agitating workers in exploitative informal and unorganised sector, liquor trade and organised evasion of octroi and sales tax, are common activities yielding high profits.

In recent times, the links between politicians and criminals have strengthened. A large amount of black money from criminal activities finds its way into pockets of politicians to buy patronage. Now, criminals run their own political outfits. Shiv Sena and Bharatiya Minorities Suraksha Mahasangh (BMSM) eloquently reflect this tendency.

The growing power of criminals in politics is also influencing the leadership of parties like the Congress and BJP. The old leadership, which is not so dependent on criminals, is being pushed out. They are being replaced with the new breed of politicians with direct and strong links with criminals. Sometimes, leaders themselves are established criminals. The lone Congress MLA from Surat has a reputation of being a land shark with strong connections in the underworld. Similarly, the BJP is trying hard to draw gangs wielding muscle power into its fold. Its influence over the state machinery and particularly the police has attracted criminals to the BJP. Recently, one BJP leader, one of its candidates for Surat municipal corporation elections, was accused of possessing an unlicensed revolver and several cartridges, by the police. Hindu anti-social elements are also moving close to the BJP. Guns and arms are freely available in Surat. A few months ago, the police stumbled upon a racket of issuing fake licences in which several politicians, criminals, and builders were involved. Two film producers from Bombay had obtained fake licences through the racket. Police constables and inspectors pay Rs 2 to 5 lakh for prized postings in the city. These are among the highest rates for transfer of posting. Yet, this money is recovered within a year or two!

Thus Surat, growing at the fastest rate in Asia is a city with unregulated growth of small-scale industry and lumpenised capital, generating a high proportion of black money. In turn, this accounts for high crime rate in the city as well as the all-pervasive control over it by different criminal gangs.

II

Communalisation in the Country and Its Impact on Surat

The communal propaganda unleashed by the forces of Hindutva found fertile ground in Gujarat. In fact, Gujarat has become the bastion of Hindu communal forces. These have steadily increased their strength ever since the formation of Jan Sangh. However, it is not only communal fascism which is asserting itself in isolation. In the society itself there are fascist tendencies. The brutal suppression of dalits and tribals in Gujarat is far more inhuman than in other regions. In such a conservative and fascist ethos, communal fascism of the upper-caste Hindus quickly gained ground with forces of Hindutva providing the ideological justification for such tendencies and practices.

The explanation for these tendencies has to be historically located. "The western Gujarat is surrounded by Arabian sea. First Cambay and later Surat served as important ports. It was situated roughly midway between markets of China and south-east Asia" [David Hardiman: *Penetration of Merchant Capital in Pre-Colonial Gujarat*]. Historically, Gujarat has had flourishing trade and a prosperous class of traders. The size of this trading class has grown significantly in the last four decades. These traders with a conservative and orthodox outlook have traditionally provided the political base for the BJP. The trading class and the rising middle classes always clamour for stability and faster growth. This is the root cause of the tendency to brutally stifle any voice of dissent, which is viewed as an uncertainty that can hamper stability and growth. As mentioned earlier, it is this conservatism and the authoritarian tendencies in the society that nurture communal fascism.

There are other, geographical and historical, reasons for steady growth of communal fascism on the fertile soil of Gujarat. Gujarat shares its borders with Pakistan. Some agencies in Pakistan are trying to supply arms to terrorists in India. The Rann of Kutch, bordering Pakistan and the coastal belt of Saurashtra have proved ideal for such activities. The media in Gujarat has widely publicised this fact and magnified its dimension, giving it undue importance. The neo-literates and the rising middle class/caste read such news with keen interest thus increasing the circulation of the newspaper concerned. The state government, too, in order to divert the attention of the people from the problems of the day, gives misleading statements that create apprehension in the common man about the all-pervasive Pakistan terrorist. The common Hindu sees Muslims as the natural allies of Pakistan. They are suspected of clandestinely helping Pakistan in smuggling of arms into India. Even during the Indo-Pak war of 1965, there was a widespread suspicion that the Muslims were sympathetic towards Pakistan. The BJP and other forces of Hindutva exploit such popular perceptions and beliefs to portray Muslims as anti-national and pro-Pakistan. This common misconception benefits all the ruling class parties, including the Congress, and hence instead of clearing such misconceptions, they are sought to be strengthened.

The bankruptcy of the Congress has led to disillusionment of an increasing number of people in the state. Ordinary people had been mobilised for anti-price rise movement and anti corruption movement, like Nav-Nirman, against the Congress. In such a crisis, to maintain its hold over the people, the Congress reformulated its strategy and came up with the slogan of kshatriya, harijan, adivasi, muslims (KHAM) alliance. This led to widespread resentment against the members of these groups in the conservative Gujarat society. In the state, there have been violent anti-reservation movements. Gujarat perhaps is a unique state in which the anti-reservation agitation of 1985, which witnessed brutal anti-dalit violence by the upper castes, could later be converted into communal riots between the dalits and Muslims. The people of Gujarat, tired of the corrupt Congress rule, are increasingly turning towards the BJP as an alternative to the Congress.

Propaganda Machinery of BJP

The BJP has gradually built a strong party organisation and political support base in Gujarat by taking up various socio-economic issues affecting the people. For the last Lok Sabha elections, it depended heavily upon the Ram Janmabhoomi issue. Frequent communal riots, systematic campaigns against Muslims and for building the Ram temple in Ayodhya by the BJP-RSS-VHP combine at all levels, with active participation by other religious preachers and saints, created a near hysteria in the society. Due to this hysteria and its role in the Nav Nirman movement as well as reservation agitation and communal riots, the BJP won elections of Rajkot and Ahmedabad municipal corporations. It also intermittently ruled Surat and Baroda municipal corporations [Ghanshyam Shah: *Islamic Perspective*, June-July 1992]. In Ahmedabad it utilised its control over the municipal corporation to demolish the shops and houses in Raipur-Dariapur area, out of communal bias (as it is a locality with considerable Muslim population). Naturally, seeing the communal bias of demolition squads of the BJP-controlled corporation, the anti-social elements from the community retaliated and thus strengthened the hands of the now underworld don of Ahmedabad—Latif. Latif received patronage of some Congress ministers who even utilised his services to finish their opponents within the party. The BJP, with its highly efficient propaganda machinery, immediately proclaimed that Congress was protecting Latif merely because he was a Muslim. They also branded him as anti-national. The insecure Muslims began to see Latif as their protector. The BJP's propaganda slowly created a belief that the Muslims are anti-social elements and stockpile a lot of weapons; that they smuggle arms and drugs and are therefore also anti-nationals. Some of the important issues highlighted by the BJP in its propaganda and the activities of forces of Hindutva may be summed up as follows:

—Numerous rath yatras in the name of religion are carried out not only to generate high-pitched and vulgar propaganda against the Muslims but also to provoke them into starting riots. These rath yatras almost always create tension and many riots in Gujarat have been sparked by them. For example, according to newspaper reports at least 34 people were killed in Gujarat in the aftermath of L K Advani's rath yatra in October 1990.

—Communal programmes such as 'Ramshila pujan' (collection of consecrated bricks and donation for Ram temple in Ayodhya) and 'Ram paduka pujan' were carried out widely, covering even remote tribal villages.

—Provocative slogans were written on walls at the time of 'ekta yatra', 'kar seva' and other yatras.

—False propaganda of the Hindutva forces was never countered by the other parliamentary parties and secular forces.

—Saints of various sects, who wield considerable influence among the people, came together and unitedly campaigned for Ram mandir and dubbed the Muslims as anti-nationals. They gave a call for Hindu unity, asking the people to forget all caste differences for the sake of the nation.

—Hindu religious festivals were liberally financed and celebrated with pomp and show. Even festivals of different sects were celebrated by the people of other sects to create the atmosphere of a united Hindu platform.

—Communal riots were planned to create hatred against Muslims and insecurity among Hindus.

—Anti-reservation agitations of 1981 and 1985 were turned into Hindu-Muslim riots. These riots even spread to some rural areas, according to Ghanshyam Shah.

—The BJP projected its version of 'Ram rajya' as an alternative to 'goonda raj' of the Congress and its appeasement of the Muslims.

—There is an attempt to change the name of Ahmedabad to Karnavati. This was widely and repeatedly propagated with the full support of the local media. People are fed up with goondas, corruption, price rise,

unemployment and other election strategies and cynical calculations. The people, especially traders and middle classes, want an authoritarian regime to change all this. In this context, the Hindutva forces have managed to garner support and develop roots in Gujarat by giving their campaign a moral, nationalist and patriotic colour.

Sardar Patel is being portrayed as the 'iron man' who stood for Hindu values in Nehru's cabinet. It is not without significance that L K Advani began his rath yatra from Somnath temple in Gujarat. The restoration of the Somnath temple after independence was deliberately taken out of context and at the time of rath yatra, it was extensively propagated that 'lokhandi purush' (iron man) Patel got the temple reconstructed and thereby restored the glory of Hinduism!! According to the Hindutva propaganda, had he been alive today, he would have definitely got the Ram mandir built at the very spot where Ram was born (where the Babri masjid stood)!!

The Congress and its leaders at different times have used religious symbols to take advantage of people's faith in religion. The BJP-VHP-RSS combine is carrying out this game further and distorting history in a systematic manner. In step with this campaign, the BJP has increased its support base in Gujarat. Today, the BJP has 69 seats in the 182-member state assembly, including four out of six seats which it won in by-elections held in May 1993. It not only retained Jambusar and Gadadha assembly seats but also snatched Rapar and Ellisbridge seats from the ruling Congress. Kashiram Rana and other BJP leaders promptly claimed that the results of these by-elections reflected the victory of BJP's Ram rajya over goonda-raj of the Congress.

In the last assembly elections, the BJP had an electoral alliance with Janata Dal. The united opposition enabled it to win 69 seats as against 30 seats won by the Congress, in an anti-Congress wave among the people. Later, a coalition government was formed in the state with Chimanbhai Patel as the chief minister and Keshubhai Patel of the BJP as number two in the cabinet. (It is difficult to visualise that the BJP would have won 69 seats in elections on its own strength.)

The BJP took full advantage of the coalition government. When Advani's rath yatra was flagged off from Somnath temple, it began with provocative speeches by the BJP leaders. Janata Dal in the state was a silent spectator to this provocation. Later, withdrawal of the support by BJP led to the collapse of the then V P Singh government at the centre. It also led to the ouster of the BJP from the state government. After sometime, the Janata Dal faction of Patel merged with the Congress and the BJP became the main party of opposition in the assembly. As a result, the BJP has managed to capitalise on the strong anti-government and anti-Congress sentiments of the people and has tried to give them the colour of Hindutva.

Thus, beginning from its Jan Sangh days, the BJP has become a major party with a strong support base in the state and it expects to form the next state government whenever elections are held. The sooner the elections are held, the easier it will be for the BJP to capitalise on the Hindutva wave and come to power.

Communal Impact on Surat

The communal propaganda at the state and national levels has had its effects on the people of Surat as well. The city had not witnessed any communal riots since 1927 and both local Hindus and Muslims had a history of co-operation in trade and business relations. However, communal propaganda was changing such perceptions, especially among Hindus who have slowly begun to nurture strong biases and prejudices against Muslims.

The propaganda of the BJP has communalised the young in Surat, especially those of Machhi, Kharwa, Rana and Ghanchi communities. They used to be strong supporters of the Congress but have now moved away from it. These communities have prospered in the recent years and are looking for new power equations and broader identities. They are shedding their old customs and 'kuldevis' and have begun adopting the customs of upper castes. The BJP has successfully responded to their aspirations by giving them a broader identity through its Hindutva campaign. Also, its propaganda has given this identity a nationalistic and patriotic colour. The desire for a broader identity and subsequent communalisation in these communities was preceded by a reform movement among them to give up certain rituals. Education is also on the rise among them. Simultaneously, their economic base has widened as they have moved into new areas, instead of confining themselves to their original trade. They are also looking for a wider political role for themselves. While the old political equations and arrangements in the Congress provided them with only limited opportunities, the BJP as a rising force is providing them new opportunities and greater participation. To understand the effect of communalisation in the country, it is necessary to understand the recent history of the Rana, Ghanchi, Kharwa and Machhi community. What follows is a brief examination of the communities.

There are basically four Hindu communities who have prospered in Surat. These are known as 'Ka', 'Kha', 'Ga', 'Gha' in Surat (standing for Kanbi, khatri, Gola or Rana and Ghanchi respectively). Ranas are contemptuously referred to as Golas. They roughly number around a lakh in Surat. They are mainly employed in jari (gold thread) trade. They are concentrated in Golwad and Navapura but the prosperous among them are slowly shifting out of these traditional areas and are ready to pay any price for buying houses in other localities. They have spread to Begumpura, Gopipura, Vadi Faliya, Soni Faliya and other places. They have also begun to buy property in Jhapa Bazaar, which is mainly inhabited by the Bohra community. Initially, the poor Bohras sold their property to Ranas at high prices. However, the Bohra high priest soon realised that if members of his community began to move away from traditional localities, his hold over them might loosen. He, therefore, bought back some of the property sold to Ranas and checked their further intrusion.

The Ranas migrated to Surat from Rajasthan and claim to be rajputs from Rana Pratap's clan. After their defeat at the hands of Muslims, they moved to different places, including Surat. Their original occupation was trading in rice and pulses. Ranas have come up the hard way in the jari trade. They used to be workers under Kanbis. While some of them have become owners, the majority continues to labour under harsh conditions. The working hours stretch from 5 a m to 8-9 p m. One prominent member of the community complained that the workers have acquired bad habits like drinking and gambling. Till recently, education in the community was limited since after a little schooling children would assist in the family trade. But now, education is spreading. The number of graduates has increased and many have become doctors, engineers, lawyers or taken up jobs in government. They have also begun investing in other trades like the powerloom industry.

Golwad area, the old Rana locality, is a crowded, dingy place. Many families have machines inside houses and work there. As new processing machines are installed, the living space for the family gets even more crowded. Women also help in family trade. It is interesting to note how Ranas, serving their Kanbi owners, became owners themselves. Hardworking and honest, Rana workers were slowly promoted to the level of foremen to supervise workers and machines. Some Ranas were employed as account clerks with Kanbis. This helped them to learn about the sources of raw materials and economies of the trade. Kanbi owners began to give the entire work to Ranas on a contract basis while they concentrated on marketing. As Ranas developed contacts with markets, they gradually took over the entire trade and prospered. Today 90 per cent of the jari industry is in the hands of the Rana community.

There have been many attempts to reform the community and pull it out of some old customs, blind faith as well as sectarianism. For this task, Rana Gyan Pracharak mandal

was established by Jaikishan Das Rana, [illegible]bhai Master, Gaudabhai master and others. J D Rana was the first graduate in the community, just before the transfer of power in 1947. Various Rana magazines were published to support and encourage rethinking in the community like *Rana Pukar Patrika* (1942), *Rana Pragati* (1948-52), *Rana Mitra* (1961-67), and *Rana Samaj Patrika* (1969). There was an outcry against alcoholism within the community and the custom of serving liquor during wedding [illegible]monies.

Among Ranas, marriages are an expensive [af]fair. Middle class families even take loans [for] marriages. To curb expenses, the practice of 'samooh lagan' (group marriages) was also initiated. These attempts were made to improve the community, reform its public image of a backward community and use increasing prosperity for social concerns. Today, inter-caste marriages in the community are on the rise, especially with Brahmins, Desais and Patels. Chamunda is their kuldevi (goddess of the clan) but she is gradually being replaced by other Hindu gods like Rama and Ganapati.

These changes in the community were accompanied by its greater participation in politics and with more awareness. In 1952, the first corporator from the community was elected. In 1956-57, two were elected. In 1973-74, Ramanlal Jariwala became the first mayor of the city from the community. Now, there are about 10-11 corporators among Ranas. During 1975-80, Kashiram Rana was the first Rana MLA and between 1984-88, he became mayor or Surat for three terms. He was later elected to the Lok Sabha in 1989 and 1991 on the BJP ticket.

With increase in prosperity, other institutions were also set up by the community like Akhil Bhartiya Rana Samaj (1970), Urban Co-operative Credit Society, Navapura and others. These control marriage halls, dispensaries, etc. Prominent people of the community in these institutions were members of the Congress till a few years ago. However, with the rise of the BJP and its communal propaganda, the entire Rana community has become a strong supporter of the BJP. Pro-Congress individuals are completely sidelined and marginalised. The young are particularly pro-BJP. All the Rana institutions have slipped out of control of the Congress supporters and are now in the hands of the BJP elements. Old Congress leaders are Swaroopchand Jariwala, Nagindas [C]heni and others.

Kashiram Rana, now a BJP member of the [L]ok Sabha and the president of its state unit, has been active in the BJP since its Jan Sangh days. On account of his sustained work, he slowly gained power, both within the community and the BJP. He also took part in the Nav Nirman movement in 1970s and was jailed during that period. He fought against any derogatory reference to the community as 'golas' and claimed its heritage from Rana Pratap. He also fought against double and multiple taxation on the jari trade. In this trade, tax evasion is widespread. 90 per cent of jari trade in Surat, like other trades, is illegal.

Even without being in power, Kashiram is quite influential in the government, including the police. This influence is used to help any member of the community in trouble. He takes personal interest in such matters and provides a protective umbrella. "As a result", laments a Congress leader in the community, "Rana community and Rana businessmen do not depend on Congress help at any stage even though it is the ruling party in the state!" The Congress has entirely given up on this community. In all likelihood, it will concentrate on slums for votes in any future election. Today, all the educated and upright people are within the BJP. As will be discussed later, factional fights and groupism as well as the change in the leadership of the Congress from prominent industrialists/businessmen to lumpen elements have also contributed to the shift of the community to the BJP.

The word Ghanchi has come from Ghani, which was used by this community to extract oil from oilseeds using bullocks (which was their community trade). The Ghanchis mainly stay in Begumpura, Ghanchi Sheri, Tower Road, behind Maskati Hospital and Haripura. There are Modh Ghanchis and Amdavadi Ghanchis. Modheshwar devi is their kuldevi. Amdavadi Ghanchis predominate in Begumpura and Jhapa Bazaar, while in other areas Modh Ghanchis are in majority. They are no longer confined to their traditional trade and have diversified into other areas like textiles, jari, diamond, kirana shops and so on. Today, about 70 to 80 per cent Ghanchis are in textile industry. Ghanchis are entrepreneurial by nature. They would first work under someone, learn the trade and its details, gain confidence and then gradually start their own business. In the recent years, the community has prospered due to the expansion of textile industry since the 60s. Now, they are also in texturising, sizing and dyeing. Earlier, Khatris used to dominate textile trade but now they have been relegated to a secondary position by the Ghanchi community. Almost all are educated at least up to SSC; a large number goes for higher education. Women are also encouraged to study.

Money and prosperity that came to the community after 1955/60, was spent on customs like marriage and death ceremonies as well as to consolidate and expand their business. Roughly after 1956, daughters were married into only those families which owned powerlooms. As a result, the poor in the community found it increasingly difficult to marry, both on account of expenses and the condition to own a power loom. In 1950s, a community group was formed to oppose expensive marriage and death ceremonies. While the refreshment expenses at the death ceremony were curtailed considerably, the same did not happen to marriage ceremonies because marriages are attended by business connections from other communities and a simple ceremony would adversely affect business relations of the community. A magazine, *Jyotirdhar*, was also published to spread modern outlook in the community.

Due to expensive marriages and dowry, which should be at least Rs 50,000 in cash in addition to jewellery, poorer families are forced to marry out of the caste. Hence, inter-caste marriages are increasing. However, even among the rich, these inter-caste marriages by choice are not looked down upon. Women in the community also have a modern outlook. The community celebrates common Hindu festivals and has almost forgotten festivals of yester-years specifically important to the community.

The Ghanchi community has always been anti-Congress. Therefore, they wholeheartedly support the BJP. The BJP has highlighted problems of the textile industry from time to time, especially problems of weavers like tax burden, expensive raw material, and 'exploitation' of weavers by spinners who charge unjustifiably high price for their synthetic yarn (Spinning is a large-scale industry, mostly situated outside Surat except for Baroda Rayon Corporation). The community was quickly influenced by anti-Muslim prejudices. There are four to five corporators from the community, all members of the BJP. Hemant Chapatwala, a BJP member, was the first elected MLA from the Ghanchi community.

Kharwas have been in Surat for many generations. They also inhabit Navsari, Valsad and other places on the banks of Tapi river. In Surat, they live in Rander and Nanpura. Kharwas in Surat have largely come from nearby villages like Ghogha, Mordin, Bhagwa and Dands. During the British period and even afterwards, they mostly worked on ships. However, now employment opportunities in shipping industry have sharply reduced and they are forced to look for jobs elsewhere. Three reasons explain this decline in shipping industry: Importance of Surat as an important port reduced after major port activities shifted to Bombay; air routes have replaced ships as a means of transport for passengers as well as cargo; and the inclusion of SC/ST candidates through reservation quotas on government ships has broken Kharwas' monopoly on such jobs.

The few ships which still use Surat and other nearby ports are oil tankers, meat tankers and other cargo ships. On the ship, Kharwas have worked in lower category of jobs like

'khalasis' and then moved to higher posts like 'tandels' and 'sarangs', who are in charge of the deck crew. Many of them derive their last name from their status on ships. Due to the nature of their work in the past, Kharwas are adventurous and courageous. Also earlier, at least one member of each family used to work on ships. They had to sail for months at a stretch and had none but one another to help in times of need and crises. As a result, strong bonds of comradeship developed among them. Even today there is strong solidarity and unity in the Kharwa community and its youth are very militant.

The members of the community have other vocations as well. There are about 40 to 45 rickshaws, 10 to 12 trucks and four to five boats for fishing. A few of them even work in the powerloom industry. Many Kharwa women work in 'Sardar' wholesale market for vegetables. They have to get up at 4 am everyday to go to work. Kharwa women are known to be very militant. This may be attributed to the nature of their work where unless one is rough and aggressive, there is physical and mental harassment by customers. Some Kharwa women also work as maid servants in upper middle-class houses. Some of the young in the community are alcoholics and run liquor shops. They pick up fights with Muslim anti-social elements who sell liquor in neighbouring shops. Since the Kharwa community is strongly united, even a small fight with members of other communities may soon involve the entire community. There are very few government employees among them.

Traditionally education has not been widely spread. However, the new generation is opting for it and views it as a source of alternative means of livelihood. Education also helps them come in touch with other communities. They have to maintain good relations with others because these contacts may help in future in acquiring jobs, skills and trade. As yet, the Kharwa community has one to two doctors, engineers and lawyers. Gradually, the standard of living has been improving in the community. Their traditional god is Khatribaba and important festival is Divala. However, the younger generation does not follow these traditions.

In general, politically Kharwa community is anti-Congress. In 1977-80, when the Janata Party was in power, one Durlabhbhai Bhagwagar was a Kharwa corporator. In 1985, Jaswant Sarang, a BJP member, was elected a corporator. The elite of the community are divided between the Congress and the opposition, which is presently the BJP. However, this time the BJP wave is not simply anti-Congress but also a pro-Hindu wave. The pro-Hindu wave has provided the community with a wider identity and has consolidated the hold of the BJP over the community. However, reportedly the Congress candidate for the corporation from the community, Anil Bhagwagar, has been able to split the pro-BJP activists and win them over to his side on the ground that the BJP did nothing for the community during its rule in the municipal corporation. It is significant that the split occurred after the riots in the city but for the future one has to watch carefully the equally strong bonds within the Muslim community. Also, liquor dealers in both the communities always pit one community against the other and challenge the lumpens of both. For example, young Kharwas get provoked when some young Muslims burst crackers when Pakistan wins an India-Pak cricket match. Of late, one retired deputy secretary in the home department has been trying to form a broader association of all Kharwas to campaign for education and to persuade them to give up the habit of drinking.

Machhis came to Surat in the 13th or 14th century along with the 'doli' of Nawab from Lucknow. About eight to ten families had accompanied the Nawab to carry his doli on their shoulders. As it would have been difficult for them to go back, they were given land in Rustompura and some were given jobs in Rajwada as soldiers. They are known as Kahars. They began to fish in Rustompura 'khadi' to supplement their income. Since then, they have come to be known as Machhis. After the rule of Nawab, fishing became their main occupation.

Some of their customs can be traced to their ancestors in UP like special big crowns and big garlands used during their marriages. They worship a mosque-like structure in all their rituals (perhaps the Nawabi influence). Their language, even today, is a mixture of Hindi and Gujarati. They have forgotten the original goddess of the clan and have adopted Singotra Mata at Hajira. Perhaps, they began to worship this deity after plague afflicted Surat in which people died like flies. Along with others, they might have gone to Singotra Mata to seek protection for their community.

There are roughly 5,000 Kahars in Sayyedpura, 2,000 in Rudrapura and 20,000 in Navapura. They do not marry their daughters in other communities though they can dine with other fishing communities like Dhimmer. Now, even Singotra Mata is fading to oblivion as the community seeks broader identity. Educationally, it is a backward community. Only 5 per cent are graduates and 75 per cent of the community have taken their schooling up to SSC. They have only three to four advocates, three to four engineers, one doctor and about 10 school teachers. The educated ones are unemployed and most of them trade in liquor. Almost 60 per cent Kahars are alcoholics.

Traditionally, it has been a fishing community. However, after the Ukai Dam was built, the 'khadi' (pond) dried and fishing there had to stop. The community then shifted its occupation to trading in fisheries: they buy fish from Saurashtra and sell it in the Surat market. Ninty per cent of fish suppliers from Saurashtra are Muslims and the rest Hindus. Some from the Kahar community have also become commission agents. There are 18 wholesale dealers in Surat in fish; all are Kahars. They also own cold storage factories to preserve fish. The Kahar women sell fish in the retail market.

Besides fish trade, the community has slowly diverted to other occupations also. They now own more than 100 rickshaws. About 5 per cent have government jobs and 20 per cent work in private firms in powerloom and diamond polishing industries. The turning point for this community came about 20 years ago when five to six enterprising Kahars started quarry mining. After this, they acquired 50 to 60 trucks and began transporting sand as well. The mining and trucks brought prosperity to a section of the community. Only a small proportion of this wealth is invested back in the business and a much larger part is spent on luxuries and liquor. The young are employed in liquor trade and many of them have quickly prospered due to increase in demand for liquor with more affluence.

Like the Kharwas, the Machhi community is also very militant and strongly united. Their strong unity comes from common trade, culture and history. From the very beginning in UP, the community has been very organised and it has retained this unity and militancy in Surat. Muslims and Kahars stay close together. In fact, as one Kahar put it, the Machhi community is surrounded by Muslims. Many times, there are fights between them over liquor trade. There is some competition between liquor dealers of both the communities. Any dispute between these traders often takes a communal turn when they are supported by their respective communities due to strong community bonds and militancy.

In 1991, there was an eruption of communal violence between Kahars and Muslims in Rander and Nanpura. While the riots in Rander were due to elections, the Nanpura riots began with a fight between liquor traders which turned communal. Even at that time, the Kahars attacked a mosque. However, soon peace committees were formed and issue was resolved. It is interesting to note that there were no riots in Nanpura in December 1992. The riots between Kahars and Muslims in Nanpura broke out only during the second phase, only after the BJP leaders were seen talking to Machhis and after maha-artis were organised. The Kahars claim that generally they had good relations with Muslims till two to three years ago and even used to attend each other's marriage ceremonies.

Once again, the recently acquired prosperity and wider trade links make the

community seek a broader identity provided by the Hindutva forces. The community has forgotten its traditional god/goddess and has adopted those of other Hindu communities. In recent years, it has been spending large amounts of money in Ganesh utsav which is lavishly celebrated. The entire community has shifted its support to the BJP in the last four to five years. The young and the liquor vendors are wholeheartedly with the BJP. Bootleggers support the BJP also because of its influence over the police machinery.

The lone corporator from the community, Gulab Borsali was elected on the Congress ticket but he later defected to the BJP when he saw the BJP wave in the community. Kahars vote *en-bloc*. Till about five years ago, the community used to vote for the Congress but now the BJP holds complete sway over them. Some of the young people even attend the RSS parades and are being influenced by its cadre.

To summarise, it may be said that newly prospering communities with diversified trade links and seeking a broader identity have been attracted to the BJP. While Rana and Ghanchi communities provide it with financial resources, Machhi and Kharwa communities supply it with necessary manpower and muscle power. As a consequence, different programmes in Surat in the name of Ram mandir like Ram shila pujan, Advani's rath yatra, Joshi's ekta yatra and sending kar sevaks to Ayodhya have been successful in spreading communal message and anti-Muslim bias.

Today, the BJP in Surat is a party with massive resources and machinery with which to carry out effective propaganda and mobilise thousands of people at a short notice. Thus, kar sevaks to Ayodhya were given enthusiastic send offs. The BJP has so much support in these communities that those who were not willing to participate in its various programmes were branded as born of a Muslim womb. This made even the toughest fall in line and contribute whatever was expected of them. The rally organised by the BJP in Surat on December 6, 1992, when the Babri masjid was destroyed, was attended by a large crowd despite the fact that most of its leaders were away in Ayodhya. Even for the rally on February 25, 1993 in Delhi, which was later banned by the central government, a large group had gone from Surat. The BJP could keep its propaganda machinery fully active after the first phase of riots in the city which ultimately led to the second phase of rioting.

Very large demonstrations were held in Surat to demand elections and oppose firing on advocate Lalwala (described in detail, later). The BJP also tried to gather support among migrant workers and slum-dwellers. It took active interest in their problems. The BJP was in the forefront of demand for a Tapi-Ganga railway line, that is, Surat-Allahabad link, by the north Indian migrants in Surat. It also began to contribute a large amount of funds for religious festivals and utilise these platforms to its political advantage. Kashiram Rana, president of the state unit of the BJP, addressed meetings of 'Uttar Bhartiya Rahwasi Sangh', an organisation of migrants from north India, and took active interest in their problems. Also, two local newspapers in Surat, *Gujarat Samachar* and *New Surat Times*, faithfully reported the BJP propaganda to the public in their columns.

Another factor in favour of the BJP in the city was that it did not encounter any effective opposition from any quarters to its communal propaganda. The secular forces were literally non-existent. The Congress was too discredited to put up a fight and minorities were a divided house. Thus, there was no political challenge to the BJP at all.

Bankruptcy of Congress

The Congress in the state has virtually lost credibility in the eyes of the public. It is seen as a corrupt party which protects bootleggers and underworld gang leaders. Different sections of the people have repeatedly looked for an alternative to the Congress. Whenever there appeared an alternative in sight, people in Gujarat have wholeheartedly supported it. Even today, most of the support to the BJP among people is on account of its anti-Congress stance.

Through its efficient propaganda machinery, the BJP has added to its old charges against the Congress, namely, that it pampers minorities, especially Muslims, for its vote banks and is soft on 'anti-national' elements. As a result, the Congress has indirectly encouraged the growth of these elements. Latif and his gang are cited as an example. They are alleged to have links with Pakistan, assist it in smuggling arms into the country on borders of Gujarat and supply these arms to terrorists in Punjab and Kashmir. The Congress in the state never countered these charges. It also never challenged Hindutva forces on Ram mandir issue.

The Congress is divided into various factions and these are busy fighting with one another rather than confront the accusations against the party. Even in the recent by-elections for the assembly, in which the BJP snatched two seats from the Congress, groupism in the Congress played a significant role. The BJP won the Ellisbridge assembly seat with a huge margin of over one lakh votes. This was made possible because the anti-Chiman Patel faction in the party kept itself out and did not co-operate with the leadership during elections. In fact, there are allegations that the dissidents worked for the defeat of the official Congress candidate.

In Surat, as well, the Congress has lost its credibility among people. It is faction-ridden and to settle their factional disputes, leaders even help the BJP. One Congress leader recalled that previously the party in Surat was led by people who had credibility and commanded respect from the party workers. Now, it is led by commission agents and lumpens who demand money to do the simplest task for the needy.

There are different factions, each loyal to its leader, like Pachchigar faction, Thakore Naik (minister-in-charge of Surat) faction, Jina Darji faction, Sahdev Choudhary faction and so on. Each leader, to be important, must have his own faction in the party. On account of these factions, for a long time the city unit of the party has not had a president. It only has an acting president, Naginbhai Bardolia. Muslims in the Congress are also badly divided. One faction is led by Kadir Peerzada, leader of the party in the municipal corporation. Mohammed Surti leads another faction, and there are others.

Earlier, the Congress was in power in the municipality with the help of a few independents. However the party lost it due to fights among different factions as well as the ambition of its leader, Ajit Desai, to become mayor of the city.

He defected to the BJP and fulfilled his ambition with its support. When some other corporators began to feel insecure about their position and got an assurance from the BJP that they would be given tickets in the next election, they also defected to it.

Kadir Peerzada has a reputation of being a smart tactician. He effectively opposed the BJP in the corporation due to his experience and knowledge. Therefore, the BJP is totally against him. Its entire machinery was used to push him out of the leadership of the Congress in the corporation. This would have not only prevented the emergence of a Muslim leader but also of someone who could provide an effective opposition to the BJP. An attack on the Congress always had Peerzada as the target. Thus, he was blamed for riots during assembly elections in 1991 as well as the recent riots in the city. The BJP alleged that he planned the bandh call in the city on December 7, 1992, with Mehmood Pardewala and was also responsible for the violence that ensued. As a result of such determined propaganda by the BJP against Peerzada, even non-communal Hindus in Surat are convinced today that he had a hand in 1991 as well as the recent riots in Surat for his narrow political gains.

Peerzada was once again made a target in the case of firing on advocate Lalwala, the BJP candidate for Shahpur-Nanawat seat. In the belatedly filed FIR, his brother's name was deliberately included. Then, the BJP repeatedly demanded the arrest of all those named in the FIR. Their objective was to get Peerzada replaced by a pro-Hindutva leader in the Congress. Hindus in the Congress are no longer willing to be led by him. He used

to regularly issue statements to the press. The BJP countered them. Now, Peerzada has stopped this practice and nobody else is doing this work.

Mohammed Surti is another old Congress leader.[9] He was responsible for inducting Muslims in the party and groom them for leadership. However, in the recent riots in the city, he kept quiet. A faction of Muslims in the Congress is opposed to Kadir's leadership, who became a leader at a very young age. He was the party candidate for assembly elections in 1991 from Rander. The old Muslims in the party were sidelined. They resented this and some even worked for Kadir's defeat. He lost the election because a section of Muslims voted against him.

To sum up, the entire machinery of the Congress has been immobilised. It has not been able to counter the BJP in any way. This has given the BJP a free hand in the city to propagate its communal politics.

Divided Muslims

If acts of commission and omission by the Congress helped the BJP gain strength, Muslims, divided into too many groups, along community as well as political lines, utterly failed to protect their democratic rights. In Surat, there are about 1.5 lakh Muslims. Generally, they vote for the Congress. However, Bhartiya Minorities Suraksha Mahasangh also has some influence in a few slum areas. BMSM is insignificant in terms of votes it gathers, but it has a nuisance value due to its lumpen leadership. Mehmood Pardewala, who runs a theatre, is president of this outfit. He is also alleged to be the right hand man of Latif in Surat and distributes his liquor in the city. As a result, he has influence over the lumpen elements of the community in some slums. Pardewala donates money to slum-dwellers in times of need. After floods in Surat, he is said to have donated money for relief work. He also has some dalits under his banner and is often seen in company with other dalit leaders.

The rest of Muslims are in the Congress and are divided into different factions. There are Memons (three to four subgroups among them), Khojas and Bohras. These are relatively affluent communities and have prospered in Surat. Some families have been staying in Surat for generations. Burmese Bohra and Sunni Bohra groups are settled abroad and have made a lot of money there. Then, there are poor Muslims in slums from Khandesh, north and even south. Some are from villages around Surat. These Muslims are either hawkers or employed in bakeries. Very few work in industrial jobs. Business communities of Bohras, Khojas and Memons have their own trusts which collect large amounts of money. This money is utilised for building mosques and madrasas for religious instructions. The money is not used for modern education or hospitals. There is only one Muslim hospital in Surat, Lokhart and two to three schools. Tabligh Jamat spreads conservative values in the community. These trusts sponsor and support community leaders with political aspirations. These leaders in turn pander to narrow aspirations of the community instead of providing it with a broader perspective.

Most of the relief work after the riots in Surat was primarily carried out along community lines though members of other communities were also given help. One Khoja Muslim leader said that, when he went to the hospital, he was relieved to see that there was no Khoja among the dead which meant they were not killed in riots. Before, and even after the riots, there was no leader among Muslims in the city who would think and work for the entire Muslim community irrespective of factions and party politics, that is, defend the rights of minorities and articulate their point of view. There is no single leader to guide the community, give it a programme and provide future direction. Despite riots, Muslims in Surat remain a divided lot on community basis and along political lines.

III
Condition of Migrant Workers in Surat

The riots in Surat and large-scale killings, looting, arson and rapes were almost exclusively confined to the outskirts of the city, largely inhabited by migrant workers living in slums of Udhna, Pandesara, Varachha Road, Katargaam and other areas. Thousands of migrant workers actively participated in the riots. In fact, the BJP had very little hold on the migrant workers, who have been ignored by all political parties though they constitute more than 50 per cent of the population of Surat. Their participation in the riots does not seem to reflect any outburst of Hindu sentiments or reaction to the bandh and subsequent violence by Muslims as the BJP would like people to believe. The migrant workers are hardly aware of political events in the country or in the city. Hard work, long hours at work, exhaustion, low wages and language barriers in the alien city ensure that the migrant workers remain ignorant.

The Oriya 'malis' are the least prejudiced against Muslims. They have no Muslim population in their native villages and the BJP is not strong in Orissa. Yet, they actively participated in the riots and viciously attacked Muslims: the mosque in Pandesara was destroyed only because of their lead as the resistance by Muslims from inside the mosque was strong and north Indian and other migrant workers were unwilling to approach the mosque. The workers from Andhra Pradesh are more communal in their attitudes towards Muslims, at least partly on account of the Nizam rule there in the past. Yet, their involvement in riots was almost nil.

Migrant workers participated in the riots because of their feeling of insecurity in an alien city which brutally exploits them, suppresses their culture and has nothing but contempt for them. It was also an outburst of their anger and frustration at their inhuman living and working conditions. It is, therefore, necessary to analyse their socio-economic background to understand their role in riots.

One aspect of lives of migrant worker stands out. All of them live in groups and clusters from their own regions. Mixed localities do not exist. They maintain strong links with this native place and long to go back. They are alien to the city as the city is to them. They are identified by their regional groups: Oriya mali, Madrasi (people from Andhra Pradesh), Bhaiya (north Indians), Kathiawadi 'gamadiyo' and so on. They have a strong sense of their regional identity which they zealously preserve by their strong regional solidarity and intra-communal bonds. They, in fact, recreate their own state in the city and in localities where they live. It appears as if portion of those states/regions have come to reside in the city.

The fast growing city of Surat has attracted people from different parts of the country. Before independence, Halpatees or Dublas, tribals in Surat district, migrated to the city. As other industries got established in the city after independence, labour, especially from backward regions where there are no sources of employment except lowly-paid seasonal and scarce farm work, began to migrate to Surat to earn some livelihood. Some even made fortune with small investment and hard work. However, while workers sweat it out for 12 to 14 hours a day in unorganised sector, wages are meagre but not as bad as they are back home. For example, in Orissa, farm labourers earn Rs 7 to Rs 14 per day depending on the season whereas in powerloom industry in Surat, wages are up to Rs 70 a day! It is then hardly surprising that migrant workers and their families constitute more than 50 per cent of population of Surat.

Working Conditions

Small-scale units dominate industrial activity in Surat. There are only a few large-scale or medium scale units. Workers, employed in these small units, find it very difficult to organise themselves and struggle for better working conditions. Labour laws are ignored with impunity by owners of units and workers have little legal protection and security for their jobs. In fact, precisely on account of this factor, small units have been

encouraged by big industrial houses who benefit from shift in investment and production away from big cities where workers have unionised and have managed to gain higher wages and better working conditions.

Main employers of migrant labour are industries like art silk and powerlooms, dyeing mills and diamond industry. Except for in some dyeing units, workers have to work 12-14 hours a day. For example, in powerloom units, workers have two shifts of 12 hours each. Working conditions are abysmal. Again in powerloom sector, work is carried out amidst deafening sound of machines and the air filled with cotton dust, responsible for more than average cases of tuberculosis and deafness. These units are concentrated in a few industrial estates/ societies. These are spread throughout the city. Each unit may have two to 48 machines in most cases; a few units have more than 48 machines. Generally, each worker in weaving section operates four machines. Inside a unit, the floor space between machines is just about enough to arrange machines in rows. The operator can barely squeeze himself between the machines to operate them. The worker is on his feet for 12 hours in congested surroundings with no room for any physical movement or rest Often, these small 'galas', as these units are called, do not even have clean water to drink or for toilets.

The industry employs women workers in spinning and wharping work. Women workers are paid much less than men workers. Complaints of sexual exploitation of women are not uncommon. These women workers are mostly Gujaratis or Khandeshis. Child labour is also employed in different departments of art silk industry, especially in passing beam threads through the comb on the weaving machine. Workers are often beaten up by the employer for minor mistakes or damages in production. Satyanarayan, a migrant worker from Andhra Pradesh, once went to a gala for work, the owner asked him to join immediately. When he inquired about the piece rates in the gala, the owner gave him a thrashing for daring to ask the rates!

Workers can be thrown out at will without being paid any compensation. No legal procedures are followed for terminating services of any worker. They have no proof of their employment in any unit and, therefore, they cannot seek any help from the labour grievance redressal machinery of the government. In a large number of cases, the worker does not even know the name of the gala/factory and of owner(s).

Whenever workers attempt to organise themselves and collectively protest against unfair practices in a unit or seek collective redressal, goondas or the police are promptly summoned by the owner to warn the workers and, of course, the police promptly oblige. Even a single day's absence by a worker, due to sickness or any other emergency, can lead to abrupt termination of his/her services. Severe working conditions require only young workers. Almost all the workers in the industry are less than 45 years old. After that age, they can labour no more and return to their native places.

Formerly, only Gujaratis used to invest in the industry, but now other communities like Kathiawadis, Telugu and others from Rajasthan and Punjab have also joined the expanding powerloom industry. Most workers come from Orissa, Andhra Pradesh, Uttar Pradesh, Bihar and Khandesh.

With workers employed in small galas, divided and insecure, it is difficult for them to organise themselves and fight a long drawn out battle with employers. However, there are about 20 unions of workers though the total strength of all unions, taken together, is not likely to be more than two to three thousand workers.

Sometimes, workers spontaneously close down units and negotiate their piece rates. Some of the migrant workers from Andhra Pradesh are politically conscious due to strong CPI(ML) movement in their native place. These workers have formed three unions in Surat: Gujarat Shramik Sangathan, Mazdoor Vikas Manch and Naujawan Bharat Sabha. But despite conscious efforts, none of these unions has been able to overcome its regional barrier and bring workers from other areas within its fold along class lines.

Whenever a Telugu worker, familiar with these unions, loses his job, he approaches the union. After threat of violence by the owner or the union, the worker may be awarded some compensation. But only rarely is the union able to force the employer to take back the worker. If any north Indian worker is thrown out of his job, he is most likely to approach the HMKP for some legal action. Its leader is Dasrath Nagar, himself a north Indian. Thus, unions are, perhaps unwittingly, divided along regional lines. The city has not managed to break these regional bonds

Telugu workers are almost exclusively in weaving section as weavers. Oriya workers have also recently begun to work in weaving section but most of them are still in winding section. Khandeshis are mostly in spinning and twisting sections and north Indians are also mainly in weaving section Very few Muslims are employed in the powerloom industry as workers.

The basic reason for this regional division of work seems to be that once a worker gets a job in an industry, he slowly invites people from his region for jobs. When they come, the employed worker trains them in skills known to him. Then they usually manage to find jobs in the same section in the industry, sometimes even in the same gala. (The training is done clandestinely at night when the owner is not around at the gala.) Thus, over a period of time, various sections of the industry get divided along regional lines.

Only two factors tend to break the regional pattern of employment: (i) significant differences in wages between different sections; and (ii) crisis in one section leading to large-scale retrenchment and forcing workers to seek employment in other sections. In the absence of these factors, employment in sections continues along regional lines. Some Oriyas took up jobs in weaving section partly due to slightly higher wages there and partly due to large-scale migration of workers from Orissa.

There are about 250 dyeing mills in Surat employing about 30,000 workers. Muslims own 12 of these mills. Muslims are Suratis, Dhorajees and Memons. Generally, people from Rajasthan and Punjab dominate this trade. The dyeing mills employ mostly north Indian and Khandeshi workers. Of late, some Oriya workers have also been employed in this industry. In large- and medium-scale dyeing units, some unions are active like the HMKP. But unions are weak due to employment of contract workers in the industry. As a result, there is no significant difference between average wages for different workers. However, wages here are slightly higher than those in art silk industry.

Diamond industry is yet another important industry in Surat. According to the southern Gujarat Chamber of Commerce, the total daily production in diamond industry is to the tune of Rs 6 crore (next to art silk industry where total production is about Rs 20 crore daily). It employs about four lakh workers. However the industry is widely scattered and units are located even in small tenements. This makes it difficult to estimate total number of units in the industry. 80 per cent units are housed in 20 by 15 rooms with up to five machines, known as Ghantis. Each unit employs 20 to 30 workers. Though the industry has links with Bombay, the distribution of diamonds is done from Palanpur and is controlled by Jains. The diamonds from Bombay are sent here for polishing. There are several operations to be carried out, like cutting, brushing, polishing, etc, before the diamond is ready for the market. Kathiawadis dominate this trade. Workers are also mostly Kathiawadis.

Migration of workers to this industry began in the early 1970s. Later, due to three consecutive droughts during 1985-88 in Saurashtra, people migrated in large numbers and they came to be mostly employed in this industry. There was some migration from Palanpur, Disa in Banaskatha district and Mehsana. Till 1985, the industry expanded rapidly and profits were high. Big earners became land agents. They also invested their profits in powerlooms, chemical units, farming and cash crops like bananas and

sugar-cane. In the diamond Industry, only 15 to 20 groups have latest technology and employ workers in large numbers. Almost 60 per cent of total polishing work in the country is done in Surat with annual turnover of about Rs 3,000 crore. Recently, the industry suffered crisis with reduction in the volume of diamonds processed. This led to lower wages and production. Here, the rise in wages is far behind the inflation rate and workers are heavily in debts.

In diamond industry, it is a normal practice to give loan to workers for marriage and other occasions. It is gradually recovered by the owner from wages to be paid to the workers. However, there have been cases of workers being beaten up or tied to the machine when they were unable to earn enough to pay back the loan. A worker is forced to remain with the owner till the loan is repaid. The normal working day is long: 12 to 16 hours. Average monthly earnings range from Rs 1,500 to Rs 2,000. Often, workers are accused to stealing diamonds. 'Blind faith' is used to detect the thief; the suspected worker is tied, beaten up and tortured. Recently, in a press release, workers alleged that in some units the owner kept special room to torture workers; the worker is tied to iron rings attached to the ceiling of the room and beaten up. Feudal norms prevail in the industry and also govern employer-employee relationship. Workers usually wear lungis and baniyans for polishing work. Whenever the owner is to visit the unit, the manager is intimated in advance and workers are asked to change to 'proper' clothes even though they do not feel comfortable in these.

Living Conditions of Migrant Workers

Migrant workers live in miserable conditions, generally at outskirts of the city. Most of them live in rented kachcha houses with barely enough space to sleep. Diamond workers often sleep inside the factory itself. These kachcha houses are dark inside and have poor ventilation. Though migrant workers constitute more than half the population of Surat city, their slums are hardly provided with minimum municipal amenities like water, electricity, roads, health clinics, etc. Only some migrant workers stay in tenements constructed by the government. In most cases, workers only keep their belongings in houses and live and sleep outside. For example, on Varachha Road, where Kathiawadis stay, every evening a large number of people can be seen on the roads outside houses, sitting and chatting. Most workers leave their families behind in their native place and only rent sleeping place in small dwellings. For instance in a 10 ft by 15 ft room, more than 30 workers rent sleeping place and sleep in shifts. About 80 per cent of Oriya workers, 60 per cent of Kathiawadi workers, 40-50 per cent of Telugu and north Indian workers live in the city without their families. After working for 12 hours, workers without families have to perform a number of household chores. Since there are hardly any public toilets in slums, most people, men and women, use open space and railway tracks for the purpose. Thus, the same oppressive conditions prevail in the slums as at the work-place. Usually, big slums are inhabited by a mixed population from all communities and regions though the population of each region lives in an exclusive cluster.

Workers feel all the more miserable because they are in an alien city with an alien culture. The alien city not only exploits them but also suppresses their culture. They feel they have no one in the city to speak for them and their problems. In the absence of a strong midddle-class/intellectuals among them, they do not find any one to support them and give a voice to their cultural and social aspirations. Thus, migrant workers feel a loss of their identity.

Till recently, the Congress could mobilise votes of these workers through different mechanisms without solving any of their problems or even representing them. For example, slums of migrant workers receive few amenities from the city municipal corporation. Yadgiri, a Telugu worker from Limbayat area, said that the Telugu people voted according to the wishes of 'peddamanshi', a senior citizen among them. Each small by-lane and small cluster of huts has a peddamanshi. He normally asks people to vote for the Congress in the absence of any strong alternative. Most of them are not supportive of the Congress. Some are even critical of the Congress. However, as the Congress wields power, peddamanshis have to approach its leaders for odd works. They are also supplied liquor during elections by the Congress to ensure their support for the party. However, when the winds of change blow and any strong alternative to the Congress emerges, these peddamanshis ask the people to vote for the alternative to try it out. In the last municipal elections, for example, when a CPI candidate (also from Andhra Pradesh) emerged as a strong candidate, people switched their support to him. Similarly, during 1989 Lok Sabha and assembly elections, migrant workers also joined others to vote for change with hopes for a better future.

In order to overcome their feelings of alienation in the city, migrant workers forge strong bonds with others from their own region. In the absence of a strong trade union movement and other platforms, these bonds lead to solidarity within a community and re-create their regional socio-cultural milieu.

Migrant workers from Maharashtra came to Surat earlier than workers from other regions. With a population of about four lakhs, they constitute the largest group among migrant workers. They come from Nandurbar, Dhulia, Jalgaon, Nasik, Aurangabad and other places. Out of these, Khandeshis from Khandesh, on the borders of Surat district, from the biggest group. Borders of Khandesh (Navapur taluka) are about two-three hours away by bus and it is well-connected to Surat. The meagre landholdings of small peasants, landlessness, backwardness and lack of adequate employment, droughts and non-implementation of Employment Guarantee Scheme of Maharashtra state government in the region are major reasons for migration of Khandeshis to Surat. Due to similarities between Marathi and Gujarati languages, Maharashtrians learn Gujarati faster than workers from other regions and are better integrated with the life in the city. Among migrants from Maharashtra, there are shimpis, chamars, patils, sonis, Muslims and dalits. Dalits are organised by the Republican Party and Dalit Mukti Sena and are more assertive. Different dalit issues are taken up by these parties and often rallies are taken out to highlight the issues.

Till recently, others have been with the Congress or Janata Dal. They work in powerloom, tailoring, and dyeing industries. Very few are employed in diamond and construction industries. Some work in government departments. The Muslims are petty traders, rickshaw-pullers and some are involved in bootlegging. In the present Surat Municipal corporation, there are five to six Maharashtrian corporators, elected on Congress/Janata Dal tickets. One Khandeshi corporator is a Muslim.

Says one Bhimrao Kashinath Patil: "In times of difficulties or emergency like marriages, sickness, people from my native village come forward to help. After my duty hours, I normally come home, but sometimes I visit people from my village. During festivals, I visit my relatives and friends who are from my native village."

The Maharashtrians have collected money and constructed their own temples. They usually visit these temples to pray during festivals. They have a 'panch', as is their traditional custom, who resolves their dispute. They also have a marriage hall. About 50 per cent marriages among them are solemnised in Surat itself, unlike migrant workers from other regions who mostly go back to their native place to get married. Shiv Sena is now trying to have a political base among the Maharashtrian migrant workers. It has formed Jai Bhawani Yuvak Mandal and Chhatrapati Shivaji Mandal to extend its influence among Maharashtrians in Surat. One Suresh Sonar is the president of Surat shakha of Shiv Sena. The Sena has utilised the recent riots to gather support among Maharashtrians in particular and Hindus in general. It has also found a strong base among Maharashtrians in Pandesara. It regularly holds meetings there to propagate

its communal politics and actively participates in celebrating festivals like Ganesh Utsav, Shiv Jayanti, etc.

In Surat, there are about 1.5 lakh migrant workers from UP. They have come from Faizabad (lower castes, harijans and adivasis), Varanasi (yadavs), Gorakhpur (brahmins), Banda (brahmins, adivasis, harijans. They have the reputation of being militant and are not very literate), Allahabad (patels—forward caste) and some are from Bihar. About 50 per cent workers are without families, especially those from Banda. They work mostly in powerlooms and dyeing mills. The largest group of north Indian workers lives in Pandesara. Others live in Katargam GIDC, Udhna and other areas. Pandesara is at the outskirts and is not well connected to the city. Most workers work near Pandesara GIDC and Sachin (even farther away from the city). In Pandesara, they have bought residential plots in a nearby village Bamroli and live there. Their colony has come up over the years, yet it has no water or electricity connection and no pucca road. During monsoon, the entire area becomes slushy and it becomes difficult even to walk. The north Indian workers positively hate their living and working conditions. However, they are forced to leave their villages due to meagre income as a result of unproductive land and dry farming there. The money earned in Surat is useful for repaying debts incurred back home and/or for agricultural activities. To earn adequate dowry for their daughters' marriage is another reason for migration. About half of them live here without their families because wages are low and the problem of housing is acute. Also, there are very poor facilities for education of children. If the family has a small plot of land in the native place, it stays behind to cultivate it. About 40 per cent migrant workers from north India are landless labourers. 40 per cent come from small peasant background and only about 5 per cent own substantial land. These workers have no panchayat or caste organisation in Surat. They do not adhere to caste norms, freely mix and dine at each other's place. This is partly because far away from home, they need one another irrespective of their caste. Women in their families do not go to work, though some of them work at home to earn some money. They also follow ghunghat system when elders from the village visit them but not in their daily life. These workers celebrate festivals of Diwali, Dassera, Holi, Ramnavmi and so on. Every year, Ramlila is performed on a large ground near Athwa Lines.

A few years ago, north Indians in the city were mobilised on a large-scale to demand Ganga-Tapti railway line. About 70,000 people had gathered in a rally to demonstrate their support for the demand. The BJP had supported the issue and had even led the march. It was led by Dudhnath, Ayodhya Mishra, Ram Barang Yadav and others. These workers are also occasionally militant in their struggle with owners ('sethias'). One Hanuman Singh emerged as a leader from among these workers He was active in Surat Silk Labour Union. Later, owners got him killed, fearing his militancy and his support among a large section of north Indian workers. For workers' problems, he was always ready to lead a tough fight. The union was not strong enough when he was killed. As a result, its growth was checked. He is still remembered by workers though he died about 15 years ago. After his death, north Indian workers became leaderless and desolate.

As Ram is a very popular mythological figure in north India, the BJP was slowly able to attract a section of north Indian workers in the name of religion and Ram Janmabhoomi. A few workers also went for kar seva in Ayodhya. But, their general atitude is: we have come here to earn. Why lose wages for the sake of Ayodhya? However, north Indian workers of Pandesara participated in riots on December 8, 1992. They were agitated by rumours and the announcement by the mahant of Bamroli mandir (also from UP) that the Muslims were coming in large numbers to attack the temple and Hindus should gather around it to protect it. The mob gathered in thousands due to insecurity, curfew and general tension. It was then incited to attack selected targets, and riots and looting began. One north Indian worker who had joined in riot recounted how insecurity among them led them to attack these targets. The police also encouraged the mob to loot. The workers without families were in the forefront of rioting while those with families were more worried about the safety of their families.

After riots, the police started to arrest people arbitrarily and arrested whosoever it could lay its hands on. Fearing arrest, the mahant of Bamroli temple later ran away. He was afraid that the people would beat him up if they saw him. Many of these workers now repent that they believed rumours and attacked Muslims. They also regret the loss of wages for two or three months due to riots. In Pandesara GIDC, Muslims are also employed but they have never had any trouble before and even after riots, when Muslim workers returned to work, there was no communal feeling against them.

There are about two lakh workers from Andhra Pradesh in Surat. They have been coming to Surat for work for the last 20 years. Most of these workers are from Telangana region, a backward part of AP spread over eight districts. The area has also been a traditional base of communists. However, there are people from coastal region as well as other parts of AP. About 50 per cent of migrant workers from AP belong to a traditional weaving caste called 'padmashali'. In fact, till 1983, only Padmashali migrated. After that, people belonging to other castes like brahmin, reddy, vaishya, chadali (dhobi) and mangali (barbers) also began to come here to look for jobs. In Surat, due to the important role that money plays, caste barriers have narrowed over period. However, while workers eat at one another's place irrespective of caste, they still marry only within their caste.

After a crisis erupted in the handloom industry in AP (deaths of Chirala handloom workers due to hunger received a lot of publicity), many workers started looking for better prospects. Some migrated to Bombay, some to Bhiwandi and others came here. Roughly, 50 per cent of Telugu workers in Surat live with their families while others have left their families behind due to lack of proper housing and low wages. Almost the entire Telugu community is employed in powerloom industry, most as workers while some have set up their own units after selling land in their native place and investing it in powerlooms. Some own small shops providing various services/goods. A few are employed as teachers in primary schools of Telugu language.

For people from AP, language has proved to be a big barrier in their interaction with non-Telugu people. Very few of them can converse in or understand Hindi or Gujarati. As the Teulgu community in Surat is relatively large, they have no compulsion to deal with people from other communities. They live in clusters with their own people. As a result, they almost constitute a mini-Andhra in Surat but they miss their folk culture here. The result is that when cultural troupes from AP come to Surat to perform, they receive enthusiastic response. The Telugu workers also confine their talk and discussion to politics and other issues in AP. They are hardly aware of Surat outside their workplace and slums. Only a small minority of Telugu shopkeepers and powerloom owners has to interact with other people and they speak Hindi and/or Gujarati.

The caste associations, caste panchayat and their traditional god Markandeshwar have strong presence in Surat as well. Any dispute between two Telugu persons is rarely reported to a police station. Instead, these are resolved within their own traditional panch system. Panches demand a huge deposit and other expenses are incurred, but Satyanarayana, a Telugu worker and the president of Gujarat Shramik Sangh says: "Here in Surat, traditions are strictly adhered to and even in worse forms than in the native village". A community experiencing alienation is very likely to rigidly observe traditions to seek security. Also, money plays an important role. Recently, an incident took place which illustrates this. One day a crowd of 150-200 people, gathered in a small lane, began to shout angrily. It pointed to a hut and

accused the woman living there of practicing witchcraft that had made a girl very ill and ensured that no medicine helped her condition. They claimed that this woman had already killed four children of that lane through her witchcraft. The crowd was worried about the safety of their own children from her. The accused woman was frightened that if she was caught the crowd would beat her up and she had managed to escape after a little beating. Immediately, people said that the panch must be called to resolve the issue about the link between the woman's witchcraft and death of four children. One worker said that in their own village, nobody believes in witchcraft and it was terrible that his community in Surat should follow such practices.

Similarly, after L K Advani's rath yatra, peddamanshis had sympathised with the cause of Ram temple. They wondered why Hindus could not build a temple in their own country. After the riots, they have come closer to the BJP because they believe it to be the only party that can save them. In the basti, in day-to-day issues Muslims dominate Telugu people. This had led to some anti-Muslim feeling among them. The BJP has been trying to gather more support among Telugu workers by financing their Ram Navami festival. However Muslims from AP live peacefully with them.

The migrants from Orissa, Oriya malis, are more closely-knit, display more solidarity among themselves and are more militant than others. They mainly come from Ganjam, a backward district in a hilly part of Orissa. Some also hail from Puri and other districts. There are more than three lakh Oriya workers here, employed in powerloom industry. In Surat, they are called Oriya mali. Jagannath Patti of the department of sociology, south Gujarat University, Surat suggests that initially migrants from Orissa were mainly employed as gardeners and watchmen. This earned them the name Oriya mali. Some of them got jobs in expanding powerloom sector. Due to better wages, gradually they all shifted to powerloom industry.

An Oriya worker, Rama, migrated to Surat some 15 years ago. At that time, he was working in a coal mine in Ranchi, Bihar, when he received a letter from his uncle in Surat. His uncle asked him to leave Ranchi and come to Surat because jobs were easily available and wages were good. Today, Rama owns a house in Pratapnagar, near Bombay Market, in Surat. In his dark hut, made of tin and gunny bags, he stays with about 18 other Oriya workers, though at a time only up to 10 workers can sleep inside the hut. A larger number can be accommodated because workers work in shifts. They cook collectively and Rama charges them for food and accommodation. He himself works in a powerloom unit. Most Oriya workers live in huts like Rama's as tenants. Very few own a hut. Most of them have left their families behind in native place.

There are about 300 people in Surat from just one village, Pankaj's village, in Orissa! This village is located in a hilly area and land there is not very productive. Besides agriculture, there is no other avenue for jobs. Land in the village is concentrated in a few families, mostly brahmins. Brahmins by custom do not touch the plough even today. The dry-land farming practised in the village can sustain very few people. In their native district, there are hardly any Muslims, less than 5 per cent and it has no history of communal riots. Women do not step out of their homes and are not allowed to work outside except in a few agricultural operations on their own land. Oriyas of forward as well as backward castes have migrated to Surat. Caste panchayats are very strong and feudal norms and values dominate the village life. Literacy and the level of formal education is one of the lowest among migrants from Orissa. Except a few, nobody can read Hindi or Gujarati. Some of them can read Oriya, their native language, but there is no Oriya newspaper/ magazine available in Surat.

The oppressive working conditions, long hours at work, household tasks, low level of literacy and the language barrier, not only segregate Oriya workers from others in Surat but also keep them ignorant of any event in the world outside. The only link with the outside world, apart from powerloom units where they work, is through occasional letters from the village or news brought by those returning from the native place. These factors combine to create strong bonds of solidarity among them, impart militancy to the group and enforce a strong urge to preserve their own world-view for security and solace in an alien and oppressive environment.

Oriya workers are shy before strangers and staunchly defend their traditions and customs when questioned about them. A few incidents in Surat illustrate this. Oriya workers do not join any trade union or play an active part in it. However, when in a unit, one Oriya worker was thrown out of his job, all Oriya workers forcibly closed down the unit and began patrolling the area with lathis in their hands, ready to strike anyone who dared to work in their place. The owner called the police but they remained undeterred. The militancy of Oriya workers forced the owner to take back the worker whose services had been terminated—a rare event in Surat.

A large number of Oriya workers go to Orissa for Lord Jagannath's rath yatra. They collect money for it. During that period, they strongly fight with owners of units for maximum termination benefits. Nobody picks up any fight with an Oriya worker because they know that in such cases, a big group would soon emerge to retaliate. Pankaj, an Oriya worker in powerloom industry, said that they are not in the habit of going to a police station with a complaint. If there are any quarrels within the community, they settle it among themselves with their panch system. Justice is administered by imposing appropriate punishment or fines on the guilty. If one of the parties involved in the dispute is non-Oriya, they still do not go to the police. The aggrieved Oriya worker reports the matter to his friends and others in the community. Traditionally, they are offered liquor and all go out in a group to settle the issue. They have their own ideas of 'wrong' and 'right'. In cases where there is a complaint against an Oriya person and the police are likely to arrest him, he runs away to another basti and sometimes to his native place to escape arrest. Pankaj says: "We are very scared of the police. They beat us mercilessly, without any reason on the slightest pretext. There is no one to help us against the police brutality and lawyers only assist the police despite charging high fees from us." Thus, the fear of the police is very real for them. Also, they have no political support whatsoever because unlike migrants from other regions and states, Oriyas work almost exclusively in the powerloom industry. There is hardly any middle class section among them like shopkeepers or the unit owners who can intervene effectively on their behalf or/and get their work done.

Very few Oriya workers bring their families along and even fewer send their children to school in Surat. There are hardly any Oriya schools. Hence even Oriya teachers are very few. The display of militancy by them is the only way to protect themselves. They do not take any initiative in demanding municipal amenities but support others as and when such problems are taken up. For ration cards and similar things they approach the local leaders and corporators. In this, some workers who have been living in Surat for years help them. Oriya workers show little interest in voting in elections except in those slums where they are concentrated. Of late, the BJP has been trying to woo them for support. These workers have always voted for the Congress till now. The Oriyas are among the least communal groups and have no anti-Muslim prejudices. Kalu Patra and Tripathi, two Oriya workers, are active in the BJP but they have no support at all in the community in Surat.

In mid-80s, Utkal Samaj Samiti was formed. Its president Ashok Patra was a member of the Congress. This organisation is now defunct and money collected by it in instalments for residential plots remains unaccounted. It was inaugurated by J B Patnaik, the then chief minister of Orissa.

The Kathiawadis migrated to Surat from Saurashtra region, especially Junagarh, Amreli, Bhavnagar and other places, sometime in early 70s. Saurashtra is a backward region of Gujarat Its inhabitants are mainly dependent on agriculture, which is not much developed because of its dependence on monsoon. In the coastal belt of Gujarat, due to increase in salinity, the productivity of agriculture is declining. Land is concentrated in the hands of a few rich families who grow cash crops like groundnuts.

Most migrants from Saurashtra belong to Patel caste. The caste system and orthodox religious practices are rigidly followed in Saurashtra. Backward castes and scheduled castes are routinely oppressed by forward castes. For instance, Vankars are beaten up and terrorised on the slightest sign of their assertion and affluence like wearing better clothes, not bowing in the presence of the upper caste people and so on. Disputes over wages are common.

People of Saurashtra are deeply religious in nature. There have been a number of religious movements in Saurashtra. For example, Jalaram Bapa, Morari Bapu and other saints are revered here. Thousands of people attend their preachings and sermons. One Kathiawadi jokingly suggested that any one can attract people in Saurashtra if one wears saffron clothes and goes to a village. Many religious gatherings are held in Saurashtra, like Sitra and Satam. In the past few years, religious movements have deepened the faith of the people. The saints have also been propagating on the Ram Janmabhoomi isssue. As a result, the BJP has been able to make inroads in Saurashtra and consolidated its position. Since the Jan Sangh days, it has a foothold in Saurashtra. BJP gave a political colour to this religiosity of the people by extensively carrying campaigns on Ram mandir issue and spreading prejudices and lies against the Muslims. The Kathiawadis of Saurashtra were carried away by the propaganda. With the Kathiawadis of Saurashtra coming under the sway of the BJP, those of Surat also got communalised due to their close contact with their native place.

In 1989 assembly elections, three out of the total four assembly seats in Surat were won by the BJP. From the Varachha Road area, which is dominated by Kathiawadis, Manubhai Pithawadiwala won. Manubhai is reputed to have links with illegal activities, land-grabbing as well as diamond factory-owners. He also campaigned for change and called upon the youth to channelise their energy towards change, take the initiative and fight unemployment. He presented himself as an agent for change. He appealed for the unity among people from Saurashtra and declared himself to be an advocate of their interests He adopted a militant posture in favour of Kathiawadis and won his seat.

As pointed out earlier, Saurashtra is an underdeveloped region dependent on agriculture. Kathiawadis are staunch supporters of tradition. They vehemently preserve traditional values and are proud of them. Muslims from Saurashtra are also proud of its culture. Here, joint family system is still prevalent. Underdevelopment, resultant poverty and uncertainty associated with change reinforce traditional values and culture in the region. Their popular image is that of simple villagers, warm and hospitable. Guests are always welcome in their houses. They go out of their way to help a needy and a poor person. At the same time, Kathiawadis are known as militant fighters if provoked. For example, they reacted angrily on Varachha Road, also known as mini-Saurashtra of Surat, against 'Mangadh hatyakand' in which Darbars massacred Patels proceeding to attend a marriage. According to a reporter of *Sandesh*, massive protests were organised against the massacre. Similarly, there were serious repercussions of the anti-reservation agitations of 1981 and 1985. Kathiawadis react militantly whenever their values and identity are under attack.

Recently, a well known Kathiawadi person was arrested and allegedly tortured by the police. He was falsely implicated in a case of firing at the PSI from his revolver in Kapodra police station. In protest, massive meetings were organised and statements threatening the involved PSI were issued in the press. Militant speeches were also made. This went for days. The situation was brought under control only when the two concerned PSIs were transferred by the commissioner of police. However, a small section claimed that the entire agitation was opportunistic and was manipulated by diamond owners and builders (the accused was a builder Mohan Sawant). There are several other instances where the slightest provocation leads to angry and violent reaction by Kathiawadis like pick-pocketing or a minor road accident. Violence and brutal exploitation in their daily life accounts for such outbursts by them on such occasions.

Events and rumours after the demolition of Babri masjid on December 6, 1992, provided a spark to the communally charged atmosphere in the city created by the vicious anti-Muslim propaganda of the BJP, VHP, RSS. Literally, thousands of Kathiawadis took to streets and there was no one to restrain them, including the police. For two full days, looting, rapes, killings and other brutalities were perpetrated by them on Muslims in the name of religion. The Saurashtrian identity also works in another way. During any agitation, diamond factory owners close down their factories and mobilise their workers for the agitation, be it communal riots or anti-reservation stir.

Kathiawadi diamond workers live in extreme poverty. About 60 per cent of them cannot afford to bring their families along to Surat. They live in crowded rooms and share sleeping place. At times, they even stay in the factory. Literacy rate is very low among them. They cannot read or write and spoken word is almost sacred. Repeatedly, sadhus, employers and politicians talk about communal issues and project them as major issues. While other migrant groups do not have a middle class to voice their aspirations, among Kathiawadis this is not the case. They have a middle class and small industrialists in their community. However, this middle class does not articulate aspirations of workers and the silently oppressed. There is no agitation or protest along class lines. In the name of Saurashtra, only communal politics and interests of the elite are pursued.

The Kathiawadis have a strong sense of solidarity and community life which preserves their separate regional identity. This has, as in the case of other migrant communities, developed strong intra-communal bonds. It is this bond of which the upper caste and the diamond unit owners as well as land-grabbers of Kathiawadi origin take advantage to pursue their interests and communal politics. It is this bond emanating from a strong sense of identity in an alien city that today mobilises, almost effortlessly, thousands of Kathiawadis at short notice whenever they perceive danger to their identity from 'aliens'—be they Muslims or police. It is this bond that today makes the Kathiawadi worker stand behind the elites from the community. Ironically, one of the reasons for such strong sense of solidarity and identity is the insecurity of life and employment and brutal oppression at their places of work, including torture and beatings to recover advances and loans and on suspicion of theft. The miserable conditions of living only add to the longing for some sort of collective feeling. Separated from their families, the alienation of the city drives them to various vices like alcoholism, prostitution, and even blue films.

Conclusion

In the riots that followed the demolition of Babri masjid on December 6, 1992, the BJP and Hindutva forces had a strong organisational network and the backing of the Rana, Ghanchi, Kharwa and Machhi communities. These upwardly mobile communities were looking for a broader identification and larger political role which the Congress had failed to provide. The BJP could fill in this vacuum and therefore had the resources of these communities at its disposal. The migrant workers' participation in the riots was out of their insecure living and working conditions.

PUBLIC INTEREST RESEARCH GROUP

Presents

ALTERNATIVE ECONOMIC SURVEY 1993-94

There is no denying that the official Economic Survey has acquired quite a few apologetic traits. Over the years, it has tended to be more of a window-dressing than report objectively and meaningfully the state of Indian Economy. The manner in which the economy affects the lives of the common man is rarely captured in the official survey. Hence, an attempt was made to prepare an **Alternative Economic Survey 1992-93** in 1993. This Survey was very well received by media, economists, activists, NGOs and other groups.

Public Interest Research Group has now brought out **Alternative Economic Survey 93-94** keeping in view of developments during this period. Written by a team of economists, activists, academicians and grassroot workers, the Survey has examined various public policies and suggested alternative packages. This survey has following chapters :

- **The Economy 92-93** *C.T. Kurien*
- **Macro Scene** *Arun Ghosh*
- **NEP:Taking Stock** *Surender J. Patel*
- **Self-reliance and Globalisation** *M.A. Oommen*
- **The External Sector** *Jayati Ghosh*
- **External Debt** *Biswajit Dhar*
- **GATT and India** *B.K. Kealya*
- **IMF-World Bank and India** *Balraj Mehta*
- **Fiscal Policy** *Dalip Swamy*
- **Taxation** *V.Upadhyay*
- **Financial Sector** *Kamal Kabra*
- **Prices and Distribution** *Jaya Mehta*
- **Labour and Unemployment** *D. N. Reddy*
- **Agriculture** *Abhijit Sen*
- **Rural Economy** *Kamala Prasad*

Population and Food *N. Krishnaji*
Industry *S. Muralidharan*
Corporate Governance: Towards *Laissez Faire* *R. Maheshwari*
Power Sector *Surinder Kumar*
Planning and Public Sector *R.C. Dutt*
Women: Politics of Exclusion *Krishna A. Patel*
Gender Perspectives on Development *P. Swaminathan*
Tribals *Pradip Prabhu*
Education *Suresh Shukla*
Higher Education *K.S Chalam*
Health *Imrana Qadeer*
Environment *Ashish Kothari*
Lobbies *Dolly Arora*
Plus many Box-items

Pages: 180 [A-4 size]

Price : Rs 40 [Individual] or $ 5
Rs. 80 [Institutions] or $ 10

[Add Rs 10 or $ 2 for packaging and postage & send ***M.O/Bank Drafts*** *only in favour of* **Public Interest Research Group, Delhi]**

Public Interest Research Group, 142, Maitri Apartments, Plot No. 28, Indraprastha Extn., Delhi-110092 (INDIA). *Phone-cum-Fax:* 91-11-2224233

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038.

DLF CEMENT LTD.

Regd Office : 1-E, Jhandewalan Extension, New Delhi - 110055

Public Issue of 99,13,400 Secured Redeemable Multi Option Convertible Debentures of Rs. 85/- each for cash at par aggregating Rs. 84,26,39,000

ISSUE OPENS ON 22nd JUNE, 1994

PROJECT HIGHLIGHTS

- Promoted by DLF Group occupying prominent position in real estate for the last 45 years apart from interest in engineering industry
- Technical collaboration with Nihon Cement Company Ltd (NCC) Japan for manufacture of 1 4 million tpa of cement. NCC is one of the largest cement manufacturers in Japan having a total capacity of 13 million tpa and a turnover of US$ 1 81 billion (Year ended March 1993)
- NCC technology will provide the benefits of (I) low heat and energy consumption (II) emission levels conforming to International standards (III) waste heat recovery system which will be utilised to generate power for captive consumption and result into substantial cost savings
- Strategic location with limestone reserves available in the vicinity of plant for about 100 years at the rated capacity
- Captive power generation of 15MW to ensure an uninterrupted and consistent supply of power
- Proximity to the cement deficit Northern region and captive consumption by the group
- Professional management comprising of people with diverse experience and proven track record
- Project and site clearances already obtained from environmental angle from the respective authorities on 1 2 million tpa basis (Revised on 1 4 million tpa basis awaited)
- Project viability assessed and appraised by The Industrial Credit & Investment Corporation of India Ltd (ICICI) for 1 2 million tpa. Rupee term loan participation by the All India Financial Institutions
- Foreign currency loan participation by International Finance Corporation (IFC) Washington upto US$ 28 million. Participation in Multi Option Convertible Debentures (MOCDs) upto US$ 8 5 million on firm allotment basis

CREDIT RATING

Crisil has assigned BBB+ (Pronounced Triple B Plus) rating to the captioned debenture issue. This rating indicates sufficient safety with regard to timely payment of interest and principal. However changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for debentures in higher rated categories

ISSUE HIGHLIGHTS

- Multi Option Convertible Debentures of Rs 85/ each Part A of Rs 50/ convertible into 5 equity shares at par on allotment and Part B NCD of Rs 35/ having four options for investors * Option I simple interest of 17% on NCD Portion * Option II cumulative interest of 17% on NCD Portion * Option III — opportunity to convert NCD portion into equity shares. No interest payable on NCD portion * Option IV to dispose off NCD portion of MOCD
- Participation on firm allotment basis in the MOCD Issue upto US$ 8 5 million equivalent to Indian Rupees 26 35 crores by IFC Washington by Indian and offshore mutual funds to the extent of Rupees 17 93 crores and by Foreign Institutional Investors to the extent of Rs 14 25 crores
- The Company has made arrangements for buy back of Non Convertible Portion (KHOKHA) through Hong Kong Bank. The cost of the Equity Shares to eligible allottees opting for the buy back facility would be Rs 11/ per share
- Issue rated BBB+ (Pronounced Triple B Plus) by CRISIL
- Easy and attractive payment terms Rs 25/ on application and balance Rs 60/ on allotment (If not opted for Khoka buy back)
- Listing of shares and debentures at Ahmedabad Bombay Calcutta Delhi Jaipur and Madras Stock Exchanges
- Full promoters contribution of Rs 75 65 crores by way of Multi Option Convertible Debentures
- Tax benefit U/S 80L 80M under Income Tax Act 1961 and Wealth Tax benefits

Investors may note that in the event of the present issue being oversubscribed, the allotment will be finalised in consultation with Stock Exchange at New Delhi, the allotment shall be on proportionate basis and a SEBI nominated public representative shall be associated in the process of finalisation of basis of allotment.

RISK FACTORS

EXTERNAL (TO THE COMPANY)

(i) Profitability may be affected due to changes in Government Policy towards Cement Industry, Exchange Rate Fluctuations and various statutory levies

(ii) Competition from the existing and proposed manufacturers may affect performance and profitability of the company

INTERNAL (SPECIFIC TO THE PROJECT)

(iii) Cost/time over run may affect the cost and profitablity of the project

(iv) The appraisal for the Project has been conducted by ICICI based on the rated capacity of 1 2 million tpa. Subsequently the Company had revised the rated capacity to 1 4 million tpa in order to improve the profitability which has been noted by ICICI. Re appraisal of the Project at the enhanced capacity is to be undertaken later by ICICI

(v) Conversion of Prospecting licence into Mining Lease for limestone is awaited

(vi) RIICO is in the process of acquiring both private and Government land on behalf of the Company as per Memorandum of Understanding signed by the Company with RIICO

(vii) Site clearance and No-Objection Certificate from the Environmental Angle has been received from Rajasthan Pollution Control Board and the Department of Environment for the rated capacity of 1 2 million tpa. The clearance for 1 4 million tpa is awaited

PERCEPTIONS OF THE MANAGMENT

(i) The Company does not foresee any difficulty in marketing its product due to the strategic location of its plant in the cement deficit Region

(ii) Barring unforeseen circumstances, the management is hopeful to complete the project within the projected cost and time estimates

(v) The Company has already filed application for obtaining mining lease and no difficulty is envisaged in getting the same

NRI forms are available at the Registered Office of the Company

If the company does not receive the minimum subscription of 90% of the issue amount including devolvement of underwriters within 60 days from the date of closure of the issue the company shall forthwith refund the entire subscription amount received. For delay beyond 78 days of the opening of the issue in refund of such subscription the company shall pay interest @ 15% per annum. If there is delay in refund amount collected the company and the directors of the company shall be jointly and severally liable to repay the amount due by way of refund with interest @ 15% per annum for the delay beyond 78 days from the date of opening of the issue

LEAD MANAGERS TO THE ISSUE

ICICI SECURITIES & FINANCE COMPANY LIMITED

The Industrial Finance Corporation of India Limited

JM FINANCIAL AND INVESTMENT CONSULTANCY SERVICES LTD, Nariman Point, Bombay 400 021

The Hongkong and Shanghai Banking Corporation Limited, Kasturba Gandhi Marg

REGISTRARS TO THE ISSUE

Karvy Consultants Pvt. Ltd, Hyderabad

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs. 12.00 Vol XXIX No 23 June 4, 19

DEMOGRAPHIC CONSEQUENCES OF FAMINE: REGIONAL VARIATIONS

DEBT CRISIS AND ECONOMIC REFORM

GIRL CHILD IN THREE INDIAN STATES

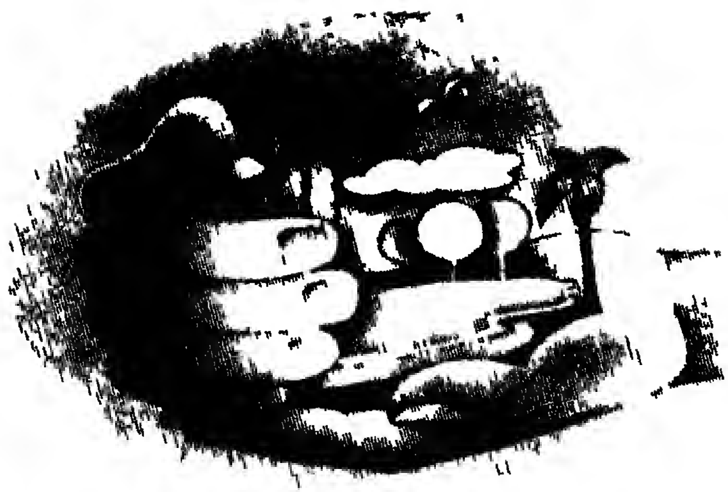
■ TEACHING WOMEN STUDIES TO MALE ENGINEERS

KASHMIR: ABUSE OF PREVENTIVE DETENTION

■ ON THE BORDER OF FASCISM: MANAFACTURE OF CONSENT IN *ROJA*

■ REDEFINING THE GOOD SOCIETY: NORTH-SOUTH DIALOGUE

SOUTH AFRICA: A NEGOTIATED REVOLUTION?



We help Nature keep her true colours.

As reputed manufacturers of vital chemical products, we've been in the forefront of promoting safety and environment protection.

Our commitment to preserve the environment, improve safety and enhance the health and welfare of our employees and the surrounding community manifests itself in every facet of our operations – right from our choice of technology to process selection and engineering design.

Effluent treatment plants at both our factories render liquid wastes harmless. Sophisticated pollution abatement equipment keep emissions within tolerance limits.

Our R&D wing develops products that are environment friendly, searches for ways to recycle waste and constantly evaluates the effectiveness of our own pollution prevention and control efforts.

We've designed education programmes to inform, train and encourage our employees to actively participate in achieving safety and environmental protection goals; safety inspections and safety audits to assure continuous control; and onsite and offsite disaster control plans to aid effective response to a wide range of emergencies.

It's all part of our integrated effort to keep our operations safe and harmless.

And to ensure that we help Nature keep her true colours.

Colour Chem

A Subsidiary of Hoechst AG

Hoechst

HTA 2686

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
84 Shahid Bhagatsingh Road, Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony, Prabha Pilai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212, Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phones 887-3038/3041
Director

Vol XXIX No 23 June 4, 1994

Coping with Famine

India provides a good opportunity for analysing famine demography in a historical perspective. While analysis at an aggregative level provides an understanding of short-term demographic responses, examination of inter-district variations helps to assess the relative importance of factors such as drought severity, relief provision, flow of migration, etc, that shape the demographic outcome 1399

Three Years of Reform

Economic reform in India was triggered by an external debt crisis, the outcome mainly of domestic fiscal imbalance Three years of the reform have passed and the impact of some of the policies is visible While three years may be too short a period for assessing the full impact of the policies, for mid-course corrections of the policies it will be too late if their results are not detected in time 1411

Thought Control

Within the emerging maelstrom of media forces in India, our thoughts are being thought for us in ways that make the indoctrination of traditional authority figures almost mild in comparison The fundamentally uncritical valorisation of the market and the state by a range of media representatives constitutes a form of cultural fascism which, while liberal and idealistic on the surface, is most dangerous in the hold it has over people's minds and votes 1389

How Much Is Enough?

The world must finally grapple with the Gandhian question How much is enough? The answer would have to be viable in terms of sustainability and, to be of real practical value, would have to be eventually applicable universally 1383

Child Labourers

Household surveys in West Bengal, Bihar and east UP show that all girl children in rural households are in fact disguised child labourers, with the degree of exploitation varying with socio-economic backwardness 1379

Beyond Gender

Women's studies is about social change and while we focus on hierarchical gender relations, we must also highlight iniquities based on class, caste and creed 1419

Without Trial

The government of India has behaved in a disgraceful manner in regard to the imprisonment without trial of the veteran leaders of Kashmir, Abdul Ghani Lone and Syed Ali Shah Geelani 1373

Cleft Stick

Every year at 'akha teej', the Rajasthan government launches a drive against child marriages The work burden falls on the lowest level functionary, the 'sathin', who is required to report on child marriages taking place so that the police can intervene This is where Bhanwri, a sathin who was gang raped because she tried to stop a child marriage taking place in her village, was caught in a cleft stick 1377

What Next?

While 'negotiated revolution' has become the favourite media expression to describe the transformation in South Africa, not only negotiations but the revolution also has to continue 1375

For Flogging

In showing its approval of the flogging of Michael Fay in Singapore, the 'American public' in whose name the US political leadership performs its heroic deeds has lifted the lid on the can of worms of American authoritarianism 1386

LETTERS TO EDITOR

Triple Talaq Judgment

THE article of Flavia Agnes 'Triple Talaq Judgment Do Women Really Benefit?' (May 14) has raised some interesting questions

Customary law is set against J Tilhari's judgment Customary law may have its own meaning in sociology but Muslim Personal Law (MPL) is different it is based on the word of god and the precepts of the prophet as interpreted by religious and secular (non Muslim)) judges in India The subject has not to be taken in a populist fashion a few vital questions arise for serious thinking which are as follows

(1) What are the limits of MPL and the constitutional law?

(2) Are there any absolute limits set to primacy of constitutional law?

(3) Was MPL given absolute supremacy over Muslims (apart from penal laws which were conceded to IPC) and what is actually saved from the Constitution after 1947?

Infirmity, if any in J Tilhari's judgment should have been shown from 1 2 and 3 points of view

On the points raised by Flavia the legal position is as under

(a) The position under three consecutive monthly pronouncements of talaq would have been certainly different if there had been an opportunity for reflection and reconciliation

(b) There is no question of acquisition of land belonging to a divorced woman Under the Land Ceiling Act the husband s and wife's lands are clubbed together *unless* the wife is judicially separated/divorced The courts have in fact held in this case that there was no divorce As far as the Ulemas are concerned, there is no consensus that triple talaq' in one sitting is a customary divorce (see the Muslim Personal Law Board s description of this type of divorce as criminal action though it accepted contradictorily such divorce because of popular usage)

(c) Once 'triple talaq' is held to be invalid for all purposes, Khatunissa can certainly claim to be maintained by her husband

(d) The doctrine of divorce by mutual consent does not apply here for two reasons

(i) In 'triple talaq' consent of wife is not necessary, and (ii) when the court has held that in fact there was no divorce in the eyes of law the question of consent is not there, the fact that the triple talaq' has not been challenged by husband or wife in this case is irrelevant because the rights of the state are affected by the so-called divorce

(e) In fact on the facts of the case it is apparent that the husband and the wife have lived together If factual presentation is challenged then more evidence should have been produced at the lower judicial level At the level of the Supreme Court this cannot be done

(f) There is no question of the women's right being involved All that is to be decided under Islamic law is whether the husband and the wife have in fact *totally* separated and not cohabited with each other In case of the preferred divorce, for instance, the first 'talaq' is considered to be cancelled *ab initio* if the husband and wife continue to dwell under the same roof From this point of view there is nothing to prevent the wife from walking out from the possession of the residence There is need for an objective test to check that divorce is in fact a *fraud*, as distinct from it *being invalid*

(g) The point is even the requirements of MPL were not met and the divorce was held to be fraud to avoid the Land Ceiling Act In cases of fraud all concepts of minority and customary law become irrelevant

(h) The point that minorities are denied benefits of the Family Courts in Bombay through a faulty drafting of the Family Courts Act does not really arise from J Tilhari's judgment However it is certainly a point which needs consideration by the government and the activists

(i) Regarding the final query raised by Flavia that if the couple are divorced after the property is acquired, will they be entitled to reclaim their property from the state, the obvious answer is that law is not applied retrospectively but it is applied having regard to the position *on the date of the acquisition* and subsequent events cannot alter such legal actions

We hope the above clarifications will be helpful to your readers in understanding the controversy

IQBAL MASUD, A S URAIZEE

Secular Media-Watch Centre
Bombay

Big-Time Swindle

THE extremely facile and superficial review of Randhir Singh's book *Five Lectures in Marxist Mode* by Sumanta Banerjee (April 16-23) does little justice to the complexity of issues addressed by Randhir Singh While Randhir Singh rightly seeks to restore the primacy ("in the ultimate analysis") of class-analysis, he does not wish away the socio-historical specificities of the Indian situation It simply would not do to dismiss airily "caste or ethnic loyalties traditions which are being harnessed by small-time political operators and legitimised by new-fangled theories of certain academics" A detailed critical survey of such theories, not all of which have been propounded by cloistered academics, seems to be called for It is important to theorise the relations between caste, ethnic struggles and the class forces in our society today Otherwise 'class-based politics' will get chronically derailed by influences from such spheres

The big question missed by metropolitan big-time journalists of course, is whether such concepts as the Indian nation have any historical validity If India is a national state, then state terror against attempts to disrupt the nation is an unfortunate necessity If, on the other hand, the concept is hollow, or at least inadequate, then the issue of state terror rises above the level of mere legality Then violence by ethnic groups against hegemonic claims of the centralised nation-state will be an altogether different matter

An abstract discussion of the problems of building socialism is of little value Indian leftists are not given to serious research in modern history, and they do not critically re-examine policies followed in the past and their consequences How then can they claim a right to be heard on this issue?

Delhi

R B GUPTA

Subscription Rates

Inland

(including Nepal and Bhutan)

(in rupees)

	Six months	One year	Two years	Three years
Institutions	–	475	900	1325
Individuals	200	375	700	1025
Concessional Rates				
Teachers/Researchers	–	250	–	–
Students	–	195		

Concessional rates are available only in India To avail of concessional rates, certificate from relevant institution is essential

Remittance by money order/bank draft/postal order requested Please add Rs 14 to outstation cheques towards bank collection charges

Foreign *(in US $)*

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan Bangladesh & Sri Lanka	60	30	40	20
USA Canada UK Europe Japan New Zealand, Australia & Russia	125	80	70	40
All other countries	80	50	50	30

All remittances to **Economic and Political Weekly**

Putting the Clock Back

THE process by which the injectable contraceptive Depo Provera (and Net en) has been introduced into the Indian market makes a travesty of the efforts of concerned and committed women's and health groups to create common ground for the state, people's movements and researchers on issues such as contraception which crucially and intimately affect the lives of women. For the issue here is not merely the approval given to a contraceptive of questionable safety but the gradual erosion of the rights won by the international health and women's movements over the decade and points to the gathering momentum towards the evolution of a lean and mean state.

Let us assemble the facts. Depo Provera (DP) is a controversial contraceptive which is the first of a generation which indubitably transfers control from the woman-user to the administrator-doctor and hence to whatever the authority which controls the medical establishment. Given the powerlessness of women socially, politically and economically, the issue of user control has assumed great importance because it is the real test of whether the rhetoric of empowering women has indeed been translated into accepting that women have and may exercise rights over their bodies, over their reproductive health. The fact is that women's empowerment in the economic and political sphere even if it really materialises does not challenge the patriarchal state apparatus as sharply as does the acceding of reproductive rights to women. By stalling the licensing of DP, women had asserted their right to safe contraception and control over their fertility. The Indian government by allowing the sale of DP and Net en has at one stroke swept the 15-year old unresolved debate under the carpet and encroached upon hard won rights.

Secondly, the entry of DP comes at a time when the Indian government is keen to encourage foreign investments and is hoping for the return and expansion of the drug MNCs. It is also in the throes of accommodating as many of the 'concerns' of interest groups led by the World Bank as is possible without upsetting the balance of political forces. The refurbished population bomb myth is extensively influencing policy decisions. The licensing of the injectables is the red carpet laid out for companies like Upjohn and German Remedies, manufacturers of DP and Net en, respectively. Upjohn, it may be recalled, has had an uphill task getting the contraceptive approved. Its extensive unethical trials in third world countries became the spark for women's and health groups to mount an offensive which ultimately led to a public inquiry, where Upjohn was forced to concede that it had sought USFDA approval on false grounds. Upjohn in submissions to the US Securities and Exchange Commission had in the past admitted that it had paid huge bribes to foreign governments to persuade them to allow the sale of DP to government agencies. Getting the world to accept DP had clearly become a major objective for the company. The Indian government with a long established drug control machinery and a vast middle class population firmly hooked on consumerist dreams of upward mobility and inevitably the small family norm, has opened for Upjohn, riding on an Indian drug firm which has all the right connections, a vast market for a never-done-well contraceptive. In return, no doubt the MNC will offer goodies like sophisticated drug ranges, etc.

The ministry of health has issued a statement, following a high-level meeting which included the Drug Controller of India (DCI), the health secretary, the ICMR chief and "women's representatives", that the drug has been approved after thorough study, trials and post-marketing surveillance. Clearly, the government must mean studies conducted abroad, for ICMR in its annual report of 1975 had reported the abandonment of the only trials it had ever undertaken, because of the high drop-outs due to heavy and prolonged bleeding or amenorrhoea. In fact, the drug controller is reported to have said that the approval was given entirely on the basis of material supplied to the authorities by Upjohn. The DCI has also contended that field trials of contraceptives do not give sufficient information about acceptability, which, as for any consumables, can only be assessed after it is introduced. Not only is this a shockingly irresponsible attitude, but it makes a mockery of the entire structure of drug testing with its elaborate and internationally accepted sequence of trials. So far India has stood out among third world countries in having an independent mechanism for assessing drug safety and acceptability, even though it is often sought to be circumvented by drug companies. This decision of the drug control authorities to license the two controversial contraceptives is tantamount to the first step towards dismantling the drug licensing system.

This suspicion that the state is moving towards shedding its responsibility of ensuring that a drug introduced in the market is indeed safe is strengthened by other developments. For instance, that the contraceptive is to be distributed through the Family Planning Association of India (FPAI) and the NGOs who will either buy it or will be gifted the same by aid agencies, all of whom are concerned about the population explosion, has been underplayed for obvious reasons. For, this means that women who cannot afford the drug will also be at risk from its use through the NGOs, who could even be set up for the purpose, and the FPAI clinics. And worse, since the government has no mechanism to monitor or control the activities of the NGOs, it will not be liable in case of damage due to use of the drug or its administration. In such circumstances, to what extent can the drug control administration ensure that adequate and reliable post-marketing surveillance be done? It is well to remember that adverse drug monitoring mechanisms are only now being created and they have to contend with numerous problems in a health care system which is becoming increasingly unregulated and chaotic. By licensing the injectables for manufacture and sale, the government has circumvented the need to strengthen the ethical base of its health care operations, and absolve itself of charges of the kind that have been made about its family planning programme so far.

For all these reasons it is imperative that a broad-based opposition be mounted, which includes not just women's and health groups, but other progressive movements and the large number of NGOs who have been so vocal and visible in the numerous preparatory meetings for the Cairo conference on population and development.

BY-ELECTIONS

Mixed Bag

THE results of the recent by-elections to the Lok Sabha and state assemblies are said to have generally gone in the favour of the Congress(I). A closer look at the results, however, reveals a pattern that is more complex.

Going by the number of **seats alone, the Congress has** certainly done well in the Lok Sabha elections, winning five of the seven constituencies that went to the polls But while two of these victories were recorded in Maharashtra, the voter turnout (25 per cent) in both the Baramati and Ahmednagar(south) constituencies here was the lowest so far, a factor that may have worked to the advantage of the Congress Further, while Sharad Pawar had secured 84 4 per cent of the votes polled in the constituency in the last elections, the Congress candidate this time, Bapusaheb Thite, has managed only 60 per cent. Similarly, in both the Kurnool (Andhra Pradesh) and Mayurbhanj (Orissa) Lok Sabha constituencies Congress candidates have recorded victories with lower margins as compared to the previous elections. In Kurnool, a traditional Congress(I) stronghold, Kotla Suryaprakash Reddy, son of chief minister Vijaya Bhaskara Reddy, won by a margin of 19,646 votes whereas in 1991 his father got elected with a margin of 52,000 votes. Detailed figures show that the Telugu Desam Party has made inroads into the Congress vote-bank in three out of the seven assembly segments in the constituency. Similar inroads were made by both the Janata Dal and Jharkhand Mukti Morcha (Sibu Soren) in the Congress(I) vote-bank in Mayurbhanj. While in the last elections the Congress had won the seat by a margin of 49,000 votes, this time its candidate Sushila Tiria polled only 23,471 votes more than her JD rival. On the other hand, the JD and JMM improved their share of the votes cast from 23.32 per cent to 29.09 per cent and from 10.37 per cent to 15.79 per cent respectively. These results have sent shivers down the spines of Congresspeople who have themselves described the performance of the party here as poor.

However, it is when we come to the assembly election results that the inadequacy of the Congress(I)'s performance is really pronounced The only states where the party has fared creditably are Madhya Pradesh and, to some extent, Punjab. Its candidates in the Chachoda and Nakodar constituencies, res-pectively, won by impressive margins, though the importance of its victory in Nakodar was diminished when it lost the subsequent election in Ajnala to Akali Dal(Badal) by a big margin. Of the remaining three assembly seats that the Congress has bagged, the victory in Hamirpur (Himachal Pradesh) and West Angami (Nagaland) was by negligible margins and can be attributed to certain local factors which, under slightly different circumstances, could have resulted in the party's defeat. The third seat, from Serampore (West Bengal), was retained with a significantly reduced margin.

In the rest of the states where assembly by-polls were held, namely, UP, Tamil Nadu, Kerala and Rajasthan, the Congress or Congress-supported candidates were either not in the reckoning at all or were badly defeated. In UP, four out of the six contested seats were won by the ruling SP-BSP combine, while the remaining two seats went to the BJP which wrested one seat from the former while ceding another to it in a similar fashion. Looked at in conjunction with the BJP's victory in the Meerut Lok Sabha constituency, where its candidate defeated his nearest Janata Dal rival by more than 85,000 votes, this confirms the trend established in the 1993 assembly polls which brought the SP-BSP combine into power but indicated a consolidation of the BJP vote-bank. It shows, in other words, that despite the Ayodhya issue having lost some of its political lustre, the BJP has lost none of its popularity in the state. In this context, the party's victory from the Rajakhera constituency of Rajasthan by 9,584 votes cannot be ignored.

In Tamil Nadu, the most spectacular performance came from the newly-formed Marumalarchi DMK (MDMK) of the rebel DMK leader V Gopalasamy. While both the Perundurai and Mylapore constituencies have been won by the candidates of the ruling AIADMK, it was given a stiff fight by the DMK and MDMK, especially the latter which secured 23,452 votes in Perundurai to come second while polling 10,500 votes even at Mylapore. From this, it appears that the AIADMK owes its victory primarily to the split in the DMK. As for the Congress, it lost its deposit in Perundurai.

Perhaps the only saving point for the Congress in the deep south was the narrow margin of defeat of the ruling United Democratic Front (UDF) candidate in the Guruvayur constituency in Kerala. The UDF candidate A Samadhani, fielded by the IUML which is a part of the front, lost to an independent candidate, backed by the Left Democratic Front (LDF), by 2,052 votes. However, even here the credit for the narrow margin of defeat of the UDF candidate cannot be given to the Congress, for by soft-pedalling the Ayodhya issue, chief minister K Karunakaran seems to have gifted away a number of Muslim votes, traditionally split between the Congress-IUML and the Left Front, to Islamic parties like the People's Democratic Party (PDP) which won over 14,000 votes. This resulted in a reduction in the vote share of the LDF too, which, despite the victory of its candidate, secured only 34.88 per cent of the polled votes as compared to 40.78 per cent in 1991.

Overall, while poll results do not necessarily favour the Congress(I), they fail to provide any other clear-cut pattern either, making it difficult to predict, on the basis of these results, the performance of the parties in the next round of elections.

GOLD AND SILVER

What Have Liberal Imports Achieved?

STOCK markets and real estate apart, the one segment of economic activity to boom as a result of the economic reforms programme is trade in bullion. The demand for gold and silver has been boosted by the restraint on their relative prices, thanks to enhanced supplies through liberal imports. Internationally gold is now considered less effective as a hedge against inflation. Western central banks sold 635 tonnes of gold in 1992 and 475 tonnes in 1993. If gold production has been lower in the former USSR, South Africa and other gold producing countries, the demand for gold in the developed markets of Europe and Japan has also been slack. While there may have been some revival of buying interest in gold from investors and speculators in Europe and North America as a result of reduced interest rates and subdued conditions in their stock markets as well as real estate markets, the long-term trend in international prices of gold and silver has been a declining one. It is the steady erosion in the book value of their gold assets which has prompted many central banks to dispose of gold from their stocks.

Even so, the World Gold Council and other international agencies engaged in promoting trade in gold are buoyant because of the Asian markets in general and those of India and China in particular. In Asia the propensity to hold gold and silver is determined to a great extent by non-economic factors. Before the officially permitted imports began, Indian prices of gold and silver had been rising, even when international prices were falling, as a result of restricted supplies. Between 1980-81 and 1991-92, the annual average of gold price in the London market steadily fell from $ 585 per fine ounce to $ 357, a loss of nearly 40 per cent and that of silver in the New York market came down from 1,585 US cents to 409 US cents per ounce, a loss of nearly 75 per cent. But the average price of gold in the Bombay market rose from Rs 1,522 per 10 gm in 1980-81 to Rs 4,298 per 10 gm in 1991-92 and that of silver went up from Rs 2,617 per kg to Rs 7,332 per kg—a rise of over 180 per cent or nearly 10 per cent per annum in each case. Though the high and rising domestic prices made smuggling lucrative, they placed a limit on the absorption of the metals in the domestic market. But with import of gold officially permitted from March 1992 and of silver from February 1993, supplies have been tremendously augmented and the pressure on domestic prices has eased. Between March 1992 and May 1994, while the international prices have shown a slight uptrend (from $ 344.64 to $ 384.00 per fine oz of gold and from 450 US cents to 547 US cents per oz of silver) domestic prices have generally remained subdued (Rs 4,443-Rs 4,670 per 10 gm of gold) or fallen (from Rs 8,050 to Rs 7,029 per kg of silver).

Both the easy availability and subdued relative prices have thus gone to stimulate absorption of gold and silver in the Indian market. It was hoped that liberalisation of import of gold and silver would minimise smuggling, prevent diversion of foreign exchange into illegal channels and wipe out the 'havala' rupee rate for the dollar Nothing of the sort has happened The 'havala' rate is currently Rs 35.50 per dollar for dollar instruments and Rs 33 50 per dollar for cash Even the hope of collecting some revenue from the import of the precious metals has not been realised Initially, the import duty on gold was put at Rs 450 per 10 gm (or about 10 per cent of the ruling market price in India), but it had soon to be reduced to Rs 220 per 10 gm The duty on silver is Rs 500 per kg (roughly 6 to 7 per cent) The bullion trade had been putting tremendous pressure on the Maharashtra government to reduce the sales tax on bullion on the ground that other states had lower rates Conceding the demand, the overall incidenee of state levies (including 0 3 per cent surcharge for the earthquake relief fund) has now been slashed from 3 75 per cent to just 0.8 per cent

The bullion trade has been emphasising that even at the reduced import duties official import of gold and silver is not profitable In other words, there is a continued rationale for gold smuggling Smuggling of gold into India was estimated at 150 tonnes in 1991 After the repeal of the Gold Control Act by Madhu Dandavate as finance minister in March 1990 and the permission to import gold in March 1992, absorption of gold in the Indian market shot up to 259 tonnes in 1992 (166 tonnes of smuggled gold and 93 tonnes of legal imports) The latest annual report of the London based Gold Fields Mineral Services, which provides authentic information on movements of gold the world over, suggests that India absorbed 238 tonnes of gold in 1993—122 tonnes via smuggling and 116 tonnes officially (not counting 19 tonnes under the replenishment schemes for exports)

Similarly, the New York firm Handy and Harman's annual report on the world silver market in 1993 has estimated that India absorbed as much as 3,267 tonnes of the white metal during the year as against 1,754 tonnes in 1992 and 1,360 tonnes in 1991 Of 3,267 tonnes, 498 tonnes were smuggled The report emphasises that "India has been the most important swing factor in the silver market in recent years", which had gone to help the average price of silver to rise by about 9 1 per cent in the New York market from $ 3 94 per ounce in 1992 to $ 4 30 per ounce in 1993 The easy availability of silver has significantly stimulated not industrial demand but non-industrial demand in India in the form of jewellery and silverware Non-industrial demand zoomed from 818 tonnes in 1991 to 998 tonnes in 1992 and 1,695 tonnes in 1993

The bullion markets have received a further impetus in 1994 as a result of the special import licence (SIL) scheme introduced as an incentive for exporters The government-owned Minerals and Metals Trading Corporation (MMTC) has declared that it would aggressively use this facility The company is intending to expand its distribution system for precious metals and its sales would be open to "anybody including dealers, refiners, merchants, traders, jewellers and individuals" The State Bank of India (SBI) and MMTC have been administering a replenishment scheme for import of gold against jewellery exports under which 19 tonnes of gold were imported in 1993

The implications of liberal import of gold and silver for the domestic economy are indeed depressing bullion imports now absorb as much as Rs 13,500 crore or more than one-fifth of net household sector saving in the form of financial assets

WEST BENGAL

Twisted Economics

A correspondent writes

IF Marxists regard economics as the quintessence of politics, non-Marxists, not excluding anti-Marxists of course have no compunctions about twisting economics to suit the needs of their political tactics of the day Witness, for instance, the *obiter dicta* of the union finance minister in the course of his indictment of the West Bengal Left Front government

In the first ever public meeting he has held in West Bengal, Manmohan Singh chastised the Left Front govemment for its failure to generate employment, attract new investment and set up new industries in the state during the last 17 years of its tenure As if taking the cue from him, *The Economic Times* a few days later held the Left-leaning ideology of the state government responsible for stifling the entrepreneurial spirit that used to flourish in this region in the past and for creating a situation in which "industry fled, wealth diminished, infrastructure collapsed, unemployment rose and the educated jobless had nothing better to do than argue ideology "

Even if this be accepted as a true picture of this state today, the rot certainly did not start with the coming in of the Left Front government in 1977, nor is it persisting due to the present government's policies alone, if at all For people with a short memory, it may be useful to quote a few points from a longish analytical account published in 1971 by the Bengal Chamber of Commerce and Industry, Calcutta, hardly to be regarded as blind admirers of the communist-led Left Front, in order to trace the real reasons for West Bengal's present economic malaise

In the early 60s, the study said, the (historical) "tendencies of decline in the economy of West Bengal were further aggravated by the phase of sluggishness in the Indian economy West Bengal appears to have been hit the hardest among all states of the Indian union" After noting the fact that the recession had started earlier in West Bengal and that the total registered factory employment in the state had increased by only 20,000 during the nine-year period 1951 to 1959, it underlined the fact that factory employment declined by 40,000 in just one year in 1965. Then the Bengal Chamber publication quotes some revealing passages from the authoritative Report of the Survey Committee on the Engineering Industry in West Bengal.

"The fall in industrial employment, particularly in the engineering industry, and the accompanying stresses and strains reflected themselves through the increasing tempo of labour troubles during the year 1967 " "The mounting industrial disputes had their spread effect," the report goes on, 'throughout the manufacturing industry of the state, including those units which were not yet affected by the recession The buyers from other states felt nervous and hesitant in placing their orders with the industrial units in West Bengal for fear of non delivery in time . "

Then of course came the two United Front govemments accompanied by the famous phenomenon of gherao The Bengal Chamber publication quotes a study (by the late Nitish R De) which says, "Despite the wide publicity an estimate shows that only about 10 per cent of the industrial establishments were affected by gheraos' in 1967 neither the white collar clerical employees, who are highly politicised and actively unionised, nor the employees of such establishments as are nurtured in a culture of collective bargaining participated in the ['gherao] movement, despite their left political leanings " (see *West Bengal An Analytical Study* sponsored by the Bengal Chamber of Commerce and Industry, Oxford and IBH 1971, pp 113-18)

If in blaming the 17 year left rule for the industrial decay in West Bengal, Singh is doing less than justice to his own economic acumen for the sake of scoring a point or two of tactical-political advantage, the other side also has not displayed signs of a more profound understanding Even though Jyoti Basu has had two Marxist economists as his finance ministers during the 17-year period, the Left Front government has not displayed an understanding of the depth of the inherited crisis, instead the chief minister has been looking to a miracle to be achieved with the assistance of the IMF World Bank TNCs and NRIs, along with Indian big business Hence the Left Front has been unable to turn around the spearhead of the attack against them

TAXATION

Not Radical Enough

THE conference of state finance ministers the central ministry of finance convened was slated to discuss principally the proposal of the Tax Reforms Committee, also known as the Chelliah Committee, for a national-level value added tax in place of the present system of domestic commodity taxation comprising excise duties levied by the centre and sales taxes levied by the states The Chelliah Committee did not think that its proposal for a national level value added tax would pose any insurmountable problems not even with respect to the present division of functions

and powers under the constitution between the union and the states. It would appear, however, that the committee got carried away by its enthusiasm for the changeover.

The constitutional hurdles might not be as easy to overcome as the committee gave the government to understand. This comes out not only from the proposals forwarded by the National Institute of Public Finance and Policy (NIPFP), the institute commissioned by the government to come up with a concrete measure; the deliberations of the one-day conference should also have convinced the finance ministry how hard it will be to bridge the gap between the centre and the states on the subject. All that has been agreed upon (if at all it can be so described) is to set up a committee to go into the question of value added taxation. The NIPFP had reportedly cautioned against a national-level value added tax and has instead suggested a two-level levy, one at the central level and the other at the state level, each with its own offset provisions in regard to input taxation at the respective level, but with no provision for cross-offsets.

It is interesting that both the Chelliah Committee and the NIPFP fought shy of more radical solutions to the problems which are supposed to beset existing commodity taxation. The principal problem with the existing system is that with no adequate offsets for input taxation, cascading results. Also, with both central excises and state sales taxes being largely based on the origin principle rather than the destination principle, the benefits of revenue accrue to the producing regions rather than the consuming regions which are really the ultimate tax-payers.

The question still remains whether these two problems could not be attended to within the existing system. As far as the problems of cascading is concerned, the really radical solution would lie in the direction of the centre forsaking excise taxation in favour of the states in return for the states undertaking to give complete offset for input taxation. That would also lighten the task of the Finance Commission. The second problem, namely, of inequity between states in revenue accretion, could perhaps be tackled through some sort of pooling of a portion of the total revenue collection and its redistribution on an equitable basis. For consignment tax, the states had agreed to a sort of pooling which would have come into effect but for the opposition from the finance ministry mandarins headed by Chelliah and a few states anticipating return favours from the centre.

Basically what is called for is a radical restructuring of the distribution of taxing powers between the centre and the states and that can come about if the centre forgoes the power to levy excises.

PANCHAYAT RAJ

Only a Shell

ON April 23, Rameshwar Thakur, minister of state for rural development, could not contain himself while announcing that all states had passed legislation on panchayat raj that brought them in line with the 73rd Constitution Amendment Act, 1992. "A new chapter", he claimed, "has been written" in the political history of the country.

When the panchayats in rural areas and nagarpalikas (municipalities) in the urban parts become functional, there will, according to Rameshwar Thakur, be as many as 30 lakh elected representatives of local bodies; of these at least 10 lakh will be women. One-third of all chairpersons of local bodies will also be women. Likewise, scheduled castes and scheduled tribes will be represented according to their proportion in the population in the membership and chairpersonship of the local bodies. All this, Thakur exulted, meant that "a new chapter in addressing social justice will have been opened".

Rameshwar Thakur was clearly carried away by the mere fact that the states had passed legislation that was supposed to conform to the requirements of the constitutional amendment on panchayat raj. It is very doubtful if either he or his department had had time to examine the various state legislations. Nor apparently had he found time to read the reports from various states in regard to the public debate which the proposed laws had provoked before their enactment. If he had cared to read such reports, he would have been more circumspect in making the claims he did.

Take the case of Kerala's Panchayat Raj Bill which, as Thakur told newspersons, was passed at 5 a m on the 23rd after a marathon 36-hour session. The only thing the Kerala bill does is to legislate the rural local bodies permanently into existence by providing that elections to these bodies will be held at regular five-year intervals, that if they are dissolved fresh elections will be held within six months, and that women and scheduled castes and scheduled tribes will have the minimum stipulated representation. But all these create a shell only. What is it that the state legislature was prepared to put inside this shell? One has only to look at the list of subjects proposed to be transferred to village panchayats for the purpose. There is hardly any subject of substance that the state government is willing to devolve to the local bodies—even in the field of education, health and social services, leave aside subjects like public works, agriculture, irrigation and industry. And whatever is being proposed to be transferred is to be controlled, supervised and monitored by the bureaucracy. Every panchayat body is required to send its budget for the approval of the designated bureaucrat. Not just that. The panchayat body is obliged to include in its budget what the bureaucracy demands. And if a body is recalcitrant, the Kerala act has enough provisions to be invoked for even the dismissal and disqualification of chairpersons and members.

If the Kerala act is the model which other states have followed—the Kerala government claims to have very nearly followed the example of Karnataka—then all that can be claimed for the state legislations is that a huge farce has been enacted. The Nagarpalika Bill now on the anvil in Kerala confirms all the suspicions about the real intentions of the state government in regard to devolution of powers.

SOUTH AFRICA

Undeserved Credit

A correspondent writes:

INDIANS of all hues and many denominations are too keen to remind the world about Mahatma Gandhi's contributions to the eventual liberation of the black people of South Africa from the pernicious racist white rule, climaxed in the final decades by the more atrocious apartheid. In this they, however, pay scant regard to the historical truth. Gandhi, of course, played a most heroic role in fighting the racist South African regime almost from his first interface with it till he finally left the country after about two decades' stay. But he fought mainly for the rights and dignity of the Indian settlers, occasionally for some other Asians, particularly the Chinese, but never, repeat never, for the blacks.

Arriving at Durban at the end of May 1893, he had his first, and successful, encounter with the white rulers on his right to wear a turban, his usual headgear at that time. His next encounter was the celebrated occasion of his railway travel. In this also he succeeded in winning for Indians, "who", however, "were properly dressed", the right to travel by the first and second class. For the next 20 years he continued to fight the humiliating discriminations against the Indians and in squeezing from the infamous racist regime one concession after another by a skilful combination of mass actions and legal-constitutional battles which extended over three continents, covering, as it did, apart from South Africa, India and Britain as well. But as already mentioned, he never uttered a word or did anything about oppression of the black natives.

Indeed, he had rather gone to the other extreme of backing the white rulers in their offensives against the blacks. In 1906 when the Zulu rebellion broke out, he offered his own services and exhorted Indians to volunteer their services to the white government. He rationalised his action in blatant terms when he said: "We are in Natal by virtue of British power. Our very existence depends upon it. It is, therefore, our duty to render whatever help we can." As is well known, Gandhi, given the rank of sergeant-major, personally led the ambulance corps he had raised.

Nelson Mandela's occasional reference to his debt to the Mahatma may perhaps be cited in defence of the indefensible credit sought by the Indians. Mandela probably refers to the lessons he may have drawn from Gandhi's non-violent mass struggles. Even in this context, it should not be glossed over that in India as well as South Africa the final outcome owed not a little to the non-non-violent struggles of the masses that had gone all along with the non-violent actions. Gandhi's admirers should display some addiction to the truth which was a hall-mark of the Mahatma's lifelong experiments.

Suraj Securities

SURAJ SECURITIES AND FINANCE which is presently engaged in various financial services like leasing, securities, trading, merchant banking, etc, now plans to expand its activities to include bill discounting, hire purchase, bridge financing, etc. The company has already obtained SEBI Category I Merchant Banker status For the year 1992-93 the company earned a net profit of Rs 17 lakh on a total income of Rs 21 lakh while for the nine months ended December 31, 1993 net profit rose to Rs 40 lakh on a total income of Rs 60 lakh The company plans to finance its total requirements of funds aggregating Rs 5 7 crore through internal accruals of Rs 2 4 crore and a public issue of equity shares of Rs 10 each at a premium of Rs 7 per share The issue aggregating Rs 3 3 crore will open for public subscription on June 8

Zodiac Clothing

A government recognised export house, Zodiac Clothing Company has been promoted by M Y Noorani and associates The company manufactures ready-to-wear men's clothing at its 100 per cent export-oriented unit in Gujarat and markets it under the brand name 'Zodiac', a name well known not only in India but also in the international market In addition to exporting over 90 per cent of its production to European countries like Germany, Switzerland and the UK, the company has also recently made a foray into the American market In the domestic market the company markets its products through its subsidiary which is a licensee of the brand name 'Zodiac', owned by Metropolitan Trading Company The promoters now plan to enter the capital market on June 8 with an offer for sale of 8,48,000 equity shares of Rs 10 each at a premium of Rs 110 per share aggregating Rs 9 3 crore.

Vadilal Dairy

Promoted by the house of Vadilal, Vadilal Dairy International was incorporated in 1987 and presently manufactures ice creams under the brand name 'Vadilal' The company is now diversifying into raw milk processing for manufacturing milk, butter, cheese, ghee, malted milk food, infant milk food, skim milk powder and casein and is setting up a 2.5 lakh litres integrated dairy for the purpose. The company has entered into a technical know-how agreement with Ault Foods of Canada and has also entered into a marketing agreement with Vadilal Milk Products, a Bombay-based marketing company The project which is being set up at a total outlay of Rs 25 crore is expected to commence commercial production by October this year To part finance the project the company is entering the capital market on June 7 with a public issue of 14 lakh equity shares of Rs 10 each at a premium of Rs 20 per share aggregating Rs 4 2 crore

KMF

KMF (formerly Kuku Motor Finance), a Delhi-based company promoted by Surendar Kumar Chadha, Kamlesh Vaid and Kavita Chadha, is engaged in the business of merchant banking and leasing of automobiles, including commercial vehicles, in addition to office equipment and machinery The company now plans to expand its fund-based activities and the total requirement of funds aggregating Rs 9 2 crore is to be partially financed through a public issue of 30 lakh equity shares of Rs 10 each at a premium of Rs 2 per share The issue aggregating Rs 3 9 crore will open for public subscription on June 10

Anco Communications

Anco Communications, a Bangalore-based company, was incorporated in 1986 and is presently engaged in the manufacture of terminal equipment The company is entering the capital market on June 10 with a public issue of equity shares of Rs 10 each at par aggregating Rs 2 75 crore to part finance the expansion of its production capacity. In addition to the expansion which envisages increasing the capacities of existing products like digital switching systems and associated main distribution frame and three channel open-wire carrier systems the company is also planning to broaden its product lines by introducing 2/15 shared radio systems 8 channel o/w carrier systems optic line terminating equipment digital multiplexes and tone-pulse switchable telephones The company has already received orders worth Rs 9 crore and it plans to market its products directly to the DoT The project which is estimated to cost Rs 5 1 crore is expected to commence commercial production by August this year

Mayur Uniquoters

Promoted by Mayur Leather Products, S K Poddar and R V Gupta Jaipur-based Mayur Uniquoters is engaged in the manufacture of natural leather shoe uppers The company is now setting up another project for the manufacture of PU/PVC synthetic leathers at a total cost of Rs 9 9 crore at Jaipur Out of the total installed capacity of 6 million linear metres per annum, 4 million metres will be for PVC coated synthetic leather while the balance will be for polyurethane (PU) synthetic leather The plant and machinery which is to be procured from Matel Srl Italy will have special features such as electronic thickness controllers and double ventilation ovens Commercial production is expected to commence this month To part finance the project the company plans to tap the capital market on June 9 with a public issue of equity shares of Rs 10 each at par aggregating Rs 3 crore

Industrial growth has started edging up, but the turn-round is partly statistical, it is also restricted to some basic intermediate and durable consumer goods industries Investment-related capital goods industries and mass consumption non-durables continue to show negative growth Among infrastructure industries, except thermal power and cement, others have experienced a setback As a result overall industrial growth in 1993-94 (Apr-Jan) lagged behind even the previous year's poor performance Government/public sector consumption and investment remain sluggish and continue to dampen industrial growth, even as foreign exchange reserves and liquidity grow rapidly and the inflation rate remains high

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	May 14 1994	Variation (Per Cent) Point-to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993 94	1992 93	1991-92	1990 91
All Commodities	100.0	263.0	1.0	11.0	6.9	2.4	1.7	10.2	7.0	13.6	12.1
Primary Articles	32.3	267.9	1.4	13.2	3.5	3.4	1.9	11.6	3.0	15.3	17.1
Food Articles	17.4	292.9	2.2	6.2	5.0	4.0	2.8	4.8	7.5	20.9	18.9
Non Food Articles	10.1	287.0	0.3	27.2	0.5	2.9	0.6	24.2	–1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	278.0		10.4	17.7	–	2.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	257.4	0.9	9.8	7.1	2.3	1.4	8.8	7.9	12.6	8.9
Food Products	10.1	265.9	4.2	13.3	7.1	6.0	4.5	11.8	6.8	10.2	13.2
Food Index (computed)	27.5	283.0	2.9	8.6	5.7	4.7	3.3	7.1	5.8	17.2	16.8

Cost of Living Indices	Latest Month	Variation (Per Cent), Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1993 94	Fiscal Year So Far: 1992 93	1992-93	1991 92	1990-91	1989 90
Industrial Workers (1982=100)	267[3]	0.8	9.9	6.1	9.9	6.1	6.1	13.9	13.6	6.6
Urban Non Man Emp (1984 85=100)	220[11]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1175[3]	0.8	11.6	0.7	11.6	0.7	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	Apr 29, 1994	Variation (Per Cent): Over Month	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993-94	1992-93	1991 92
Money Supply (M3)	447199	3439 (0.8)	15153 (3.5)	14958 (4.1)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	87192	5060 (6.2)	5025 (6.1)	4411 (6.5)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	358034	–1066 (–0.3)	10683 (3.1)	6308 (2.1)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	210529	4604 (2.2)	6420 (3.1)	10132 (5.7)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	240550	–608 (–0.3)	4658 (2.0)	3576 (1.6)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	57121	3394 (6.3)	3394 (6.3)	1982 (7.9)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money (May 6 94)	144687	804 (0.6)	6065 (4.4)	13731 (12.4)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (May 6 94)	97482	–3290 (–3.3)	699 (0.7)	14516 (15.0)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (May 13 94)							
Deposits	326413	2210 (0.7)	12599 (4.0)	7361 (2.7)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	167701	–1499 (–0.9)	4079 (2.5)	4083 (2.7)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	156191	–3805 (–2.4)	3476 (2.3)	1971 (1.4)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	142504	3945 (2.8)	10111 (7.6)	- 1076 (–1.0)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980 81=100)	Weights	Jan 1994	Average for Fiscal Year So Far: 1993-94	Average for Fiscal Year So Far: 1992-93	Variation (Per Cent) Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
General Index	100.0	245.9	220.1 (3.1)	213.4 (3.3)	1.6	–0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	269.0	219.1 (2.8)	213.1 (0.0)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	233.1	210.5 (2.4)	205.5 (3.5)	0.9	–1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	309.2	286.5 (7.1)	267.4 (4.9)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Food Stocks with Government Agencies (mn tn)	Minimum Norm for April 1	End of Fiscal Year: 1993-94	1992-93	1991-92	1990 91	1989-90	1988-89	1987-88	1986-87	1985-86
Rice	10.8	14.7	11.0	9.8	11.2	7.9	4.7	5.9	10.0	10.3
Wheat	3.7	7.3	3.0	2.4	5.8	3.6	2.7	3.3	9.4	10.2
Total (incl others)	14.5	22.2	14.7	12.2	17.3	11.6	7.4	9.4	19.5	20.7

External Sector	1993-94 Quarterly Data: Apr-Jun	July-Sept	Oct-Dec	Jan-Mar	Fiscal Year: 1993-94	1992-93	1991-92
Exports Rs crore	16073 (39.8)	16388 (27.0)	16721 (29.4)	20365 (27.1)	69547 (30.4)	53351 (21.1)	44042 (35.3)
US $ mn	5127 (27.8)	5224 (15.2)	5330 (17.8)	6492 (21.5)	22173 (20.4)	18421 (3.1)	17866 (–1.5)
Imports Rs crore	17018 (6.5)	16825 (5.8)	17634 (13.1)	21329 (38.1)	72806 (15.7)	62923 (31.5)	47851 (10.8)
US $ mn	5429 (-2.7)	5363 (–4.1)	5621 (2.9)	6799 (33.4)	23212 (6.8)	21726 (11.9)	19411 (–19.4)
Balance of Trade Rs crore	–945	–437	–913	–964	–3259	–9572	–3809
US $ mn	–302	–139	–291	–307	–1039	–3305	–1545

Foreign Exchange Reserves	May 20, 1994	Mar 31, 1994	Variation Over: Month	Year	Fiscal Year So Far: 1994-95	Fiscal Year So Far: 1993-94	1993 94	1992-93	1991-92	1990-91	1989-90	1988-89
Rs crore	48708	47626	2883	27678	1082	834	27430	5385	10223	–1383	–795	–647
US $ mn	15477	15176	897	8784	301	241	8724	731	3383	–1137	–854	–1386

Industrial Production

Index Numbers of Industrial Production: Use-based Classification (1980-81=100)	Weights	Average for April-January 1993-94	Average for April-January 1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Basic industries	394.1772	237.2	228.0	234.6	226.8	213.1	199.4	189.2	172.2	163.2
		(4.0)	(2.7)	(3.4)	(6.4)	(6.9)	(5 4)	(9.9)	(5.5)	
Capital goods industries	164.2713	242.2	254.2	263.0	267.1	291.7	251.4	206.6	192.9	166 3
		(–4.7)	(5.5)	(–1.5)	(–8.4)	(16.0)	(21.7)	(7.1)	(16.0)	
Intermediate goods industries	205.0679	201.2	181.6	179.5	174.1	176.9	168.8	162.0	144.9	140 8
		(10.8)	(5.7)	(3.1)	(–1.6)	(4.8)	(4.2)	(11.8)	(2.9)	
Consumer goods industries	236.4835	192.9	188.4	184.3	183.2	189.0	177.0	166.2	160.0	145.7
		(2.4)	(0.6)	(0.6)	(–3.0)	(6.7)	(6.5)	(3.9)	(9.8)	
Consumer durables	25.5001	352.4	309.0	314.7	323.5	359.7	325.0	317.5	259.6	241.3
		(14.0)	(–0.8)	(–2.7)	(–10.1)	(10.7)	(2.4)	(22.3)	(7.6)	
Consumer non-durables	210.9635	173.6	173.8	168.5	166.3	168.3	159.1	148.0	147.9	134.1
		(–0.1)	(0.9)	(1.3)	(–1.2)	(5.7)	(7.6)	(0.0)	(10.3)	

Groupwise Index Numbers of Industrial Production (1980-81=100)	Weights	Average for April-January 1993-94	Average for April-January 1992-93	Average for April-January 1991-92	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
20-21 Food products	5.33	145.9	153.0	161.4	167.8	166.2	169.8	150.9	148.5	139.0
		(–4.6)	(–5.2)		(1.0)	(–2.1)	(12.5)	(1 6)	(6.8)	(4.4)
22 Beverages, tobacco and tobacco products	1 57	126 8	110 4	121.9	114.2	118 9	104.8	103.0	92.1	84.9
		(14.9)	(–9 4)		(–4.0)	(13.5)	(1.7)	(11 8)	(8.5)	(–13.8)
23 Cotton textiles	12 31	141.4	132.7	125.2	131.6	126.2	126.6	112.3	107.8	111.2
		(6.6)	(6.0)		(4.3)	(–0.3)	(12.7)	(4.2)	(–3.1)	(–1.2)
25 Jute, hemp and mesta textiles	2 00	97.7	85.8	101.0	86.7	90.4	101.6	97.4	101.9	91.0
		(13.9)	(–15 0)		(–4.1)	(–11.0)	(4.3)	(–4 4)	(12.0)	(–10.0)
26 Other textiles (incl wearing apparel other than footwear)	0 82	71.2	77.3	99.1	76.0	97 2	103.2	151 7	134.2	91.8
		(–7 9)	(–22.0)		(–21.8)	(–5.8)	(–32 0)	(13.0)	(46 2)	(5.4)
27 Wood and wood products, furniture and fixtures	0.45	198.7	189.5	186.7	193 2	185.0	197.2	176.0	171 7	161.7
		(4 9)	(1.5)		(4.4)	(–6 2)	(12.0)	(2.5)	(6.2)	(–34.3)
28 Paper and paper products and printing publishing and allied industries	3.23	222.4	212.5	203.1	212.0	209.6	198.0	181.5	171.3	166.3
		(4.7)	(4.6)		(1 1)	(5.9)	(9.1)	(6.0)	(3.0)	(1.9)
29 Leather, leather and fur products (except repair)	0.49	201.6	190.9	181.9	195.5	196 7	194.3	188.3	177.3	185.5
		(5.6)	(4.9)		(–0.6)	(1.2)	(3.2)	(6.2)	(–4.4)	(4.4)
30 Rubber, plastic, petroleum and coal products	4 00	178.9	174 3	170 8	176.8	172.9	174.0	173.5	168.3	155.1
		(2.6)	(2 0)		(2.3)	(–0.6)	(0.3)	(3.1)	(8.5)	(3.7)
31 Chemicals and chemical products except petroleum and coal products	12 51	294.5	274 4	257.4	276.7	262.8	254.1	247.6	236.6	200.9
		(7.3)	(6 6)		(5.3)	(3.4)	(2.6)	(4.6)	(17.8)	(14.5)
32 Non-metallic mineral products	3 00	211.2	206.5	202.7	209.1	205.2	193.1	189.9	184.6	158.1
		(2.3)	(1.9)		(1.9)	(6.3)	(1.7)	(2.9)	(16.8)	(–1.4)
33 Basic metal and alloy products	9.80	174.1	165.4	166.0	174.2	168.5	158.8	143.7	144.9	135.6
		(5 3)	(–0.4)		(3.4)	(6.1)	(10.5)	(–0 8)	(6 9)	(6.9)
34 Metal products and parts except machinery and transport equipment	2.29	128.9	125.4	133.4	126.2	140.0	143.1	142.6	133.5	129.6
		(2.8)	(–6.0)		(–9.9)	(–2.2)	(0.4)	(6.8)	(3.0)	(4.2)
35 Machinery, machine tools and parts except electrical machinery	6.24	180.3	171.6	176.7	176.3	184.4	186.9	171.9	161.1	139.2
		(5.1)	(–2.9)		(–4.4)	(–1.3)	(8.7)	(6.7)	(15.7)	(–1.8)
36 Electrical machinery, apparatus and appliances, etc	5.78	414.1	455.0	425.5	477.8	493.6	563.6	459.2	348.2	335.2
		(–9.0)	(6.9)		(–3.2)	(–12.4)	(2.7)	(31.9)	(3.9)	(31.6)
37 Transport equipment and parts	6.39	205.4	189.1	186.6	197.4	191.5	192.5	181.1	172.5	151.8
		(8.6)	(1.3)		(3.1)	(–0.5)	(6.3)	(5.0)	(13.6)	(4.8)
38 Other manufacturing industries	0 90	261.9	264 3	262.1	273.7	269.9	321.8	333.2	305.6	272.1
		(–0.9)	(0.8)		(1.4)	(–16.1)	(–3.4)	(9.0)	(12.3)	(15 6)
Total manufacturing	77 11	210.5	205 5	198 6	207.1	204 6	207.8	190.7	175.6	161.5
		(2.4)	(3.5)		(1.2)	(–1.5)	(9.0)	(8.6)	(8.7)	(7.9)

Infrastructure Industries	March 1994	Variation Over Month	Variation Over Year	Cumulative for Fiscal 1993-94	Cumulative for Fiscal 1992-93	1992-93	1991-92	1990-91
Coal (mn tns)	30.01	5.08 (20 4)	–0.41 (–1 4)	246.0 (3.3)	238.2 (3.9)	238 (3.9)	229 (8.3)	212 (5.4)
Electricity generation (mn kwh)	30020	3457 (13.0)	2724 (10 3)	323323 (7.4)	301066 (5 0)	301066 (5.0)	286700 (8.5)	264300 (7.7)
Hydel (mn kwh)	5382	600 (12.5)	–86 (–1 6)	70311 (0 7)	69833 (–3 8)	69833 (–3.8)	72550 (1.4)	71530 (15.2)
Thermal (incl nuclear) (mn kwh)	24638	2852 (13.1)	2810 (12 9)	253012 (9.4)	231233 (8.0)	231233 (8.0)	214150 (11.1)	192700 (5 1)
Crude petroleum (000 tons)	2635	583 (28.4)	389 (17 3)	27015 (0 2)	26950 (–11.2)	26950 (–11 2)	30340 (–8.2)	33020 (–3 1)
Petroleum steel (000 tons)	4851	601 (14.1)	362 (8 1)	54344 (1.6)	53482 (4.0)	53482 (10.6)	48350 (–0.4)	48560 (–0 3)
Saleable steel (000 tons)	1254	233 (22.8)	134 (12 0)	11981 (5.7)	11333 (7.2)	11333 (7.2)	10570 (13.3)	9330 (1 3)
Cement (000 tons)	5910	881 (17.5)	183 (3 2)	57833 (6.8)	54133 (–5.2)	54133 (–5.2)	57100 (4.0)	54900 (–0.9)
Fertukusers (N) (000 tons)	716	124 (20.9)	21 (3 0)	7274 (–2.1)	7430 (1.8)	7430 (1.8)	7300 (4.4)	6990 (3 7)
Fertilisers (P) (000 tons)	220	38 (20.9)	59 (36 6)	1810 (–21.5)	2306 (–10.0)	2306 (–10 0)	2560 (24.9)	2050 (14 5)
Revenue earning goods traffic on railways (mn tons)	41	11 (36.7)	6 (17 1)	362 (3.6)	350 (3.4)	350 (3.4)	338 (6.2)	318 (2 7)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) — means not available.

KESORAM INDUSTRIES

Coping with Recession

KESORAM INDUSTRIES (KI), the flagship company of the B K Birla group, is a highly diversified company manufacturing automobile tyres and tubes, rayon yarn and cellophane paper, refractories, cement, textiles, spun pipes, etc. Profitability took a severe beating in 1992-93 with the company posting a net loss of Rs 24.4 crore despite a 40 per cent rise in net sales over the previous year.

Ironically the company's tyres division, Birla Tyres, which accounts for between 40 to 50 per cent of total turnover was responsible for both the rise in turnover as also the loss suffered by the company. Set up at a time when the tyre industry was going through a severe recession due to the recession in the automobile sector, the division has also had to cope with rising costs on the one hand and low offtake due to low demand on the other. Further, an adverse duty structure and keen competition in the industry leading to low prices have led to severe pressure on margins. Exports which accounted for up to 20 per cent of the division's production failed to prop up profitability as international markets, though faring better than the domestic market, are not remunerative. Erratic, intermittent and irregular availability of raw material coupled with low offtake took its toll of the performance of the company's spun pipe section. Further, disturbed labour relations at the unit led to closure of the factory from September 1992.

Sluggish demand, unremunerative prices, severe power cuts and steep cost increases affected the profitability of the company's cement units. Moreover, the full impact of the increase in rates of royalty on limestone from February 17, 1992, in coal from July 31, 1991 and excise duty from March 1, 1992 further aggravated the situation. Production at the company's plant in Andhra Pradesh which is a surplus state in cement production fell from 7.5 lakh tonnes of cement and 7.3 lakh tonnes of clinker in 1991-92 to 6.9 lakh tonnes of cement and 7 lakh tonnes of clinker in 1992-93. Inadequate wagon supply, severe power-cuts ranging from 40-60 per cent for almost eight months in a year, .lower cement prices and the extra transport cost incurred on moving surplus stocks to consuming centres led to pressure on the division's margins. Though production at the Vasavadatta cement plant was marginally higher than in the previous year, production was again affected due to poor quality of coal, inadequate wagon supply and severe power-cuts.

The recessionary trends in the rayon market in the first half of the year under review and the close down at the company's rayon and transparent paper sections due to labour unrest affected the operations of the section and even export demand failed to bolster its performance due to unremunerative prices. Offtake at the transparent paper section was stagnant while the increased availability of cheaper substitute films in the market threatened to cut into its market share. The communal violence in Calcutta in December 1992 affected the offtake of the textile division's cloth and yarn, though the unit improved its performance in the first half of the year. Operating profit rose by 72 per cent, but a 158 per cent increase in interest charges and a 182.4 per cent higher depreciation provision led to a sharp fall in net profit. Despite the loss the company has declared a dividend of 10 per cent by dipping into reserves.

Meanwhile, the company has completed installation of the second fluidised bed boiler at the textile division, benefits of which will be noticeable in 1993-94. The company is examining the viability of diversification of its refractory section to cater to the future needs of refractories and it also plans to expand the Vasavadatta cement plant's capacity by six lakh tonnes in due course. A new company has also been formed by KI, Century Textiles and two other companies of the B K Birla group to run and operate the Birla tyre unit from April this year. According to the agreement between KI and the new company, the latter will pay a lease rental amounting to about Rs 36 crore per annum to KI. In order to resolve its liquidity problems the company has reportedly hived off a substantial portion of its Indian Rayon holdings to fetch about Rs 22-24 crore. Further, in order to meet increased working capital requirement the company entered the capital market in January with a rights issue of 51,55,171 17 per cent secured redeemable non-convertible debentures of Rs 100 each attached with one detachable equity warrant.

For the first six months of 1993-94 the company suffered a net loss of Rs 11.1 crore on net sales of Rs 341.6 crore as against a net loss Rs 5.5 crore on net sales of Rs 286.5 crore in the corresponding period last year.

ORISSA CEMENT

Low Government Offtake

Incorporated in 1949, Orissa Cement is engaged in the manufacture of cement, refractories, reinforced cement, concrete pipes, etc. The company markets its cement under the brand name of 'Konark' and refractories under the brand name of 'Dalmia'. With net sales remaining stagnant in 1992-93, net profit fell alarmingly by more than 50 per cent over the previous year.

Production at the company's cement division at Rajgangpur in Orissa was stable at 5,84,000 tonnes (5,87,000 tonnes) of clinker and 6,49,000 tonnes (6,51,000 tonnes) of cement while sale of cement was lower at 6,40,000 tonnes as against 6,52,000 tonnes sold in 1991-92. With the consuming industries updating technology, demand for refractories in the private sector has been decreasing over the years while public sector units prefer sourcing their requirement from other public sector units. Though production at the company's refractory division was stable at 72,000 tonnes (73,000 tonnes), sales fell to 68,000 tonnes (75,000 tonnes) due to sluggish demand. This coupled with severe competition and diminished price realisation led to pressure on margins and the company's operating profit fell by 27.2 per cent. Higher resort to short-term loans by the company (mainly from UTI) led to a sharp increase of 33 per cent in interest charges. Further, with a gross fixed assets formation of 10.1 per cent for the year, depreciation charges also rose by 10.3 per cent leading to a 60 per cent fall in profit before tax.

Even a 71 per cent fall in tax liability, which amounted to 30.3 per cent of profit before tax, could not stop net profit from plummeting. Further, the excise authorities have issued a showcause notice to the company demanding a differential excise duty amounting to Rs 10.9 crore on the special cement sold by the company between April 1982 and October 1988. The company however obtained a court injunction staying the proceedings before the excise authorities. The fall in profitability forced the company to cut the dividend rate from 40 per cent last year to 25 per cent in 1992-93.

Despite its poor performance on the domestic front, the company's exports rose by 40 per cent and it exported 14,662 mt of cement valued at about Rs 2 crore to Bangladesh and Nepal. The expansion project undertaken by the company at its cement plant to increase its capacity from 5.25 lakh tonnes to 6.5 lakh tonnes was completed in the year under review and it is now implementing another project to enhance its capacity further to 8 lakh tonnes per annum. Slag dryer facilities have also been set up while the high efficiency separators together with ESPs have been commissioned. Encouraged by the benefits derived from its technical collaboration agreement with Tokyo Yokyo Company of Japan, the company entered into another agreement with TYK Corporation of Japan, a leading manufacturer of sophisticated refractories in Japan, for castable, precast and lance pipes. Further, in order to enter the field of continuous casting refractories it ordered a cold isostatic press which was

The Week's Companies

(Rs lakh)

Financial Indicators	Kesoram Industries March 1993	Kesoram Industries March 1992	Orissa Cement March 1993	Orissa Cement March 1992	Sipta Coated Steels June 1993*	Sipta Coated Steels March 1992	Gammon India March 1993	Gammon India March 1992	Flex Industries June 1993	Flex Industries June 1992*
Income/appropriations										
1 Net sales	48277	34546	18755	18850	18193	12467	8159	7768	8232	6831
2 Value of production	51823	35701	19795	19252	19839	12155	8693	7657	8626	6989
3 *Total income*	52693	35982	20301	19668	19911	12188	9487	8617	8758	7058
4 Raw materials/stores and spares consumed	23068	12704	9636	8064	15850	9824	4014	3397	5643	4284
5 Other manufacturing expenses	8675	7451	2989	2697	1924	387	1581	1871	350	255
6 Remuneration to employees	3935	3835	1353	1158	199	104	2889	2446	410	365
7 Other expenses	8957	7309	2692	2759	797	677	189	195	682	528
8 *Operating profit*	8058	4683	3631	4990	1141	1196	814	708	1673	1626
9 Interest	6582	2548	1400	1052	1047	837	585	430	677	579
10 *Gross profit*	1488	2162	2255	3952	622	378	458	428	1092	1055
11 Depreciation	3928	1391	1068	968	461	322	206	201	312	312
12 *Profit before tax*	–2440	771	1187	2984	161	56	252	227	780	743
13 Tax provision	0	0	360	1250	0	0	15	49	3	89
14 *Profit after tax*	–2440	771	827	1734	161	56	237	178	777	654
15 Dividends	225	242	135	216	0	0	54	54	305	277
16 Retained profit	–2665	529	692	1518	161	56	183	124	472	377
Liabilities/assets										
17 Paid-up capital	2088	2088	540	540	1935	1797	216	216	762	762
18 Reserves and surplus	9226	12042	7629	7073	993	834	1576	1563	1833	1373
19 Long term loans	38930	34636	7827	7398	2915	2665	967	1386	1584	1746
20 Short term loans	1830	1686	783	250	2125	1536	240	358	5045	1199
21 Of which bank borrowings	0	0	0	0	1263	869	20	25	1046	871
22 Gross fixed assets	53088	51820	19057	17636	6544	6699	5760	5767	6626	3956
23 Accumulated depreciation	17267	13083	10252	9013	1747	1294	3832	3948	1071	760
24 Inventories	12551	8907	5923	5891	2938	1179	2731	2208	1290	696
25 Total assets/liabilities	64450	59828	20368	19947	11280	9474	12342	13046	12079	6156
Miscellaneous items										
26 Excise duty	12786	5454	0	0	1935	782	1	2	2248	1793
27 Gross value added	11872	8447	5036	6326	2379	1325	3951	3075	2261	2017
28 Total foreign exchange income	1191	189	374	274	0	0	118	236	38	0
29 Total foreign exchange outgo	1986	2899	1709	1775	3175	1614	22	587	791	508
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	74.9	57.7	92.1	94.5	161.3	131.6	66.1	59.5	68.1	111.0
31 Sales to total net assets (%)	92.7	68.5	111.8	123.5	228.3	182.5	272.1	220.5	89.2	134.5
32 Gross value added to gross fixed assets (%)	22.4	16.3	26.4	35.9	36.4	19.8	68.6	53.3	34.1	51.0
33 Return on investment (gross profit to total assets) (%)	2.3	3.6	11.1	19.8	5.5	4.0	3.7	3.3	9.0	17.1
34 Gross profit to sales (gross margin) (%)	3.1	6.3	12.0	21.0	3.4	3.0	5.6	5.5	13.3	15.4
35 Operating profit to sales (%)	16.7	13.6	19.4	26.5	6.3	9.6	10.0	9.1	20.3	23.8
36 Profit before tax to sales (%)	–5.1	2.2	6.3	15.8	0.9	0.4	3.1	2.9	9.5	10.9
37 Tax provision to profit before tax (%)	0.0	0.0	30.3	41.9	0.0	0.0	6.0	21.6	0.4	12.0
38 Profit after tax to net worth (return on equity) (%)	–21.6	5.5	10.1	22.8	5.5	2.1	13.2	10.0	29.9	30.6
39 Dividend (%)	10.0	15.0	25.0	40.0	—	—	25.0	25.0	40.0	36.0
40 Earning per share (Rs)	–14.98	4.45	15.31	32.11	0.83	0.31	10.97	8.24	10.20	8.58
41 Book value per share (Rs)	43.20	58.16	131.50	118.69	15.13	14.64	82.96	82.36	34.06	28.02
42 P/E ratio (based on latest and corresponding last year's price)	–8.2	19.1	18.9	5.3	10.8	32.1	15.5	13.3	20.6	7.0
43 Debt-equity ratio (adjusted for revaluation) (%)	510.6	342.2	110.2	115.4	99.6	101.3	54.0	77.9	61.0	81.8
44 Short term bank borrowings to inventories (%)	0.0	0.0	0.0	0.0	43.0	73.7	0.7	1.1	81.1	125.1
45 Sundry creditors to sundry debtors (%)	92.9	87.9	69.9	99.2	49.4	51.5	129.2	62.3	18.8	12.9
46 Total remuneration to employees to gross value added (%)	33.1	45.4	26.9	18.3	8.4	7.8	73.1	79.5	18.1	18.1
47 Total remuneration to employees to value of production (%)	7.6	10.7	6.8	6.0	1.0	0.9	33.2	31.9	4.8	5.2
48 Gross fixed assets formation (%)	2.9	21.5	10.1	11.2	–2.3	—	–0.1	8.2	67.5	—
49 Growth in inventories (%)	40.9	60.8	0.5	30.8	149.2	—	23.7	–4.8	85.3	—

* 15 months.

expected to be installed and commissioned in 1993-94. With the company successfully executing the order from Durgapur Steel Plant, the latter has placed repeat orders for their balance requirement.

Though import duty on refractory raw materials was reduced to 50 per cent by the government, duty on refractories themselves was also simultaneously reduced which may lead to increased competition from imports in 1993-94. Further though production in 1993-94 was expected to be higher on the enhanced capacities, the adverse conditions prevailing were also expected to continue.

For the first six months of 1993-94 the company's performance has worsened. With government demand accounting for up to 40 per cent of aggregate demand, low government offtake due to the resources crunch coupled with the rising manufacturing costs have led to a poor show by the cement industry as a whole. While the company's net sales fell by about 17 per cent from Rs 98 crore in the corresponding period last year to Rs 81 4 crore, net profit fell by more than 55 per cent to Rs 2.9 crore (Rs 6.4 crore).

SIPTA COATED

Push for Exports

Sipta Coated Steels is engaged in the manufacture of GP/GC sheets/coils, cold rolled (CR) steel strips, hot rolled coils, etc. As in the previous year, the profitability of the company continued to suffer in 1992-93 (15-month period) as margins were under severe pressure due to the stiff competition resulting from excess installed capacity in the galvanising industry. Though net sales rose by 16.7 per cent on an annualised basis over the previous year, a sharp increase in operating expenses resulted in a 23.7 per cent (annualised) fall in the company's operating profit. Though operating and net profit margins rose marginally over the previous year they stood at a mere 3.4 per cent and 0.9 per cent, respectively. If despite this gross and net profit rose, it was mainly due to a large non-operating profit amounting to Rs 5.3 crore in 1992-93, a major part of which emanated from sale of assets.

Meanwhile the company's products have reportedly been well received in the overseas market and the company has several orders on hand. It hopes to improve profitability through higher emphasis on exports and expects to notch exports in excess of Rs 20 crore in the current year (ending this June). The GP/GC sheets industry is presently characterised by excess capacity as the actual annual demand is hovering around five lakh tonnes while the installed capacity is around nine lakh tonnes. The company has managed to increase its capacity utilisation from 52.8 per cent for CR sheets in 1991-92 to 60.5 per cent (annualised) in 1992-93 while that of GP/GC sheets has increased from 78.6 per cent last year to 96 per cent (annualised) in 1992-93.

For the first six months of the year ending June 1994 the company has posted a higher net profit of Rs 1.6 crore on net sales of Rs 126.5 crore.

GAMMON INDIA

R and D Efforts

Gammon India fared well in 1992-93 with a 10 per cent rise in total income and a 15 per cent rise in operating profit. Despite a 36 per cent rise in interest charges, net profit increased by 33 per cent due to a mere 2.5 per cent rise in depreciation and a fall in tax provision over the previous year. During the year the company hived off its Gammon Fer-chem division as the factory had ceased operations since November 1987. The contract of a 900-bed hotel in Moscow valued at Rs 120 crore was foreclosed due to the fragmentation of the erstwhile USSR and the abrogation of the Soviet-Indian Business Treaty. However, the contractee had invoked the advance payment guarantee amounting to Rs 18 crore which the company claims is not tenable as it has performed its obligations under the agreement and the claim, in any event, cannot exceed the amount of unexpired guarantees of Rs 1.2 crore. The company had a balance of work-on-hand worth Rs 331.5 crore as compared to Rs 430.6 crore last year while Rs 118 crore worth of contracts were under negotiation on March 31, 1993. Further, the company has since secured contracts worth Rs 34.9 crore and it expects its prospects to be bright due to the massive construction activity envisaged at the national level.

The company's R and D division is engaged in developing and improving construction techniques to suit Indian conditions by design improvement, use of indigenous chemicals and resins, import substitution of vital components of construction equipment, in-house manufacture of equipment and more efficient launching systems for bridges. It is also focusing on improving quality control and updating technology in various fields of construction engineering to support the requirement of the construction activities of the company.

Among its subsidiaries, while Freyssinet Prestressed Concrete Company (97.83 per cent holding) and Gammon Nirman (99.96 per cent holding) posted satisfactory results, the other two subsidiary companies, namely, Gammon Turnkeys and Gilcon Project Services registered net losses for 1992-93.

For the first half of 1993-94, while the company's total income rose to Rs 34.7 crore, net profit was stable at Rs 22 lakh as again... 1 total income of Rs 34 crore and a net profit of Rs 21 lakh in the corresponding period last year.

FLEX INDUSTRIES

Bright Prospects

Flex Industries which is engaged in the manufacture of flexible packaging has improved its performance over the previous year. The annualised increase in net sales and net profit over the previous year (15-month period ended June 1992) works out to 50.6 per cent and 48.5 per cent, respectively. Production was also higher at 4,721 mt as against 4,185 mt of printed, laminated, metalised, co-extruded coated, embossed plastic film and paper produced last year. The company's 'unit pack' marketing concept seems to have proved to be the right strategy as buyers prefer to buy consumer goods in small, convenient and apparently cheap units which are consumed in their entirety during use. Increasing resort to short-term loans (up 320 per cent over the previous period) by the company led to a 17 per cent rise in interest charges. Though operating profit rose by a mere 2.8 per cent due to a more than proportionate increase in operating expenses, a stable depreciation charge and a lower tax provision led to a larger increase in net profit. Encouraged by its improved performance the company raised the dividend rate from 36 per cent last year to 40 per cent in 1992-93.

During the year under review the company completed installation of new machines. Further, the company's new expansion project at Malanpur in Gwalior for the manufacture of flexible packaging material and the modernisation programme at its existing plant at Noida were completed and commercial production commenced. The company's expansion-cum-modernisation programme led to a gross fixed assets formation of 67.5 per cent during the year. To part finance its expansion-cum-modernisation programme the company made a rights issue of 38,13,750 17.5 per cent partly convertible debentures (PCDs) of Rs 100 each aggregating Rs 38.1 crore and 9,15,000 18.5 per cent non-convertible debentures (NCDs) of Rs 100 each with one detachable warrant aggregating Rs 9.2 crore. For augmenting its resources for margin on working capital and long-term working capital requirements the company also made an issue of 1,50,000 secured redeemable convertible debentures of Rs 100 each aggregating Rs 1.5 crore by way of private placement with UTI.

With the flood of multinationals entering the country to sell consumer goods, chocolates and all kinds of edible and inedible items, the medium to long-term prospects of the packaging industry appear bright. With a 20 per cent annual growth rate in the industry the company's CMD, Ashok Chaturvedi, expects sales to grow by 50 to 60 per cent annually over the next 10 years.

The Detentions of Lone and Geelani

G Noorani

he ploy of re-detention, employed in the case of Abdul Ghani Lone and yed Ali Shah Geelani, the veteran leaders of Kashmir, makes a mockery f the few safeguards Article 22 of the Constitution provides to detainees nder preventive detention laws.

HE government of India has behaved in a isgraceful manner in regard to the imprison-ıent without trial, called preventive deten-on, of the veteran leaders of Kashmir, Abdul ihani Lone and Syed Ali Shah Geelani. The rders were made by the state government, in ross disregard of the state's Constitution ıd the Constitution of India, but the state is ıder president's rule. They are both leading ghts of the Hurriyat Conference.

The two enjoy high respect. They were etained on October 29, 1993 by the state overnment on the ground that they were ıaking statements urging people to join a arch to the Hazratbal shrine to force the my to lift the siege of the shrine. The matter as settled the next month when the siege as lifted as a result of an agreement with the ilitants holed up inside. It is another matter at the government chose to deny the fact. one was subjected to indignity and injuries a result of the brutal assault perpetrated on m by the police when he led a procession. either leader is in good health. Their ontinued detention was not preventive but ınitive and clearly smacked of vendetta.

On January 28, 1994 the Jammu and ashmir High Court struck down the deten-on order. But the state government claimed had made fresh orders the day before, ı January 27, 1994. These orders were ıallenged in habeas corpus petitions in the ıpreme Court. As to what happened in the ıpreme Court thereafter a news-report by e PTI in *The Hindu* of April 29 reveals a lot out the proceedings on the previous day:

> The Supreme Court today warned the centre that it would be forced to release detained Kashmiri leaders Abdul Ghani Lone and Sayed Ali Shah Geelani arrested in October last in the wake of the Hazratbal crisis, if it failed to produce the original records of the detention by May 3.
>
> The warning was given by a Division Bench comprising Mr Justice S Mohan and Mr Justice M K Mukherjee hearing an appeal by the two detained leaders after the Solicitor General, Mr K T S Tulsi, informed the court that the government had not been able to get the records as yet.
>
> Mr Tulsi sought three days' time saying a special messenger had left with the records from Jammu but he was yet to reach Delhi.
>
> Mr Bhim Singh appearing for the detained leaders told the court that the government appeared to be taking the court for a ride and was playing hide and seek with it on the issue.
>
> The apex court had during the last hearing sought from the union government the original records of the detention to satisfy itself that the leaders had been served with the detention orders passed on October 29 and a subsequent detention order in January after revocation of the earlier order.
>
> The counsel for the two leaders had told the court that the grounds for detention had not been informed to the two leaders thus denying them an opportunity to represent against the detention.

The PTI's report of the proceedings on May 3 were published the next day in the same paper. They read thus:

> The union government today told the Supreme Court that the release of Kashmir leaders, Abdul Ghani Lone and Sayed Ali Shah Geelani, could have far-reaching consequences leading to the freeing of over 700 detenus in the state of Jammu and Kashmir.
>
> The plea was made by the Solicitor General, Mr K T S Tulsi, during the hearing of petitions challenging the detention of the two leaders.
>
> A division Bench comprising Mr Justice S Mohan and Mr Justice M K Mukherjee while agreeing with the Solicitor General's plea, however, made it clear that Article 22(4) of the Constitution and judgments of the apex court were a clear bar against holding the leaders in detention any longer. "Mr Solicitor, we have to give effect to the Constitution. You cannot expect us to say that we should do away with the judgments of the apex court", Mr Justice Mohan observed.
>
> However, while agreeing with Solicitor General's plea that the case had far-reaching consequences, the court adjourned hearing till tomorrow to enable the Union of India to present further arguments in support of the continued detention of the two leaders...
>
> Counsel for the detained leaders, Mr Bhim Singh, submitted that the second order of detention was null and void as it had been passed by the Divisional Commissioner and not the government.
>
> Therefore, if one were to take the period of detention from October 29, after a three-month period as the Advisory Board had approved the one-year detention only to March.
>
> The judge said prima facie the case went in support of the two detenus unless the government could substantiate the need for holding them offer a further period.

Thus was an indulgence given to the state. What happened on May 6? Tulsi told the court that the order of detention of January 27 had been revoked. The court thereupon dismissed the petitions as infructuous. It was widely believed by those who attended the hearings, including members of the bar, that the court was inclined to allow the petitions and order the release of the detainees. Indeed, judgment was expected to be delivered on May 6. It may be recalled that in the case of Kuldip Nayar during the emergency the detention order was revoked in order to prevent the Delhi High Court from delivering judgment on the habeas corpus petition filed by the detainee's wife, Bharati Nayar. The facts are mentioned in *Experiment with Untruth* by Michael Henderson (1977) at page 122. The *Los Angeles Times* of September 1976 also reported the ploy: "When it appeared likely the ruling would be in Nayar's favour, government officials suddenly released him, hoping to avoid an announcement of a decision which could be used as a precedent by other detainees hoping to be released." But Justice S Rangarajan ticked off the government lawyers and proceeded to deliver an erudite judgment which was a major event—a landmark ruling in support of the citizen's rights and the rule of law. It was a masterly exposition of the law.

In the instant case, the detainees were released and rearrested after fresh orders of detention were served under Section 9(5) of the Jammu and Kashmir Public Security Act, 1978. If this ploy of re-detention is allowed to succeed, it will make a mockery of the few safeguards sub-clause (4) of Article 22 of the Constitution of India provides to detainees. One hears a lot about judicial creativity. It has not halted the illiberal trend in rulings on preventive detention.

On a fresh order of detention after the quashing or revocation of the first the law as laid down by the Supreme Court is that it must be based on "*fresh* material (Chhagan Bhagwan Kahar vs N L Kalna A I R 1989 S C 1234). Consideration of grounds in the previous order will vitiate detention (Jahangirkhan vs Police Commissioner A I R 1989 S C 1812). At page 1882 is reported Ramesh vs State of Gujarat which affirms Chhagan's case.

This safeguard is not adequate. Two more are called for. One is that the court must subject the second order to greater scrutiny. The other is that no second order must be permitted to pass muster if made after a judicial hearing of the first. It is palpably mala fide and should be deemed to be so.

DOCUMENTATION ASSISTANT

A Bombay based news agency requires part time person to organise newspaper clippings.

Timings are adjustable and would be for three mornings or afternoons a week. Position is suitable for graduate or undergraduate student with a broad interest in current affairs. Applicant must live or study in south Bombay.

Contact: The Editor, Associated News Features, 116 Great Western Buildings, Nagindas Master Road (Extn), Kala Ghoda, Bombay or phone 2043101.

RURAL DEVELOPMENT ORGANISATION seeks the following experienced personnel for its projects in Chotanagpur region in Bihar/ Tamil Nadu

* REGIONAL PROGRAM EXECUTIVE with minimum 5 years experience in Project Planning and Fund Raising.
* TECHNICAL PERSONNEL for Sericulture Promotion in Singhbhum and Palamau Region.
* RESEARCH PERSONNEL.
* TECHNICAL PERSONNEL for Promotion of Agricultural Extension, Dryland Farming, Horticulture and oilseed Cultivation.
* WOMEN CO-ORDINATOR with Special Reference to Adult and Non-formal Education Programmes.
* PROJECT MANAGER to be based in Dharmapurai, Tamil Nadu.

All Applications should reach on or before 25.06.94 to:

Alternative for India Development,
1 V.G.N. Nagar,
Iyyapanthangai Kattupakkam Post,
Madras 600 056.

SOCIETY FOR PARTICIPATORY RESEARCH IN ASIA (PRIA)

INVITES DEVELOPMENT PROFESSIONALS

PRIA is an educational support Non Government Organization (NGO) involved in Research, Training and production of learning materials. Its Development Professionals, based in Delhi, run programmes of its Centres as researchers, trainers, communicators and networkers involving frequent travel.

1. Centre for Participation and Governance supports Participation of and Self Governance by marginalized sections in areas of literacy and natural resource. It also focusses on micro-planning and local development under the Panchayati Raj and Nagarpalika, 73rd and 74th constitutional ammendments.

2. Centre for Occupational and Environmental Health focusses on healthier work and living place. It promotes awareness /action on occupational health and environmental pollution. As a CIS Collaborating Centre of ILO, it generates, processes and disseminates information internationally.

3. Centre for Institutional Development enables capacity building of grass-roots groups and NGOs in such areas as programme planning, monitoring and evaluation, training methodology, organizational development, strategic planning, and finance. It is starting a long duration programme on Development Management for South Asian NGO leaders.

4. Centre for Global Alliance actively participates in and promotes development of international networks and alliances for solidarity and advocacy on critical global and local issues/concerns. It promotes cross-country and inter-regional exchange towards capacity building, development cooperation and learning.

Qualifying Background : Relevant Post-Graduate education, with at least 8 years experience.

Compensation Package: Rs. 100,000 p.a. or more, depending on ones expected contribution to PRIA's work..

Please write in confidence within three weeks, to:

Dr. Rajesh Tandon
Executive Director
Society for Participatory Research in Asia
42, Tuglakabad Institutional Area
New Delhi - 110 062

SOUTH AFRICA

A Negotiated Revolution?

Ninan Koshy

The ANC leadership is conscious not only of the uniqueness of the system against which it waged struggle, but also of the fact that those who upheld the system now share power in the new government. Not only negotiations, but the revolution also has to continue.

"THE way the election was conducted—all its imperfections notwithstanding—is proof that this country has just survived a negotiated revolution", so wrote a leading daily in South Africa after the first all-race elections in the country. To Nelson Mandela the election was liberation and to justice Kriegler, the chief of the independent election commission it was an act of national reconciliation.

That the election was unique goes without saying. That was best evident in the faces of the millions who waited patiently for hours and sometimes for days to cast the first vote in their life affirming their dignity as well as citizenship. To them the vote was something really precious.

Negotiated revolution has become the favourite media expression to describe the transformation in South Africa. Add to this, the claim by the last National Party state president F W de Klerk that it was he who ended apartheid and the interpretation of the final stages of the historic change in South Africa becomes either simplistic or distorted. The claim by the National Party that it voluntarily relinquished power is invalid but credit goes to de Klerk for almost correctly reading the writing on the wall. The apartheid system was something unique in the annals of history and its end also had to be in a unique manner.

From the time the first Dutch settlers established a trade base in Cape Town in 1652, South Africa's destiny was inextricably linked to successive Dutch or British colonial rule. From this date South Africa was decisively influenced by the economic and political aspirations of western European society and of the European settler community established at the southern tip of Africa. This not only shaped the contours of South African society but to a large extent was responsible for the main and overriding conflict in South Africa, namely, the conflict between the African majority and a settler community which dominated militarily and politically and whose own economic interests were the decisive factors in the formulation of policy.

The distinctive characteristic of colonialism in South Africa has been white minority social domination. This form of domination was intimately tied to the economic and political systems of the metropole countries from which the domination emanated. The main conflict in South Africa could thus be characterised as a north-south conflict. The cumulative result of the political and economic domination of the white minority was a society characterised by enormous socio-economic disparities coinciding with political power and race boundaries. Two worlds still exist in South Africa—on the one hand a first world with a sophisticated infrastructure and capital-intensive economy; on the other hand a third world with all its problems. While the first world is almost exclusively for the white minority, the majority of the blacks belong to the third.

The pattern that settler colonialism created in South Africa based on racial discrimination in the combined interests of western capital and the settlers is what made the South African system unique. But that uniqueness made it impossible that the domination could be ended either by colonial withdrawal (as in most African countries) or externally controlled transition (as in Zimbabwe and Namibia). Hence there had to be a unique way of ending the conflict. It was the paradox of the South African situation that whereas it was saddled with the colonial problem of white domination it did not have the option of colonial withdrawal or transition to solve it.

The beginning of negotiations in South Africa is often traced to the dramatic announcement by president de Klerk on February 2, 1990 in which he said the government was ready for negotiations, that the political parties would be unbanned and that political prisoners would be freed. Nelson Mandela became a free man nine days later.

The apartheid regime had already begun to crumble by the mid-1980s. For two decades the major arena for the battle for the future of South Africa was international public opinion. The liberation movement had decisively won the battle there by 1985. The configuration of domestic, regional and international developments made it inevitable that apartheid had to yield to something different. The regime reacted in two different ways. In public in a defiant mood it appeared to withdraw into a permanent siege. In secret it initiated talks with Nelson Mandela in prison. It took five years for the second track to become public.

There is little doubt that what de Klerk had in mind in 1990 was not exactly the kind of transition that actually took place. He had thought that the ANC could be co-opted into a political system where the white minority could still be able to pull several strings and control the levers of powers. The negotiating positions of the National Party, emphasising federalism and demanding what was tantamount to a minority veto were all meant to preserve in the new dispensation, to the extent possible, special privileges for the minority.

Shared power was the watershed concession by the ANC, but the National Party had to give up its earlier crude strategies to create an anti-ANC alliance, to insist on white vetoes in the cabinet or to rotate the state presidency and so on. It should not be forgotten that de Klerk had to discard the principle on which he vowed he would stand rock solid, never to accept black majority rule.

Joe Slovo, the leader of the South African Communist Party whose 'sunset clauses' formed the basis of ANC's proposals for power-sharing claimed, "Looking at the result as a whole, I can say without hesitation that we got pretty much what we wanted. Our opponents hoped to weaken a future democratic state by imposing federalism. We have won a united South Africa ... in all critical areas ... the future democratic state will have overriding powers. If you look at the finance provisions of the whole dispensation you will see that the purse-strings are firmly in the hands of the central government... In regard to decision-making in the future executive, in the multi-party Cabinet of national unity ... the regime had been holding out for special majorities. In the end we won the principle of majority decision-making." Slovo conceded that all this amounted to no more than 'a mountain of paper' unless it is implemented 'in the interests of revolution'.

The African National Congress had hoped to get a two-thirds majority in the National Assembly and the Constituent Assembly. There are many who believe that it was good in the interests of national reconciliation that the ANC did not achieve it. The ANC is now in a position to implement its policies but in drafting the constitution it needs the support of other parties especially, the National Party. A two-thirds majority might have generated anxiety in some sections and might have been used by those forces which want to undermine the process of national reconciliation. It has to be pointed out that the constitutional principles have already been agreed upon and included in the interim constitution which stipulates that 'a new constitutional text shall comply' with them.

These principles which reflect ANC's positions are non-negotiable. The most disappointing performance in the elections was by the Pan Africanist Congress (PAC) and the Democratic Party. The PAC was formed in 1959, breaking away from the ANC basically on two issues, the prominence of whites in the struggle and the issue of land. These two issues have remained the dominant feature of its policies. Like the ANC it was also banned and went into exile and made a few shifts around the central issues of its identity.

While the PAC managed to be in the limelight by its radical rhetoric, on the level of conventional indicators of relative strength of a political movement, i e, funds, organisation, international and domestic prominence, demonstrable mass support, organisational strength, etc, it was always much weaker than the ANC. It had nevertheless claimed extensive underground support. With little funds and virtually no campaign, the PAC could manage to get only 1.2 per cent of the votes and five seats in the National Assembly.

After the elections Mandela paid tributes to the PAC and the Azanian People's Organisation (AZAPO) saying that both had contributed significantly to the struggle of black people against white domination and oppression. "It hurts, hurts me, a great deal that they should not have been able to make the threshold that other parties have made", he said, offering the leaders of the two organisations places in the new government.

The Democratic Party can legitimately claim the heritage of the white liberal stream in South African politics. But as it went through many shifts in the recent past the ground on which it had stood was taken by the National Party which claimed to be 'new' after having 'ended apartheid'. At the time of the DP's virtual demise it must be recalled that its predecessors played an important role in exposing apartheid from the perspective of human rights and its leader Zach de Beer made vital contribution especially in the early stages of negotiations.

Considering the fact that chief Buthelezi's Inkatha Freedom Party came into the election fray virtually at the last minute—making the election arrangements which were from the beginning less-than-satisfactory even more difficult—the 10.5 per cent vote it got at the national level was impressive. Pre-election polls had not given the IFP more than 7 per cent votes. It had earlier stayed out of elections claiming it was committed to federalism and therefore could not accept the constitution and strongly opposed to what it termed the ANC-NP alliance.

It should be recalled that for a long time chief Buthelezi was the favourite of many western leaders projecting him as the moderate alternative as he challenged armed struggle and international isolation. For some time the National Party considered him as an ally but as negotiations progressed Buthelezi moved on to an alliance with the extremist whites. His movement was supported and used by the 'Third Force' in the South African security forces to foment violence as conclusively proved by the Goldstone Commission.

It is known that it was an accumulation of irresistible pressures including possible withdrawal of support by the Zulu King and Inkatha moderates that finally pushed Buthelezi into the elections. He had hoped that the international mediation on some constitutional issues to which the ANC and the government had agreed would pave the way for postponement of the election. But when the mediators Henry Kissinger and Lord Carrington refused to include the date of elections in the terms of reference for mediation, Buthelezi had run out of all options.

Meanwhile Nelson Mandela had skilfully been able to convince the Zulu king that the best he could hope for was the constitutional position offered by the ANC. Mandela graciously affirmed his and the ANC's support for the king at an ANC rally in the heart of the Zulu kingdom.

But the pressures came not only from the king. Increasingly unhappy with the prospect of becoming members of an extra-parliamentary guerilla group Inkatha moderates read Buthelezi the riot act saying they would quit rather than support an organisation bent on boycott of elections with a resultant escalation of violence. They were not ready for political wilderness when they felt that power was so close at hand at least in Natal. That was not all. It is now known that there was a secret deal between de Klerk and Buthelezi. On 25th April—the day before voting began—de Klerk signed an agreement that put 7.41 million acres of land into a trust controlled by the Zulu king.

Yet, the inclusion of Buthelezi in the new dispensation and his being given an important portfolio in the cabinet augur well for national reconciliation. This is in no way to underestimate the problems in Natal. It is often not made clear that political violence among blacks in South Africa is not primarily tribal as the media especially outside South Africa has managed to project it. While almost all supporters of Inkatha are Zulus, all Zulus are not supporters of Inkatha. Even in Natal the Inkatha managed to get only 51 per cent in an election believed to have been rigged. Political violence among blacks in which many Zulus were killed was often between Zulu supporters of Inkatha and Zulu supporters of ANC. What was called black-on-black violence was basically political and its escalation was often due to the involvement of the security forces.

It is not clear at the moment what the post-election strategy of Buthelezi will be. While bargaining for regional powers and provincial autonomy, he will project himself as a national leader as the country enters a new stage of black politics.

One political party which stayed out of the elections was the white Conservative Party. A section of the whites under the name Freedom Front contested the elections and won 2.2 per cent votes and nine seats in the National Assembly. Its participation was on the basis of an agreement with the ANC and the outgoing government on a formula for negotiations for the self-determination of the Afrikaners. The accord, the finalisation of which was reportedly assisted by Britain, Switzerland and Belgium makes provisions for: any community sharing a common cultural and language heritage whether in a territorial entity or any other recognised way to demand the right to self-determination; the final constitution to give expression to any particular form of self-determination provided there is proven support from within the community; the formation of a 20-member 'Volkstaat' Council to be elected by members of the National Assembly supporting the establishment of a 'Volkstaat'.

The Freedom Front's bargaining position has considerably weakened as it got only less than half of the votes it had hoped for and which itself had indicated as the basis for successful negotiations. The definition of self-determination is crucial not only with regard to the claims of the whites who cannot show any contiguous territory with white majority but in dealing with issues of autonomy which are bound to be raised in the making of the new constitution.

As it confronts manifold challenges, the ANC leadership is conscious not only of the uniqueness of the system against which its struggle was waged but also of the fact that those who upheld the system now share power in the new government. While the politics of apartheid has come to an end, its economics still continues. Therefore, not only the negotiations but the revolution also has to continue.

Child Marriage, Government and NGOs

Shanker Singh
Nikhil Dey
Aruna Roy

The focus on the child marriage ceremonies which take place during 'akha teej' in Rajasthan has an upper caste and class bias and is a misinterpretation of a dalit and OBC custom. In the name of being modern, it is another chance to oppress dalits and OBCs, while shifting the focus from dowry deaths, the tortured existence of widows, etc, among the upper castes.

BHANWRI, a kumhar (OBC) of village Bhateri in Jaipur district was gang raped by a group of five men, four of whom were gujjars (OBC) of the same village, on September 22, 1992. The gujjars form a majority in the village. She was made a target because she had, at the behest of the Women's Development Programme (WDP) a government programme she worked for, and the district administration of Jaipur, tried to stop a child marriage from taking place in her village. With little progress in the investigation and prosecution of the culprits, social activists, women's groups and other supporters held a rally and meeting in Jaipur in November 1992. The meeting ended with the courting of arrest and breaking of the cordon, near the state secretariat. As a result of that protest, the case was handed from the state CID to the CBI. After a year of investigation, the CBI charge-sheeted the culprits, and they were finally arrested in December 1993.

Bhanwri's case has drawn wide support from people and groups from all walks of life. Gang rape is a non-bailable offence. So, the initial bail application was rejected. But a second application filed on April 11, 1994 fetched bail for three of the five accused of rape. The whole struggle is now concentrated on a legal battle for justice.

But is this the end of the social relevance of that rape? One must examine the socio-political factors leading to the rape, and the subsequent reactions. Bhanwri's case is unique because she is a government servant who was raped as a consequence of carrying out directives of government campaign.

Every year at 'akha teej' (the marriage season which falls in May) the state government of Rajasthan launches a drive against child marriage. One of the agencies relied upon to combat child marriage is the WDP. The work burden falls upon the lowest level functionary—the 'sathin' who is required to report on child marriages taking place so that the police can intervene. This is where Bhanwri who is also a sathin was caught on the cleft end of a stick. Bhanwri was in a predicament. But a whole lot of others are involved in processes which create such predicaments advertently or inadvertently.

What were the influences playing on Bhanwri when she got involved in this case? She had been recruited into a new government programme which not only worked for radical goals, but was to use non-bureaucratic and radical processes. She was put through an intensive training co-ordinated by activists like us where the emphasis was on fearless opposition to social evils. She had learnt the jargon of change and participated in various follow up programmes like 'jajams' and 'shivirs' where radical goals and processes were re-emphasised.

Her alienation from the village had begun when she received the Rs 200 stipend from the government. She was told by others in the village that after all the government was paying her to do a job. The *de facto* targets like family planning, and prevention of child marriage had begun to creep in. Despite her confusion on these issues, she knew where her honorarium was coming from. Therefore, it is not surprising that she 'bravely' reported on and opposed a child marriage in her village, although the act made her alienation complete. It was an unfortunate fall out of being involved in a government programme. That she was brave in facing the wrath of the village was part of the training she had imbibed. That the form the reaction would take would be abhorrent, criminal and violent beyond her imagination, was something she was soon to learn. After the crime she retained her courage, looked for support, and decided to take on the world.

People within the WDP did react promptly. Once again it was part of their training. Many of them had been handpicked for their commitment. After all Bhanwri was one of their own. What happened to her, happened to them. A co-ordinated reaction began to emerge as those within the WDP realised that fighting from within was leading nowhere, and concerted public pressure was necessary. The press, lawyers, academicians, political party members and activists joined the vociferous cry that culminated in a huge rally in Jaipur demanding the arrest and prosecution of the guilty. The state government lackadaisically, ordered a CBI inquiry two months after the event, and continued with its task of promoting social change.

Bhanwri still lives in her village threatened and ostracised. After sustained pressure the government has provided her 'security and compensation'. But has the government examined its own role in fighting social evils? What sathins and other government functionaries will have to ask themselves is whether they expect the government to stand by them, when there is a reaction from powerful groups to another government campaign.

The eventual arrest of the five culprits has shown once again that public pressure forces a system even as unsympathetic as ours to respond. But an analysis of the subsequent events has shown that the response has been largely judicial. The government has engaged in no introspection, about its approach to the issue of child marriage. Nor has it reviewed the role of sathins and 'prachetas' in 'reporting' to an official machinery on sensitive social issues. It has certainly not taken the responsibility of dealing with the fall out of its programmes and actions. As akha teej approached this year, once again the district administrations have been asked to prevent child marriages. And once again the prachetas and sathins are being encouraged to be the agents of change by persuading families not to have child marriages.

It is not quite right however to merely blame the government. The government has only succeeded in presenting a progressive facade because of the involvement of NGOs and individuals with credibility. When it becomes clear that such involvement is born out of mutual benefit where funds and the space provided by working with the government are major considerations; then the responsibility for the hypocrisy such programmes generate must be shared by all those who involve themselves in it.

At the end of the rally in Jaipur, the attitude of the government was very clear. Bhanwri's suffering was merely an unfortunate fall out of a programme that was beginning to be run for prestige and for sustaining an image. That was the time for sathins, prachetas and other 'committed' staff to leave in large numbers, and for NGOs to completely dissociate themselves from the programme. It was necessary to discredit the government programme, cripple its image building aspect and show that the commitment was not to the comforts of a government programme; but to a cause.

Issue of Child Marriage

The isolation of child marriage as one of the greatest social evils has to be critically viewed. Especially as the statement comes from class and caste groups who practice, and are victims of, the far more destructive, social custom of dowry. What follows is an attempt to analyse the issue of child marriage. To look at the manner in which the government has tried to stop it and Bhanwri's predicament of being a pawn in a game of cosmetic social change. A process in which many of us play a part.

'Child marriage' in Rajasthan is far from a marriage as it is normally understood. The film crews, journalists and photographers of

glossy magazines who descend on Rajasthan every akha teej bring out the colours of Rajasthan and the misery children experience at being forced to dress up and suffer hours of a bewildering ceremony. What they do not reveal is that the children return to their respective homes until the 'muklava', 'ana' or 'gohna' ceremony, which takes place years later when the girl goes to her in-laws' home. The so-called marriage ceremony should actually to understood as an engagement. The effort should therefore be to delay the muklava till the girl is 18 which is the legal age of consent. There is sufficient internal pressure within rural communities to support any effort to delay the ceremony of muklava.

The internal logic of child marriage ceremonies is fairly sound. Child weddings take place primarily amongst OBCs and dalits, and therefore most often poorer families. Instead of having to spend on the wedding of all the daughters repeatedly, when the oldest daughter in the family gets 'married', all the younger ones are 'married' too. The economic logic of group weddings needs no explanation. Even this group ceremony is often expensive enough to account for years of indebtedness.

These girls do not suffer the social miseries of widowhood that affect the upper castes. In the event of the spouse dying, widow remarriage is sanctioned and practised freely. Since women work outside the home, the girl is an economic asset, and therefore her family tries to keep her with them for as long as possible. It is also the reason for there being no dowry. What exists is the practice of paying a bride price, and as with any such monetary transaction it serves to highlight the value of the man. Where dowry is practised the woman has to pay more for the 'honour' of marrying a man of value. In this case the more 'valuable' the man, the smaller the price the family has to pay for buying the bride. Whether dowry or bride-price it is the woman who is bought or purchased. However it is undoubtedly true that in upper caste groups who practice dowry, the woman is seen far more as a commodity of disvalue. There are a number of legitimate objections to child marriage customs. But it is only if we compare it with other prevalent marriage customs in our society that we will get a fuller picture of what is a very complex social issue.

While criticising child marriages, no mention is made of the very sensible spending patterns, and great community participation that are a part of these weddings. This is in stark contrast to the conspicuous and abhorrent expenditure that the urban dowry giving elite is establishing as the norm. The analysis and description of child marriages is part of an attempt at sanskritisation. The elite amongst the OBCs and dalits who have begun to get their children married when they are older, have also adopted the practice of dowry and extravagant weddings.

Why should we compare these customs? Because the focus on child marriage ceremonies has an upper class and upper caste bias and is a misrepresentation of a dalit and OBC custom. In the name of being modern it is another chance to oppress dalits and OBCs, while shifting focus from customs like dowry-deaths, physical isolation of women, and the tortured existence of a widow in upper caste families.

It also reveals why the government has so eagerly prioritised this issue in its bid to bring about a 'social transformation'. The law has been made more stringent. There has been a writ filed recently in the Rajasthan High Court to give the law more teeth and the implementers more powers. More seminars, meetings and drives are held to root it out, and there is a selective use of it as an instrument of control. Child weddings cannot be stopped—but specific individuals can be persecuted, and very often money can be extracted. The upper class policy-makers successfully shift the focus, and the implementers acquire a new weapon.

The district administration which prevents the largest number of child marriages is given credit and the press highlights stories of 'successful' attempts to stop them. This appreciation is shown despite the fact that in most cases the officers mobilising their agencies to stop child marriages have taken and given large dowries. And of course no child marriage ceremony is actually stopped—it simply takes place in great secrecy, perhaps with the added cost of paying off the authorities.

Bhanwri was raped by Badri, Gyarsa, and three others; but are not many more responsible? Is not the government also responsible for forcing targets on her on an issue which gives it an apparently socially progressive image. Are not the committed functionaries responsible for continually compromising in the attempt to find space within? Are social activists not responsible for suspending their critical faculties and participating in the contradictory business of government- sponsored social change? And finally, even Bhanwri and other sathins will have to introspect and ask themselves whether they want to continue to be used as pawns in the hope of getting a permanent government job. How vested is their interest?

Now that the culprits are finally behind bars it is time we asked ourselves these basic questions. Vast sums of money are coming in from the west for lip-service development and cosmetic social change. If we continue to provide credibility there will not only be more casualties like Bhanwri but the process of genuine change will be discredited. Unfortunately it seems as if the trend continues. The recent increased involvement of voluntary organisations in the WDP, and the unionisation and wage demands of the sathins are two different examples of continued acquiescence.

The whole WDP decided its course when it spoke for continuation and an attempt to fight from 'within the system'. The threat of mass resignation on the day after the rally was openly stated to be merely a threat. Clearly the vested interest of being in a government job weighed heavily on the minds of those who were in it. They viewed the issue of rape as a very serious one. Yet there were limits to the degree of open confrontation with the authorities. Obviously the next step was conventional unionisation so that protection could be provided from within the system.

And while the demand by the sathins to be made full time government servants with commensurate pay scales is in one sense ...itimate; clearly it is a larger step towards ... their own freedom of action. One is forced to ask the question—what is more important, the cause they are working for, or themselves? Or are they both synonymous? It is ironical that a programme that began with the objective of empowering women, and poor women in particular should get focused on issues of salaries and tenure for the 'volunteers' themselves.

The enrolment of more active NGOs to run district IDARAs of the WDP is another successful step in the process of co-option of the language and inspiration of change by the state machinery. By the nature of their existence, NGOs have drawn great strength ...om being outside the structure of the gov...nment. It has given them flexibility, and ...ability to deal with social issues with courage and sensitivity. Their criticism of the government and its programmes has very often had a salutary effect on the programme. Recently however, the government has found it convenient and effective to use the NGO structure also. The irony of this contradictory hybrid is best revealed by government organised non governmental organisations (GONGOs) like IDARA.

With the government managing to rope in prominent NGOs to run GONGOs like the district IDARAs this process of co-option is even more visible. For an administration that increasingly responds only to pressure, one ...eed hardly wonder whose influence will be greater in this new form of official relationships. In the process of change, NGOs had carved a niche for themselves, and managed to raise and highlight issues which the political parties and the establishment had chosen to ignore. In doing so it had forced the establishment to give such issues legitimacy. As NGOs take one more step in the direction of being part of the establishment, there is a need for a critical evaluation in order to understand where they will stand when there are conflicting interests. To speak a radical language has always been fashionable. Today, it is also profitable. However, when ...l thought out and half hearted radical efforts are made by people who want to have the cake and eat it too—the process of change has a major setback. People like Bhanwri, on the frontline of such efforts are the ones who will continue to suffer from the fall out.

That there is a great need for socio-political change does not even need to be stated. But the government cannot lead a campaign for change against a system it represents. The government can be pressurised. Its laws can be used. It can be made more accountable. Its internal contradictions can be exposed. Its money can be made available to the public to whom it ...ully belongs. Its more committed functionaries can genuinely help. But it cannot lead a revolution against itself.

Bhanwri's case must teach us that socio-political change must be rooted and come from the people. The issues, and the methods of dealing with them must be formulated by those who have a vested interest in change. We must be aware of precisely who is using whom when we collaborate. And finally, we must not let monetary handouts pull the wool over our eyes.

Girl Child in Three Indian States

Ashim Mukhopadhyay

While education is essential for empowering the girl child, it is even more important to recognise the services she renders. Household surveys in West Bengal, Bihar and eastern Uttar Pradesh reveal that all girl children in rural households are in fact disguised child labourers, with the degree of exploitation varying with socio-economic backwardness.

WE are in the fourth year of the SAARC Decade of Girl Child (1991-2000). The enthusiastic response to the growing concern for the survival and overall development of the girl child in the SAARC region prompted the heads of the concerned governments/states to declare in 1991 the period, exclusively for the girl child. The government of India, in pursuant of this declaration, prepared a National Plan of Action focusing on three major goals: survival, protection and development of girl children in the country, while emphasising the needs of those belonging to special and vulnerable groups and the adolescent ones. In the National Action Plan that was prepared, it was said that "this Plan of Action for the Girl Child will help sustain the consciousness aroused all over the country and achieve the goals set for a brighter future of the girl child in India within this decade."[1]

Here we try to expose the built-in-depression the girl child is still steeped in by highlighting the findings of four very recent studies, two on West Bengal, one each on Bihar and eastern Uttar Pradesh, supported by our micro-surveys. The revelations, certainly, do not go in favour of the much vaunted declaration and the Indian leaders who had been signatories to it.

As for West Bengal, surveys were carried out in slums in Purulia town, and in the Bandoan bloc in Purulia district. Three villages, Pukurkata, Kuilapal and Paharpur in the bloc were chosen for this purpose. The same survey, sponsored by the Institute of Local Government and Urban Studies and the United Nations Childrens Fund (UNICEF), was also carried out in two other villages, Harinathpur and Chuakhola under Falakata Ps in Jalpaiguri.[2] The second set of findings on the state were by the School of Women's Studies, Jadavpur University, and covered four villages of Burdwan and South 24 Parganas districts and a ward (No 79) of the Calcutta Municipal Corporation.[3] The study on Bihar, which includes Hatiakan village in Patna district, Purana Dumka in Dumka district and Punasiya in Deoghar, was conducted by Centre for Womens Development Studies, Bihar. In eastern Uttar Pradesh, the study was by the Centre for Women's Studies and Development, Benares Hindu University, and it covered four villages in Varanasi and Sultanpur districts and two city wards. My own micro surveys are in two gram panchayats in Midnapore district, Sauri-Kotbar and Sabra under Danton Bloc II on the Kharagpur-Contai road.

The surveys by the School of Womens Studies, those on Bihar, eastern Uttar Pradesh and Midnapore are pointers to the wide gap between promises and actions, temporary outburst of emotion and sincerity of purpose, illusion and reality.

As for literacy, wide inter-sex disparities are highlighted by the studies concerned. At Kuilapal, Pukurkata and Paharpur in Purulia district and Harinathpur and Chuakhola in west Dinajpur, north Bengal, the males dominate the scene.

The details are as follows:

Kuilapal-male/64.65 per cent, female/28.75 per cent, Pukurkata-male/32.31 per cent, female/1.85 per cent.

Paharpur-male/60.56 per cent, female/11.76 per cent, Harinathpur-male/71 per cent, female/52 per cent.

Chuakhola-male/63 per cent, female/46 per cent.

The UNICEF survey at the Purulia slums finds 57 per cent of males literate, whereas the females were 40 per cent. The age group of the respondents was 5-15 years. In the higher group, the literacy rate for girls registers a sharp fall of 26 per cent.

The School of Women's Studies, JU survey of 600 households furnishes some interesting details. Says the report: "As far as mothers' perceptions in the matter of the desired levels of education for boys and girls, some contrasts may seem quite interesting. It is seen that 4.5 per cent mothers felt that there was no point in educating girls, while only 0.5 per cent felt the same way about boys. Around 19 per cent mothers said that it was enough to educate girls up to primary level or to just teach them to read and write. Less than 4 per cent mothers felt similarly about boys. Whereas 33 per cent mothers wanted their daughters to study as much as they aspired, around 40 per cent wanted this for their sons."

All the 24 girls in Midnapore who responded to this researcher's surveys are school going and want to continue their

studies and of them four had been voluntary trainees in the literacy campaign None of them seem sure about how long they will be able to continue their education Seventeen girls consider education as a weapon to empower themselves and of them seven prefer service, two want to be teachers and five want to join the medical profession Alarmingly seven other girls seem to be extremely fatalist and cannot think beyond becoming typical house-wives or farm hands Of these 24 girls 17 allege discrimination in terms of educational and nutritional facilities within the households All the four student cum voluntary trainees, already mentioned, even apprehend an abrupt termination of their academic career because of capricious whims of their fathers, who are staunch believers in purdah This takes us back to the School of Women's Studies findings that says "more than 21 per cent parents wanted their daughters to become good housewives Only 6 5 wanted their daughters to be doctors, 6 3 per cent wanted daughters to be school teachers and 6 7 per cent preferred some service but did not specify the matter "

Bihar is very backward as regards the status of women Ridden with traditional age-old feudal values and lacking exposure to the processes of urbanisation, universal education and modernisation, its society is characterised by innumerable restrictions on women and girl children Consequently, the percentage of female literacy is very low and female mortality rate is high Gandhiji once said "When you educate a boy, you educate an individual and when you educate a girl, you educate a family " According to the CFWDS, Bihar, "71 3 per cent respondents have illiterate mothers, 2 3 per cent respondents have literate mothers" Though literacy rate in the state has increased from 19 9 per cent in 1971 to 26 per cent in 1981, that of females is not having a smooth run Male literacy rate in urban areas is 62 6 per cent and 34 4 per cent in rural areas Female literacy rates in the two sectors is far below 39 8 per cent and 10 per cent respectively

The wide difference in female and male literacy rates is reflected in the low enrolment of girls at schools, compared to boys In the Class I-V category, the percentage of girls is 52 5 compared to the boys' 107 5 In the Class VI-VIII category, the enrolment of girls is only 14 7 per cent compared to boys' 45 8 per cent

In fact, people in Bihar think that it will be difficult to get girls married if they are educated Because, parents will have to pay more dowry It is interesting to note that the Muslims at Sabra gram panchayat in Midnapore, who are well linked to their Bihari counterparts in terms of language and culture, zealously propagate the same views Take Abdul Mannan, a retired state government employee He does not want women to go beyond the Madhyamik examination In fact, his first three daughters could not go to any college, but he is determined to make his son, an M Sc and sit for the IAS When asked why he did not prefer higher education for

its daughters, Mannan got visibly annoyed and said: "Do you want them to secure a job and make it an alibi to move about till late into the night and marry a Hindu or a Christian boy? Impossible." (Interview with Mannan, December 24, 1994).

In eastern Uttar Pradesh, 42.2 per cent of the responding girls have never attended any school. Of the scheduled castes and tribes, only one-fourth and one-third respectively, have been able to join schools. Reasons for no attendance/drop-out are 66 per cent economic and 65.2 per cent familial.[5] Interestingly, 88.2 per cent upper caste girls are found to be studying, indicating clearly a lower drop-out among the advanced communities. Parental disinterest in reading and writing as skills to be developed equally by both sexes emerges most sharply among girl children nearly 50 per cent of whom reported that the skill was appropriate for boys only. The UP government's reservation policy in education and employment for scheduled castes and tribes is certainly perceived only for boys.

Coming back to Bihar, we find that 17.3 per cent of the respondents (600) have no specific ideas about their future career indicating the extreme indifference and fatalism they are being drawn into. Again, those who want to continue their studies or pursue a career are mostly urban, upper caste high income groups or financially better offs with mothers highly educated and ambitious which shows that the social background of the respondents does have significant relationship with plannings to further their career.

Only a few girls are really so fortunate. The rest, the vast village-based, socio-economically depressed ones are coldly treated and made to work as hard as draught animals by their parents or male elders. The picture is the same not only in the states concerned, but all over the country. Sometimes, they have to take over the full burden of household chores, so that their mothers may work outside to beef up the family income. They represent child labour in disguise in their own households. This takes us straightway to the question: what is child labour?

Disguised Child Labour

Article 24 of the Indian Constitution dealing with fundamental rights, says: "No child below the age of 14 years shall be employed to work in any factory or mine or be engaged in any hazardous employment." Article 45, that speaks of the directive principle of state policy, declares that the state shall endeavour to provide within a period of 10 years from the commencement of the Constitution, free and compulsory education for all children until they complete the age of 14 years. Again, the Baroda-based Operations Research Ground and Bangalore's Concerned for Working Children define child labour as one in the 5-15 year age group, engaged in remunerative work with or without pay within or outside the family at any hour of the day. If judged by these standards, all girl children in rural households in the country are nothing but disguised child labourers. Patriarchal society throughout the world does not recognise the services rendered free of cost by the girl child and the intensity of this age old exploitation varies according to the socio-economic backwardness of the people concerned as visible more in rural areas or slums in a city.

Of the 24 girls interviewed by this researcher 17 reported back-breaking, tiresome work. They are staying either with their parents or uncles. Take Rekha Patra (10), daughter of the late Hari Patra. She stays in the household of her maternal uncle along with her mother. The man, a farm-hand, has developed a peculiar habit of giving the girl a good beating every day without any provocation before sending her off to the kitchen to cook food. Of course Rekha does not receive any money.

A girl child's work is considered non-productive and non remunerative by the menfolk of her family. Another survey conducted by this researcher at Kultikari, Sabra, Tutranga (Midnapore) and Raspur (Howrah/Amta Bloc I) panchayats shows that on an average a girl child performs 30 to 35 types of tasks throughout the day especially if the school is closed or if she is a drop-out, and her workload increases during the peak seasons. The survey was conducted in December 1993 when the daily wage at Sabra village was Rs 24 + rice and muri (costing Rs 5-6) and a bundle of bidi and a match box. In some other parts of the village the rate was Rs 28 and bidi and a match box. Now, if a small or marginal farmer or a sharecropper has to employ labour to attend to his household chores, this will mean a constant loss of his meagre income. Hence he exploits his daughter or grand-daughter or niece or the daughter-in-law or the young wife, whatever may be the girl's familial status. The patriarchal society, that looks down upon its mother as a second sex, approved of such exploitation and injustice.

Same is the experience of the School of Women's Studies, JU at the four villages under its survey. At Phulmalancha, a remote village under Basanti Ps in South 24 Parganas, the researchers found women doing a lot of useful and productive work. But it were the men who marketed the produce and grabbed the money. The males during talks shrugged off the femalefolks role or remained ignorant of it. The ILGUS survey remarks: "It is a common experience in rural areas that women render very useful service to their male family relations in cultivation and in carrying out different non-agricultural activities. Formally these jobs are taken to have been done by males and wages are received by them."

Denying a woman recognition and remuneration for her work in a household has been a phenomenon quite common all over the world, more so in the underdeveloped countries. According to an FAO estimate, "sometimes women's work could be longer than men's by as much as 43 per cent. Many parts of Africa have a large incidence of female-headed households where women undertake the sole responsibility of growing food. It is in spite of these facts, women have generally been seen as consumers and not as producers in the book-keeping system of development. Such attitudes have resulted in not only adversely affecting the consumer status of women, but have also put development projects in jeopardy. Since women's role is vital they should be included as explicit target groups in rural development, land reforms and technological infusion. This requires a prior understanding of women's work in different geographic and cultural settings."[6]

Education is essential for empowering a girl child, but she also requires a sincere recognition of the services she renders. All the surveys mentioned show that her job opportunities are distinctly narrower than that of men and the wage rates lower and highly exploitative. In the three Purulia villages, inter-sex disparities in employment are as follows. Pukurkata-male/69.23 per cent, female/1.85 per cent, Kuilapal-male/ 77.78 per cent, female/21.25 per cent, Paharpur-male/70.42 per cent, female/11.76 per cent [UNICEF 1989].

Employment assistance provided under IRDP in 1984-85 had 12,106 male beneficiaries against 921 families. In 1988-89, the corresponding figures were 12,590 and 5,406 indicating considerable improvement in women's position even as the latter did not come up to even the half of the male number. Under the Trysem programme that aims at promoting income generating skills, number of male beneficiaries went up from 1,438 in 1984-85 to 1,743 in 1988-89 while the females covered during the same periods were 80 and 93 respectively [UNICEF 1989].

Of the 600 households studied by CFWDS in Bihar, 96.5 per cent girls were found engaged in household work, which is not considered as 'work' either by the definition of work or by parents. Only 3.3 per cent respondents reported on doing some remunerative jobs and "when asked about the plus point of being employed, they said economic independence was the most important factor to motivate them to seek a job."

The situation is worse in eastern UP where in 600 families from four villages and two city wards, only 13 girls reported gainful employment. Majority of the respondents, belonging to the backward classes were indifferent about their future as well as working conditions and seemed to have submitted themselves to their fate.

While upper caste well-off girls (44.6 per cent) had plans to pursue education and career, 67.8 per cent of the class from both urban and rural areas wanted to get married (CWSD 1993). But marriage does not ensure a cakewalk. It just leads to the second phase of bondage in a girl's life, a bondage much longer, more terrible, more unbearable than the years spent at parental home. With

marriage she is just thrown from frying pan into fire Early marriage is still rampant in the three states under discussion Taking the three Purulia villages together more than 65 per cent of the housewives were married off before 16, while the figure for the two Jalpaiguri villages for the same age, happened to 42 per cent In the Bihar villages, as already mentioned, "Out of 64 married girls, 30 were thrown into the cauldron between 13 16 years In eastern UP an overwhelming number of the mothers responding to the survey, happen to be victims of this obnoxious practice Among them, more than half were married before 13 The rest were married between 13-16 years and 16-18 years with preponderance in the first category" (CFWDS) In West Bengal, it can be said that early marriage is prevalent in all the districts varying in intensity During October-November 1989 this researcher while investigating changes in demographic pattern in the districts bordering Bangladesh had been a witness to several such marriages in Nadia, Murshidabad and Malda districts More than 90 per cent of the brides seemed to be in the 12-13 age group and the grooms, hardly above 18

All the respondents this researcher met at Vivekananda Manab Kalyan Samity, an NGO at Sauri (Midnapore) complained of attempts by their fathers to marry them off, putting an abrupt end to their education The girls were below 17 In fact, the existing Child Marriage (Restraint) Act, 1978, that has fixed the minimum age of marriage for boys at 21 and for girls at 18 and made any violation of the provision a cognisable offence, is being shown utter disrespect by the guardians of the two sides The Bihar CFWDS study mentions a survey by H N Singh with 122 persons— 81 males and 41 females, which shows that about two-third of the respondents were married off before 15 About 50 per cent of the females admitted they were married before they had completed the age of 10

Early marriage denies a girl an opportunity for development and increases the risks of immature babies, and infant and maternal mortality, gynaecological complications, repeated pregnancies to make up the loss of male issues As per medical advice, a girl needs four to five years for her physical growth after attaining puberty This is denied when she is married off young and this leads to a vicious cycle The situation is all the more discouraging in the Muslim communities, where restrictions on education, polygamous traditions, false notions of economic well being through having more kids encourage and defend early marriage more enthusiastically than any other religious group At Sabra there are many young housewives who have already given birth to five to eight children At Dhaneswarpur a village under the Sabra panchayat a Muslim gentle man has got 16 children through his two wives Instances such as this are many

Already weakened by discriminations in terms of nutrition and health care in their parental home, a girl child finds her fate sealed off permanently by an untimely marriage Henceforth, she is to act like a beast of burden a baby-producing machine and a tireless lover in bed M A Mannan rightly says that "woman remains the last colony, the last serf, the last minor in many respects "[7]

We conclude with the tragic story of Rumpa Senapati, a 10-year old girl at Dhaneswarpur Her father is a small peasant and also trades in molasses Rumpa s mother, Shibani (32) got her elder daughter, Mithu married at 15 to a retail seller of fish Before marriage, Mithu used to read in Class IX at a local school and assist her mother by attending to many household chores Only a month ago, her husband gave her a good beating following a brawl and she tried to hang herself She was saved but the rope left a deep scar on her throat Mithu narrated the incident to this researcher The irony is that Shibani seems to have learnt nothing from Mithu's misfortune She has now yoked the younger daughter, Rumpa, to the treadmill of the household Listen to the little girl In an interview she says "Except the examination times, I get up early in the morning, sweep floors and if mummy goes out I cleanse utensils and cook food I then serve food to daddy and my two brothers, feed the cattle and look after the poultry Also I give the courtyard a wipe over with water and cow-dung and light lamps at the Tulshi Mancha in the evening My brothers do not work so hard, yet they get good food and better treatment Mummy beats me if she finds any fault but spares my brothers ' Rumpa wants to continue her studies, but is not sure about her future " Mummy says girls should not have any desire but go on working Rumpa also collects fuel, fodder and water for the household everyday The time is not far off when she will become accustomed to such exploitations and regard her status within the family as inferior to her brothers She will grow up and have a family of her own, she too will inculcate the same biases in her daughter's psyche, consequently perpetuating this mode of behaviour in future generations

Notes

1 *National Plan of Action for the SAARC Decade of the Girl Child* Department of Women and Child Development
2 UNICEF and Institute of Local Government and Urban Studies Government of West Bengal, Calcutta 1989
3 *Girl Child and the Family*, Jasodhara Bagchi Jaba Guha, Piyali Sen Gupta (eds), School of Women's Studies, Jadavpur University, SWS 1993
4 *A Research Cum Action Project on The Girl Child and Family A Part of the National Project—Girl Child and Family*, Centre for Women's Development Studies (CFWDS) Bihar, p 121
5 Centre for Women s Studies and Development (CFWSD), Benares Hindu University, *Girl Child and the Family (Eastern Uttar Pradesh)* Varanasi 1993 pp xiv, xvi
6 Mazumdar Vina, *Education and Rural Women Towards an Alternative Perspective Occasional Paper No 11*, CFWDS, New Delhi, 1988 p 17
7 Mannan, M A, *Status of Women in Bangladesh Equality of Rights, Theory and Practice*, BIDS Research Report No 113, p 59

Redefining the Good Society

A North-South Dialogue on Challenges of 21st Century

Vasant Gowariker
Ignacy Sachs

The complex problems facing humanity demand the evolution of a strategy of sustainable development in which both the north and the south recognise their distinct responsibilities and design synergistic strategies for both groups of countries.

ON the occasion of the 1992 Indian Science Congress a group of distinguished scholars set to explore the interconnectivities and action possibilities related to science, population and development. Their effort culminated in a book,[1] now in its third edition, centred around three broad topics:

—the prospect for the demographic transition in India conditioned by a real social and economic transition;

—a sober assessment of the challenge represented by the need to satisfy on a sustainable basis, sometimes in the second half of the 21st century, the needs of a stationary Indian population of 1.6 to 1.8 billion—the inevitable billion plus, even if there are reasons to believe that the rate of fertility will go sharply down in the next decade or two;

—the contribution expected from scientists capable of blending techne and episteme, the popular know-how and the most advanced science.

The joint effort of the authors unfolds a strategy of sustainable development for India. Why only India, such a strategy has in it the basic ingredients many of which would be just as applicable elsewhere. In a similar vein, but on a much larger scale, was the stimulus provided by the 1992 Earth Summit, held in Rio de Janeiro, to reflect on a planetary scale on ways to promote a smooth transition towards socially equitable, ecologically viable and economically efficient development paths.

For that, it is necessary for the north and for the south to recognise their distinct responsibilities and to design in both groups of countries different yet synergistic strategies,[2] though it is easier said than done.

The whole world must finally grapple with the Gandhian question: How much is enough? The answer to be arrived at would have to be viable in terms of sustainability and eventually applicable universally to be of real practical value. The north just would not be able to continue to be as profligate as at present and must begin making the transition from its present life and consumption styles by shifting to less energy-intensive resource-use patterns. Establishing an equitable trade pattern between the north and the south, transferring of resources from north to south to reverse the present trend of a net outflow of resources from the south to the north, as well as making certain environmentally friendly northern technologies freely available at non-commercial, reasonable prices are three additional important dimensions.

As for the south, it ought to recognise the patently non-viable nature of northern patterns with at least two criteria of sustainable development mentioned above—social equity and environmental viability—even for the north. Through imitation the south may only expect to recreate enclaves of northern style modernity for the benefit of a minority and at the expense of the majority. Hence the need both for the north and the south to steer newer and original development paths, informed by a more egalitarian vision of the society and a different hierarchy of needs—another Gandhian question. Henceforth, further advances in the north and development in the south should rely, as much as possible, on a resourceful use of renewable resources. A biomass-based modern civilisation is not only possible but necessary and, in this respect, tropical countries have a comparative advantage.

India's contributions to the search of a planetary strategy will matter for a variety of reasons:

—almost one in every five citizens of the world will be an Indian;

—the country has a solid ethical and intellectual tradition of looking for an original development path, while maintaining an open dialogue with the rest of the world; at a moment when the south, the north and the east all experience an urgent need to overhaul their failed or exhausted models, India's post-independence refusal to apply ready-made solutions and her bold attempt at pioneering a 'third way' constitutes an important precedent, whatever the judgment on her achievements and failures over the last 40 years;

—India has a large pool of committed and competent scientists willing to engage in a mutually educating dialogue with their counterparts in other countries and more particularly, to confront their views with those of fellow scientists from the north. The Indo-French book project focusing on strategies for the 21st century arose out of these considerations.

The problematique of the book is very broad and, at the same time, bewildering. A Martian technocrat disembarking on our planet, using global statistics would most certainly reach a very optimistic conclusion about the prospect facing the inhabitants of the Earthship.

Thanks to the progress of science and technology already achieved, the age of plenty is within sight. The basic needs of all the humans can be easily satisfied with a reduced burden of work so as to free peoples' time for the cultural, spiritual and ludic activities more congenial with the uniqueness of the human species. Although serious uncertainties remain as to the environmental impacts of some technologies in use and of excessive fuel energy burning, alternative solutions could be worked out by scientists and easily implemented.

Yet, the reality is poles apart from this rosy picture. The world is engulfed by a deep social crisis, compounded by environmental disruption. Its causes are multiple:

—the inequalities built in the working of the economic systems, both within nations and between nations, leading to the twin processes of excessive accumulation of resources in the hands of a minority and of deprivation of the majority; environmental disruption occurs at both ends of the spectrum: the affluent minority with its present life-styles indulges in overconsumption of scarce non-renewable resources, the deprived majority, in order to survive, overtaxes the life-supporting systems to which it has an insufficient access;

—the terribly wasteful and environmentally careless patterns of resource-use: the continuing potlatch represented by the piling up of armaments, the exceedingly high operational and transaction costs of the socio-economic and political systems; the paroxysm of 'creative destructiveness' of the productive capacities prompted by an ill-conceived search for competitiveness, the accelerated obsolescence built-in into equipment and the so-called 'durable' (*sic*) consumer goods;

—the inadequate priorities of technological research biased towards solvable demand and not towards the satisfaction of basic needs;

—above all, the worst form of irreversible loss represented by the wasting of human lives of all those deprived of their right to work, to earn a decent livelihood and to unfold the potentials present in every human being; in modern societies the poor become increasingly useless; alienation and exclusion take the place of exploitation.

Thus, the roots of the social and environmental crisis do not lie in the scarcity of resources Nor, contrary to a widespread fallacy, in the population explosion The non-consumers cannot be blamed for overconsumption of fossil energy and other resources Of course, the demographic transition is desirable, as exponential growth of human population in a finite planet cannot be sustained for ever

But, as pointed out by several contributors to the *Inevitable Billion Plus*, it is not sterilisations or contraceptive technologies that bring down the rate of population growth but basic economic and social transition For the 850 million uneducated and poor Indians the argument that a small family is a happy family does not sound convincing The causal link between population growth and poverty works both ways and to break the vicious circle between the two eradication of poverty and upgrading of social conditions are the first priority

An important feature of the present crisis is that it affects, albeit in different forms and with unequal intensity, all the three groups of countries the late peripheric capitalist countries of the south, the so-called countries in transition from the collapsed real socialism' to market dominated economies in the east and, last but not least, the industrialised countries of the north plagued by structural unemployment brought about by growth without employment and by a diversion of resources from real economy to the great financial casino

By far the most spectacular event has been the sudden collapse of the Soviet Union and the discrediting of the centrally planned command economy, paradoxically at a moment when it could theoretically rely on the technical support of powerful computers The countries of the east are confronted by the daunting task of carrying out simultaneously a structural adjustment, a profound restructuring of the economy and a complete overhaul of economic and political institutions, while facing the prospect of mass unemployment and dealing with a particularly severe environmental crisis, for which they are not prepared

Yet, their predicament and the failure of their socio-economic system do not constitute a proof *a contrario* of the excellence of capitalism It is enough to look at the exceedingly high political, social and environmental price paid for the advances in average economic growth and several other indicators by the countries of the third world, to realise that a sharp departure from the present trends is called for, if the objective is sustainable development as defined above achieved through a democratic regulation of mixed economies [3] This applies equally to the south Asian tigers, that have an uninspiring political and an appalling environmental record

Even more significantly, the welfare states in western and northern Europe—a symbol of civilised and socially responsive capitalism—are showing signs of exhaustion, unable to resist the combined pressure of low rates of growth and of a labour-displacing technical progress The welfare systems have worked well, so long as they were not being put too much to contribution under conditions of rapid growth and almost full employment But now, when the need for social protection is most pressing, they are crumbling under their cost, not speaking of the fact that mere putting of the unemployed on the dole does not shelter them from social exclusion and loss of dignity, work in our societies still has a major socialising function

Social exclusion, spatial segregation, ethnic tensions and dualisation of the economies—themes once reserved to the discussion of peripheric societies—have acquired a universal pertinence A severe deficit of economic and social democracy has become a common challenge of the south, the east and the north alike with no easy solutions in sight

More and more, the international configuration acts more as an obstacle than as a facilitator The world economy has gone through a structural transformation brought about by three 'decouplings' (Peter Drucker) the divorce between the growth of output and the creation of working opportunities, the gap between the GNP and the volume of raw

materials and commodities required to produce it and, last but not least, the loosening of the link between the real economy and the financial speculative sphere expanding in a totally uncontrolled way.

Rising productivity is, of course, welcome if properly managed in terms of equitable sharing of the socially required work and of the product obtained. But this is not the case at present. The pricing of commodities requires international agreements and stabilisation schemes which forty years of discussions have failed to yield. The north-south impasse continues unabated. Absence of controls on the global financial markets, capable of curbing speculation which attracts resources to the detriment of productive investment, constitutes the basic weakness of the Bretton Woods institutions. The IMF does not stand up to its original purpose, preferring instead to play the role of the guardian of monetarian orthodoxy, imposing on developing countries deflation, devaluation and deregulation irrespective of the prevailing conditions and of the social cost incurred.

Recession and unemployment sharpen the struggle for markets. Competitiveness is being sought by all means, without distinction between its legitimate and spurious sources, such as depressed wages, severe underpricing of energy and raw materials, and predatory exploitation of natural resources. Left to the free interplay of market forces, enterprises externalise social and environmental costs of production, playing havoc with the rules of social equity and ecological prudence. That is why redefining of the regulatory role of the states and of binding rules of the game on the international scene is urgently called for. The 1992 Earth Summit started this task, which will be continued in 1995 by the World Social Summit of chiefs of states and governments. Two entry-points could be instrumental in channelling the debate towards operational considerations.

On the one hand, it is necessary to outline need-oriented ecodevelopment strategies, i e, to make sure that the economic system will be able to produce without further environmental disruption all the goods and services required to meet the basic needs of the world population. The concept of basic needs is understood in its 'strong' version (Ben Wisner): It is up to the populations concerned and not to technocrats using abstract norms to define them in their concrete diversity, while at the same time deploying their resourcefulness by identifying in each ecosystem—be it rural or urban—the latent, underutilised or misused resources to be tapped and/or redirected. Ecodevelopment strategies ought to be ecosystem, culture and site-specific. That is why greater local autonomy and meaningful peoples' participation are required, which should not be misunderstood, however, as a way of shunning the responsibility of the central states and of the international system.

On the other hand, in order to make correspond a solvable demand to the production of satisfactors of basic needs, ecodevelopment strategies ought to pay special attention to the creation of opportunities to work and earn a decent wage and/or to self-produce the livelihood. Employment cannot be treated as merely resultant from the rate of economic growth. Fine-tuned employment policies are called for exploring the job opportunities in the following areas:

—resource and energy conservation and recycling, as well as better maintenance of the existing stock of equipment, housing and infrastructure;

—the prospect for a highly productive small-scale agriculture made possible by the second, biology-based, green-revolution;

—the scope for expanding the biomass-uses for energy and industrial purposes;

—the potential for rural non-agricultural employment in decentralised industries based on flexible specialisation;

—the need for expanded public works in order to improve through better infrastructure the systemic competitiveness of national and regional economies;

—the expansion of social services by means of highly labour-intensive delivery systems.

An active policy of employment creation and productive insertion constitute the most effective way of addressing the widespread phenomena of social exclusion.

Special attention should be paid to the first priority listed above, insofar as it represents a clear case of a positive-sum game, in which socio-economic and environmental gains go hand in hand, the more so that many jobs created in the realm of resource conservation might pay for themselves through the saving of resources achieved in this way. For obvious reasons, ecodevelopment strategies should concentrate as much as possible on such 'win-win' opportunities, up to now rather neglected.

The Indo-French book cannot pretend to explore in depth the multifaceted, complex and interconnected problematique just overviewed. We decided to be selective, choosing a limited range of topics; each topic would be treated by an Indian and a French author, expected to look at the problems from their own perspectives and moving from the singular cases of India and of Europe (as exemplified by France) to the consideration of the global challenges facing the crew of the Spaceship Earth and of the distinct responsibilities of the north and of the south in transition strategies towards the 21st century.

Notes

1 Gowariker, V (ed): The Inevitable Billion *Plus*, Vichar Dhara Publications, Pune, 1993.

2 See Sachs, I, *Transition Strategies Towards the 21st Century*, with a foreword by Maurice F Strong, Interest Publications for Research and Information System for the Non-Aligned and Other Developing Countries, Delhi, 1993.

3 The collapse of the command economy and the utopian character of an integral market economy leave the mixed economy as the only possible mode of production.

The Flogging of Michael Fay

Culture of Authoritarianism

Vinay Lal

In showing its approval of the flogging of Michael Fay in Singapore, the much touted 'American public' in whose name the American political leadership performs its heroic deeds, has opened the lid on the can of American authoritarianism; this lid is now being sought to be put back into place.

SOME weeks ago, Michael P Fay, an 18-year old American who has been living in Singapore for nearly two years, was sentenced by a court in Singapore to a prison-term of four months and commanded to pay a fine of $ 2,215; additionally, the judge, appositely named F G Remedios, ordered that six lashes be administered on Fay's buttocks, which may not remain snow-white for too long. Fay, imagining that he was in America, where a not insignificant number of people have made vandalism, not to mention murder, armed robbery, and aimless killing, their calling in life, with every encouragement from such quasi-fascist organisations with their largely imbecilic membership as the National Rifle Association, decided to amuse himself by vandalising cars with spray paint and eggs, and tearing down traffic signs which he then hauled home. Perhaps Fay had forgotten that the chicken does come home to roost; the eggs he threw fertilised, to Fay's misfortune, in unexpected ways. Fay is no longer amused; he was shown emerging from the court in unmanly disarray, and a considerable campaign has been mounted on his behalf in order to dissuade the government of Singapore from carrying out the sentence. His mother has argued that the flogging, were it to be inflicted, will scar her son for life and leave him psychologically disturbed, but she appears not to have reflected upon the acute possibility that he must have been quite disturbed in the first place to conduct himself in the altogether foolish manner in which he did, and that too in a place which brooks no nonsense from bored and unsupervised teenagers. No less a person than Bill Clinton, the president of the United States, implored the Singapore government to pardon Fay.

Lest it be supposed that Fay is somehow being singled out to receive this cruel punishment as an American, it should be made clear that conviction for the offence of vandalism carries a mandatory sentence of flogging in Singapore. Every year nearly 600 people are flogged in Singapore, and of this number, slightly more than one-fifth are foreigners. Although flogging is described as a 'cruel' and 'barbaric' punishment, and forbidden outright by such agreements as the International Covenant on Civil and Political Rights, Singapore (along with Malaysia, where too flogging is administered for certain offences) is not a signatory to this agreement. Indeed, in this respect as in many others, Singapore stands apart. The rigidity of the laws by which Singapore is governed is suggested by the fact that the fine for not flushing a public toilet is about $ 32; more onerously, and ominously, the fine for eating on the subway is $ 300. Gastronomic excesses, as nutritionists and scientists have been warning us for sometime, carry a heavy price. The sale of chewing gum, the elixir of a bovine America, is prohibited: that noxious substance, which has dulled many an American sensibility, is described (not incorrectly) as "a perennial nuisance". Drug traffickers are put to death; if mere unlawful possession of a gun carries a life sentence, the firing of a gun not unexpectedly carries a death sentence. The debate that rages in America over the possession of guns would be entirely incomprehensible to residents of Singapore, while so-called progressive laws, such as the one passed not too long ago in Virginia—in the teeth of opposition from the fanatical National Rifle Association—limiting the sale of handguns to any individual to one per month must appear to Singaporeans as farcical.

Singapore has acquired, then, a formidable reputation as a place of 'law and order'; the principal index of its safety is that women can travel anywhere in Singapore, even late at night, without any fear of bodily harm: a *cordon sanitaire* engulfs the small island. This is no mean achievement, and perhaps one would be quite right to insist that no country can claim its adherence to democratic norms when a large number of its citizens, be they men or women, are unable to have complete freedom of movement. Besides the safety of its streets, and the orderliness of life, Singapore must surely be the place destined to epitomise the Protestant craving for cleanliness. The fine for littering is the princely sum of $ 3,185, and pollution (just as much as traffic) is regulated, among other things, by enforcing a strict limit on the number of new cars allowed into the country each year. As an American tourist from Memphis, Tennessee, put it, "Everything is so clean here, you just feel safe and good. Nothing unpleasant could possibly happen here. Cleanliness is next to godliness."[1] Here in Singapore, tourists from middle America in their polka dot polyester dresses and elephantine shorts can feel at ease as they once did in their own towns built with the accumulated fortunes of Wrigley, colonel Saunders, and other purveyors of rubbish.

The safety, cleanliness and extreme orderliness of Singapore's streets are said to be the principal reason why Americans have, much to the surprise of human rights organisations and the small number of those who read and think, overwhelmingly endorsed the sentence of caning passed on Fay.[2] Letters received at the Washington offices of the senators and representatives from Ohio, the sorry state from which Fay hails, and at the offices of newspaper editors throughout the country, have unequivocally expressed their support for the government of Singapore's undiminished resolve to keep Singapore free of crime and punish convicted offenders.[3] Castigating one writer for having described Singapore as a "tight little dictatorship" given to "repression", H Sam Samuelson of San Diego wrote that he saw "nothing wrong with repression when it so specifically and successfully marks crime and criminals and frees a society from fear of its own streets, public parks and front yards". Another letter to the editor of the *San Diego Union-Tribune* expresses rejoicing at the knowledge "that there are still some societies that believe that a little corporal punishment is good for recalcitrant youth".[4] Mike Royko, a nationally syndicated columnist with the *Chicago Tribune*, has reported that '99 per cent' of the letters he has received express jubilation at the impending flogging of Fay, and go on to suggest that "flogging should be part of [the American] justice system". One man wrote to him that "maybe what we need in this country are the same laws and punishment they have in Singapore. We wouldn't have the problems that we have today"; another expressed the commonly held view that "five or six whacks on the can with a cat-o'nine-tails is a great deterrent", while a third was quite unequivocal in his lack of sympathy for Fay: "That American punk is getting exactly what he deserves. If we had similar laws, I'm sure our states wouldn't be under control of the thugs and slugs."[5] Nor is it to be supposed that women have considerably more compassionate feelings towards Fay: one woman pointed to the hypocrisy of citing supposed standards of decency and civility in America, given that "kids can shoot the face off their mother and not be found guilty, and a skater can conspire to seriously harm a teammate and still compete in the Olympics". "Thank

goodness for more sensible people elsewhere in the world", her letter concludes, "who hold our standards in contempt".[6]

Ashamed at the enthusiasm with which the Americans appear to have awaited Fay's flogging, editorialists—who must now take on the mantle of civilisation, though few had any qualms in endorsing George Bush's brutal and barbarous war on the Iraqi people—and liberals have sought to attribute Americans' endorsement of the sentence to their ignorance of the authoritarianism with which Singapore is governed, and to their unhappiness with the war of attrition that is being played out on the streets of America. In Mike Royko's words, the letters he has received "tell us that the justice system in this country is out of step with the feelings of the majority"; in the assessment of a sociologist, "People are desperate. They feel everything is coming apart, that the younger generation is out of hand."[7] More significant is the attempt to argue that though Americans are rightly desirous of living in a country where they do not fear for their lives, and where the 'rule of law' prevails, their views of Singapore would undergo a sea change if they were brought to an awareness of Singapore as a country that is little better than a dictatorship. The *New York Times* has expressed its disappointment that "Americans, in their yearning for order", are prepared to endorse "medieval torture for an act of adolescent mischief",[8] and it is precisely on the 'medieval' nature of the sentence, and thus of the government that has approved it, that numerous other newspapers have dwelled. *The Los Angeles Times*, claiming that Fay has now pointed to the coercion if not torture that was applied to extract a confession from him, has drawn attention to the "well-documented flaws in Singapore's authoritarian system of criminal justice", such as the limited right to legal counsel and against self-incrimination, detention without trial or charges for gangsters and drug traffickers, and trials without jury, and characterised the punishment imposed upon Fay as "a sentence from the dark ages".[9] On the view of one American journalist, the case of Michael Fay represents an opportunity for the government of Singapore to flaunt "its contempt for the western concept of individual rights", and though he is appreciative of the fact that Singapore, "arguably the cleanest, greenest, safest large city on earth", has created an extraordinarily high standard of living for its citizens, he points to the infringements upon "free speech, even free thought", and the "constant fear of their government" with which "many Singaporeans live".[10]

Clash of Cultures

As might be expected, a number of writers have sought to describe the affair as a collision of two cultures, as an instance of "western crime" meeting "eastern justice", the "passion for graffiti", which might almost be mistaken for the disorder of creativity, pitted against "an Asian society's demand for conformity and rigid public order".[11] To Ben Macintyre of *The Times* of London, the punishment imposed upon Fay, and the recent murder of two Japanese teenagers during a car-jacking in Los Angeles, are two episodes that "neatly illustrate the gulf between American and Asian notions of crime and punishment". He is certainly right in stating that in the view of Japanese commentators, Americans appear to have lost sight of the distinction between the life of a human being and the worth of a motor vehicle, but what is particularly 'Asian' about the use of the cane or the cat-o'-nine-tails? Flogging has a very long history in the west, and in England, it might be noted, flogging was abandoned with great reluctance, its use in the navy and on juvenile vagrants continuing well into the 20th century.[12] One journalist has even recalled that in the US, public flogging was a legal punishment in Delaware for robbery, wife-beating, and certain other offences as recently as the 1960s.[13] If Macintyre's historical memory is short, far more disingenuous is Jim Hoagland, who suffers from the opposite defect. A correspondent with the *Washington Post*, Hoagland points to the fact that Singapore is essentially ruled by "ethnic Chinese citizens who have not totally lost the Han emperors' disdain for non-Han cultures". As Hoagland, who no doubt picked up a few 'facts' about Chinese 'culture' in some preposterous class in world history at the high school or college that he attended, argues, *le affair* Michael Fay is to be viewed alongside the recent conflict between the US and China over human rights, in which Christopher Warren was relegated to "a long line of powerful but loathsome barbarians come to Beijing to meddle in China's affairs". Hoagland is quite insistent that the Chinese, whether in China, Singapore, or elsewhere, should be compelled to conform to minimum "international (not American) standards of civilised behaviour", and lest anyone be inclined to think that "American political or cultural imperialism" may have some bearing on the matter, he resolutely concludes that "this conflict revolves instead around thousands of years of institutionalised racism practised by Chinese leaders, from the emperors to the chairman's commissars".[14]

The ghost of 'Oriental Despotism', as we surely know, does not rest easily. Although Hoagland's argument deserves nothing but contempt, it has the virtue of bringing to the fore the arrogance of the west, and its deep-rooted contempt for the other, that might otherwise have been obfuscated. Hoagland belongs to that ilk which would employ force to make the Singaporean Chinese, who are—on his view—nothing but exponents of an "institutionalised racism" (as though the west knew nothing of this abomination), bend to the dictates of a 'global culture' that must perforce be western in its origin. Although Clinton is absolutely right in having described the punishment as 'extreme', it is astounding that some American officials in the state and commerce departments should have threatened Singapore with reprisals if the sentence is carried out.[15] America has never known how to negotiate with difference, and where it cannot have its way, it stands ready to employ its military might. As one American wrote to the *New York Post*, in recommending that the Pentagon take over the matter from the state department, "Having carrier-based aircraft engage in threatening manoeuvres just outside Singapore airspace should send the island country our message: our ability to inflict punishment to protect our people goes well beyond a rattan cane".[16] That is indubitably how the greater part of the American establishment feels.

What accounts for the enthusiasm with which Fay's sentence has been received by the American public, just as much for the jingoistic response of some others, is not the purported dissimilarity between two 'cultures', but rather the peculiar circumstance that America and Singapore are two countries that fully understand each other. Singapore has, of course, been one of America's great friends and trading partners in Asia. Although conservatives are now feverishly pointing to the authoritarianism with which the regimen of 'law and order' is maintained in Singapore, as something that greatly attenuates the economic accomplishments of this 'Asian tiger', the support of authoritarian regimes has been one of the few consistent elements in American foreign policy over the course of this century. The American elite has always had a large spot in its heart for authoritarian leaders: like attracts like, no? One might recall that Jeanne Kirpatrick, who exemplified the American phenomenon by which utter mediocrities are catapulted to positions of dangerous eminence, had made the invidious distinction between 'authoritarian' and 'totalitarian' regimes the cornerstone of Reagan's foreign policy. Authoritarian regimes, being supportive of the free market, were deemed to be friendly and worthy of support, however, brutal the manner in which they dealt with their subjects; totalitarian regimes, on account of their advocacy of Marxism-Leninism or some other form of communism, were rendered into targets of American intervention and attack. What, then, is this excitement about the authoritarian regime of Singapore, America's trusted friend, the star pointing to the road to happiness, peace, and prosperity for Asia's impoverished millions?

Singapore and the US share, as I would submit, a culture of authoritarianism. Hegemony is never as successful as when it masks power and renders compliance with

those myths by which dominant powers seek to shape and rule the world. In showing its approval of the flogging of Michael Fay, the much touted 'American public', in whose name the American political leadership peforms its heroic deeds, has opened the lid on the can of American authoritarianism; this lid is now being sought to be put back into place with the exhortation, to quote from the *New York Times*, one of the principal organs of American hegemony, that "America, the land that led the world in decrying cruel and unusual punishment, must demonstrate that order bought with torture is never worth the price—at home or abroad".[17] Americans can be cajoled, but when America's partners in authoritarianism, particularly when they are not of European stock, have the temerity to unmask some great myth, or to upset the hierarchies that nature herself has supposedly ordained, the demonstration must be of a different order. How this demonstration might be achieved is suggested by the case, wholly unusual in the annals of colonialism, of the flogging of Phinehas McIntosh.[18] Much like Michael Fay, Phinehas McIntosh, a drunk, vain-glorious, and womanising Irish lout living in Bechuanaland [now Botswana] in the 1930s, had the habit of making a nuisance of himself. At long last, the native chief, Tshekedi, ordered that McIntosh be flogged; summoned before the native tribunal, he was nicked with a whip twice. The great transgression had been committed; a white man had, for the first time, been 'flogged' by someone not of his own race. The official reaction was not merely to suspend Tshekedi from the exercise of his duties; a large naval force was rushed to the area to ensure compliance and prevent an imagined rebellion.

Notes

1 See Alison DaRosa, 'Singapore: It's a Small World, After All', *The San Diego Union-Tribune* (April 10, 1994), Section F (Travel), pp 1-2 I am grateful to Mark Mairot of UCLA and Steven Jon Kaplan for New York for collecting some of the newspaper clippings that I have used here

2 *The Times* (London), in speaking of the 'deep offence and widespread anger in America' at the sentence handed down by the court, and the 'storm of protest' from 'the American public', appears to have grossly 'misjudged' the situation. See Ben Macintyre, 'When Asia Refuses to Spare the Rod', *The Times* (March 31, 1994), p 16 This is a case of wilful misjudgment, for the slavishness with which Britain usually follows the guidance of America is bound to lead to the embarrassing conclusion that Britons are just as tolerant as the Americans of practices like flogging

3 Karen De Witt, 'Many in US Back Singapore's Plan to Flog Youth', *New York Times* (April 5, 1994), p A6.

4 See letters to the editor, *San Diego Union-Tribune* (April 8, 1994)

5 Mike Royko, 'A Flogging for a Vandal? You Bet', *San Diego Union-Tribune* (March 30, 1994), p B6. See also 'Many Favour Flogging of Teen Vandal', *San Diego Union-Tribune* (April 2, 1994), p 1.

6 Ibid, and Letters to the Editor, *San Diego Union-Tribune* (April 8, 1994).

7 Royko, 'A Flogging for a Vandal? You Bet', *San Diego Union-Tribune* (March 30, 1994) p B6, the sociologist is Amitai Etzioni from George Washington University, as quoted by Karen De Witt, 'Many in US Back Singapore's Plan to Flog Youth', *New York Times* (April 5, 1994), p A6

8 'Condemn Singapore's Brutality', editorial, *New York Times* (April 10, 1994), p 18.

9 'A Sentence from the Dark Ages', editorial, *Los Angeles Times* (April 19, 1994), p B6.

10 Philip Sheon, 'Singapore, the Tiger Whose Teeth Are Not Universally Scorned', *New York Times* (April 10, 1994), Section E, p 5.

11 Philip Terzian, 'Use the Rod and Spoil the Child? Western Crime Meets Eastern Justice', *San Diego Union-Tribune* (April 10, 1994), p G5; Jim Hoagland, 'A Tagger Earns a Flogging Sentence', *San Diego Union-Tribune* (March 22, 1994), p6; and Macintyre, 'When Asian Refuses to Spare the Rod', *The Times* (March 31, 1994), p 16.

12 The literature on this is vast, and I have explored some of it in 'Punishment and Otherness: Flogging in Colonial India', paper read at the Conference on Changing Conceptions of Rights and Justice in South Asia, School of Oriental and African Studies and the Nehru Memorial Museum and Library, New Delhi, March 16-19, 1994.

13 'Public Flogging Has Long History, Even in US', *San Diego Union-Tribune* (April 18, 1994), p A8.

14 Jim Hoagland, 'A Tagger Earns a Flogging Sentence', *San Diego Union-Tribune* (March 22, 1994), p 6, reprinted from the *Washington Post.*

15 Ibid

16 Cited by Ben Macintyre, 'When Asia Refuses to Spare the Rod', *The Times* (March 31, 1994), p 16.

17 'Condemn Singapore's Brutality', editorial, *New York Times* (April 10, 1994), p 18.

18 The story is recounted in Michael Crowder, *The Flogging of Phinehas McIntosh: A Tale of Colonial Folly and Injustice, Bechuanaland 1933*, Yale University Press, New Haven, 1988

On the Border of Fascism

Manafacture of Consent in *Roja*

Rustom Bharucha

Within the emerging maelstrom of media forces in India, our thoughts are being thought for us in ways that would make the indoctrination of traditional authority figures almost mild in comparison. Market and the state (and their collusions), by a range of media representatives, constitute a form of cultural fascism which is liberal and even idealistic on the surface but dangerous in the hold it has on people's minds and votes. The film Roja *needs to be seen in this overall context in order to grasp its subtle extension of the 'manafacture of consent' by which the crisis in Kashmir is being circumvented by the government.*

THERE are many borders implied in this essay which covers a difficult and tricky ground, one that I cannot claim to have fully grasped because it is just beginning to emerge. It is a ground that covers the lure (and the lies) of nationalism but not in a directly political context. Rather, it is mediated and disguised through layers of cultural expression which have been consolidated through a 'manafacture of consent'[1] engineered by the agencies of the state in the market and the media. As the essay moves towards an elaboration of this 'consent', it also inscribes the difficulties involved in naming fascism in the Indian context. This is the subtext of the essay, an underlying leitmotif which does not always surface but which remains an unresolved problem that troubles me beyond the writing of this essay. Somewhere within and outside ourselves, we need to confront that dangerous border when nationalism becomes fascism, not by denouncing the other and subjecting ourselves to further aggression, but rather by questioning our own complicities in the legitimisation of violence around us.

Tellingly, the provocation for this essay has not been sparked by a direct confrontation of the *realpolitik* or a re-reading of Gramsci but by something more immediate and seemingly trivial: the all-India box office hit *Roja*, a film that hovers between the genres of romance and a political thriller dealing ostensibly with 'terrorism' in Kashmir. Not only has this unprecedented commercial blockbuster received the implicit blessings and very direct support of the ministry of defence, it has also been awarded a prize for national integration from the government of India, whose authoritarian chief election commissioner has gone on record testifying the patriotic credentials of the film.[2] Not to be outdone, it appears that the votaries of the Hindu right in the Bharatiya Janata Party, notably its leader L K Advani, have also endorsed the message of the film. And the general response not only in the mass media but among intellectuals and a great many activists as well has been largely positive, if not overly enthusiastic in a mindlessly jingoist manafacture of consent.

One could avoid writing about *Roja* altogether (even critiques are likely to contribute to its hype) were it not for the fact that the film has also been described by a minority of its dissenters as 'fascist'. Now fascism is a serious business, dangerous not only in the *realpolitik* but in the context of cinema, and any use of the term demands qualification and analysis. Fascism should not be assumed any more so than it needs to be glibly dismissed. The immediate—and tantalising—task of our times is to name fascism with critical responsibility.[3]

Significantly, I first encountered this description of the film as 'fascist', in a seminar on communalism, a subject on which we are becoming increasingly eloquent even as its realities congeal, go underground, and occasionally explode. The fact is that communalism has entered public discourse in multiple idioms and contexts—economic, political, cultural, critical. Apart from an increasing exposure of facts and figures, investigative reports, polemics on violence, there is also a growing discrimination in defining and even texturing different modes, narratives and strategies of communalism so that today we are somewhat better prepared to represent its realities even if we are unable to change them. The market has also contributed favourably to the subject with a commitment to business rather than to communal harmony.

If things are looking up for communalism on the intellectual front, the same cannot be said for fascism. Despite its close complicities with communal violence, it remains relatively unrepresented in critical discourse, where it enters fleetingly, more often than not in an alarmist mode. As much as we may be aware of the subterranean infiltration of fascist tendencies in our culture, it is still strangely difficult to name these tendencies as specifically fascist. It could be that we continue to live (or so we would like to believe) in a fractious democracy in India, whose foundations endure, however vulnerably, despite the recent spate of communal, fundamentalist, and secessionist attacks. The reluctance to name fascism could also emerge from our awareness of its historical contexts in the Third Reich and Mussolini's dictatorship, regimes of indoctrination that have been internalised at depths and levels which are not entirely familiar in the Indian context. But perhaps, this rationale could well be a wish-fulfilment on our part, an evasion of responsibility in confronting symptoms of fascism in India today.

About the only significant piece of writing in the aftermath of December 6 that has taken on the task of defining fascism in the Indian context is Sumit Sarkar's exemplary analysis of 'The Fascism of the Sangh Parivar'—exemplary, I stress, because it has both the courage and the historical preparation to name fascism with a deep sense of responsibility and rage.[4] Two particular characteristics of Sarkar's analysis (which will be echoed in my critique of *Roja*) are worth noting: the emergence of a "communal consensus" in which "a whole series of assumptions and myths have turned into common sense", and the construction of "a powerful and extendable enemy image" through the appropriation of old prejudices and the combination of new ones, which are being propagated on the media with increasing intensity.

Despite the boldness of Sarkar's intervention, one would also have to acknowledge that it is, perhaps, easier to name the fascism of the Sangh parivar than its allies, whose 'connivance and implicit sustenance from within the highest corridors of power' have almost legitimised fascism within the framework of democracy. It is in naming these allies that the "responsibility of intellectuals", in Noam Chomsky's unfailingly resonant words, "to speak the truth and to expose lies" proves to be extremely difficult. It is infinitely safer (or, should one say, politically strategic) to resort to euphemisms and leave the 'highest corridors of power' unnamed.

Indeed, we could easily deflect the entire problem of naming fascism by focusing on an infinitely more acceptable category of analysis—propaganda. Keeping this in mind, it is useful to address Ashis Nandy's three-tier framework of propaganda in which we learn that countries like India (and Pakistan) have apparently passed the initial stage of not suspecting the "hidden agenda" of the government's messages on the media to a more sceptical stage where "thought control" is increasingly perceived in the context of the "national interest argument".[5] In this evolutionary process of media conscientisation, it would seem that third world countries have yet to reach the final stage perfected in the most propagandised of capitalist societies, the US, where within the rhetoric and legislation of 'free speech', 'pluralism', and an

abundance of 'choices', there are severe limits placed on areas of 'public scrutiny', notably in exposing the lies of the government, which are erased and legitimised through the most subtle regimentation imaginable.

The reality is that while 'we' in countries like India may not have reached that stage yet, we are fast approaching it. With the increasing power of the media in India and the invasion of the satellite networks, we are being enveloped by a capitalist media culture without the infrastructure or resources to dismantle the messages and images infiltrating our cultural space. Quite simply—and critically—we are not sufficiently prepared to identify the 'manafacture of consent' which has a long history in countries like America dating back to the 20s when it was associated with the propagation of democracy and then picked up by the public relations industry, political science academia, and the entertainment business.[6] Ironically, this quintessentially American state of being 'brainwashed under freedom' is what our government has tacitly accepted and endorsed even as it continues to adopt an anti-American stand in relation to political controversies relating to nuclear disarmament and human rights violations in Kashmir.

Within the emerging malestrom of media forces in India, we find that our thoughts are being thought for us in ways that would make the indoctrination of traditional authority figures like gurus, parents, teachers almost mild in comparison. Not only are 'our' traditional cultural values being affected (the hypocritical lament by almost all politicians), the very perception of culture is being determined by the growing hegemony of national and global market forces, whose right to interpret the world is being propagated almost without dissent. This peremptory and fundamentally uncritical valorisation of the market and the state (and their collusions) by a range of media representatives in advertising, television, journalism, commercial cinema, constitutes to my mind a form of cultural fascism—liberal and even idealistic on the surface, but dangerous in the hold it has on peoples' minds and votes.

Roja, I believe, needs to be seen in this overall context in order to elaborate on its subtle and undeniably inventive extension of the 'manafacture of consent' by which the crisis in Kashmir is being circumvented by the government. Far from being a freak box-office hit, the film has been made possible through the larger 'consent' of the media culture surrounding it. In turn, it has contributed to this culture substantially by inscribing (and thereby, reinforcing) the official scenario on Kashmir with an illusion of reconciliation. Ultimately, Kashmir is 'ours', the sovereignty of its people a secondary issue to the territorial integrity of the state within the larger framework of the nation. After all, as our ministers across parties have unanimously declared, "Jammu and Kashmir has been, is, and shall be an integral part of India".[7]

Naming Fascism

Before opening the fascist dimensions and undercurrents of *Roja*, it is necessary to reiterate and inflect the question raised at the start of this essay: How does one name fascism in the Indian context? More specifically, how does one name fascism in Indian cinema? This is an even more difficult question to confront in the absence of an adequate theoretical discourse on the subject. What emerges from polemical essays and interventions in debates are scattered references to the manipulation of mass audiences through the 'ideological weapons' of techniques; the bombardment of visual stimuli in narratives devoid of 'breathing space' which prevent spectators from 'thinking' or even 'seeing'; the voyeuristic use of spectators as instruments of violence; the 'divinisation' of stars as cult figures beyond history; the stranglehold of the market and the underworld in manafacturing 'dreams' of an increasingly lumpenised culture.[8] Fascism lurks in all these phenomena without being crystallised or even named.

About the most sustained critique in film studies that attempts to contextualise symptoms of fascism in the Indian context is MSS Pandian's *The Image Trap*, which exposes the MGR phenomenon within the interstices of Tamil politics and cinema.[9] Significantly, the study is prefaced by a quotation from Walter Benjamin that sets the 'frame' for the entire book:

> Fascism sees its salvation in giving these masses not their right, but instead a chance to express themselves. The masses have a right to change property relations; fascism seeks to give them an expression while preserving property. The logical result of fascism is 'the introduction of aesthetics into political life'. The violation of the masses, whom fascism, with its *Fuhrer* cult, forces to its knees, has its counterpart in the violation of an apparatus which is pressed into production of ritual values.

This memorable statement of fascism resonates unconsciously at multiple levels in Pandian's documentation of the political realities underlying MGR's "constructed biography" and the even more terrifying endorsement of this "biography" by "the people" who saw in their chief minister a saviour figure, "the undisputed patron saint of the poor", who is deified even after this death.[10]

However, after the context of the MGR phenomenon has been made explicitly clear, when we are waiting for fascism to be named and analysed both politically and cinematically, if only to refute or differentiate it from Benjamin's perspective, it is significant that this moment never arrives. The possibilities of naming fascism are elided through an even deeper and layered elaboration of the construction of "common sense", substantiated through references to the "pre-existing cultural practices of the subaltern classes". In the process, the task of confronting fascism is sublimated through a 'subaltern' discourse, so that when there is *one* reference to the MGR phenomenon in specifically fascist terms, it is almost apologetic: "...in both real life and on the screen, MGR was presented as one among the common people and at the same time he was distant from and stood above them. Perhaps, we may mention here that this is very similar to the manner in which fascist propaganda projected Hitler".[11] Instead of deepening this valid connection, the critique is promptly authenticated (and in the process, diffused) through references to Adorno's use of Freud's psycho-analytic categories in exposing the dual impulses of the "great little man", who is at once 'omnipotent' and just "one of the folks, a plain, red-blooded American".[12] MGR is almost an afterthought in these larger references to fascism.

This brings us back to the difficulty in alluding to fascism without naming it. The problem is not semantic but political. Empathising with it rather than denying its intransigence—I am not free from the problem myself—it becomes possible, perhaps, to name the unnamed by pushing the existing categories of oppression which are acceptable in the mainstream of political and cultural discourse, and at some point, in subverting the accepted premises of dissent. In the process, one must be prepared to test and challenge the assumptions of one's own politics and loyalties to larger, people-oriented mass movements, which may be perilously close to or appropriated by the fascist tendencies one is attempting to expose.

One's critique is, therefore, vulnerable at very personal levels because it may be misunderstood by one's own colleagues in being assumed to undermine common commitments. In raising the difficult question, "At what point does a mass movement become potentially fascist", the response is generally guarded. Silence is sometimes recommended. But more often than not—and particularly, at this point in time—silence could simply be an acknowledgement of fear or a loss of words.

The task of naming fascism, therefore, is fraught with risks not only through attacks from fascists themselves (unacknowledged or otherwise) but through the burden of self-censorship. The act of naming also brings to a head the inner struggle of submitting to 'political correctness' and being 'honest', which are not necessarily synchronous.

To provide a context for this struggle in a somewhat different register, it would be useful to recall the dilemma posed to intellectuals world-wide when the resistance to communist rule by groups like Solidarity in Poland was beginning to be voiced and addressed. In one such forum in New York, Susan Sontag shocked and alienated quite a few of her supporters by recanting as it were from her earlier position in the late 50s, when she had refused to accept any criticism of communism, equating this "propaganda" with an endorsement of "McCarthyism".[13] Later in 1982 at a rally for Polish Solidarity in New York, she acknowledged not without a somewhat glib self-critique that "Communism is

fascism—successful fascism, if you will". By earlier "identifying the enemy as fascism" and believing unquestioningly in "the angelic language of communism", Sontag admitted that a "great deal of untruth" had been "countenanced".

Not surprisingly, Sontag was taken to task by a wide range of thinkers including Chomsky and Foucault who pointed out the reductive dangers of her equation between communism and fascism and her disregard for the New Left critique of communist demagoguery Her own tendency to "exaggerate" everything was also highlighted, which encouraged her "not merely to say explosive things that are absurd...but often, to say explosive things because they are absurd." While accepting the validity of these criticisms, one should also acknowledge that Sontag was touching on a very sensitive nerve in illuminating the dubious ethics by which the lies of the 'enemy' are exposed at the expense of confronting the lies endorsed in fighting the 'enemy'.

Does the responsibility of intellectuals ultimately lie in exposing one set of lies at the expense of silencing others? How does one strategise one's own evasions? And to what extent can one justify them for 'the common good'? What are the limits of protecting lies in the national interest? These questions resonate deeply in the Indian context today and are at the very heart of the representation of Kashmir in the *realpolitik* and cinema.

Constructing the Enemy

About eight years before Sontag equated fascism with communism, she had written one of her most thought-provoking essays 'Fascinating Fascism' (1974) on the rehabilitation of one of the most "artistic" propagandists of the Third Reich, Leni Riefenstahl.[14] While it is established in film circles that her *Triumph of the Will* was admired by the Fuhrer himself as "a totally unique and incomparable glorification of the power and beauty of our movement"—indeed, he and Goebbels collaborated with Riefenstahl on staging the second National Socialist Party congress to meet the demands of her *mise en scene*—the director herself constantly reiterated in the post-war years that her film was not propaganda but *cinema verite* ("It is history—*pure history*"). And the fact is that this is how many enlightened spectators have chosen to believe in her work, justifying or denying her propaganda with a wide range of rationales.

It is not necessary to enter into the details of this debate except to stress for the purpose of this argument that propaganda in cinema—fascist or otherwise—is not always recognised as propaganda. Indeed, the idiom of propaganda does not have to be tendentious or overtly political at all. Rifenstahl's Nazi affinities can be studied in her more 'innocent', commercial alpine romances, as Sontag indicates so brilliantly in the process of reminding us that the "formal structures and themes of fascist art" can also be traced in entertainments and spectacles like Stanley Kubrick's *2001 Space Odyssey*, Busby Berkeley's *The Gang's All Here*, and the great family musical Walt Disney's *Fantasia*.[15]

This provides a valuable clue towards opening the fascist dimensions of *Roja*, which is one such 'entertaining' film, a patriotic romance that sets a young couple against 'terrorists' in Kashmir with the state providing the necessary link. The film is dangerous not because it is obviously so, but precisely because it is so refreshingly 'innocent'.

On the surface, *Roja* carries its political agenda lightly which is part of its deadly charm. Subalternity is restricted to the rural family background of the heroine (Roja), more of an idyllic backdrop than a source of struggle. The class base of the film, however, is determined by the metropolitan hero, Rishi Kumar—a nice, suitable, brahmin 'boy', who desires a bride from a village because he has "fallen in love with the soil of the place", as he disarmingly admits. He is obviously educated enough to be a cryptologist, a profession that he assumes with a certain cool, his affiliations to the topmost intelligence services in the country handled with an understated nonchalance. This patriotic Indian is also an indigenised yuppie, a distant figure from a subaltern hero or rabble-rousing activist.

Even his patriotism appears rather unselfconscious in comparison to the nationalist blockbusters of the past, notably Manoj Kumar's lachrymose rhetorical dramas on 'service to the nation' in *Shaheed, Upkar* and *Roti Kapda Aur Makan*, in addition to Chetan Anand's more strident *Haqeeqat* on the 1962 Chinese debacle, where 'mongoloid' Indian actors contributed to the construction of a 'foreign' enemy image.

It is only in recent years, with the communalisation of popular culture in India, that 'enemy images' in cinema have been marked with specific political signs in the Indian context. Earlier 'enemies' were subsumed in the larger category of 'villains.' And villains have almost invariably been entertaining, exaggerated, histrionic figures—think of good old Pran swigging a bottle of VAT 69 plotting revenge against the hero. The nostalgia is almost immediate. Later, as filmic narratives became more violent, the villains were more sharply individuated, acquiring almost bizarre dimensions in non-realist and hyper-realist modes of performance. I am thinking here of the larger-than-life Gabbar Singh in *Sholay*, the megalomanic Mogambo in *India*, the frenetic 'oriental' spy Dan in *Karma*, and more deviantly, the outrageously transvestite Maharani in *Sadak*, who is both the madame of a brothel and a don of the underworld. At least two of these figures are clearly cast as destroyers not only of the 'community' but of the 'nation' at large. Indeed, when Dilip Kumar finally corners Dan in *Karma*, he proceeds to riddle bullets around him with a machine-gun, creating in the process that unforgettable image of a map of India. At one level, this is a nationalist inscription with a vengeance, but the cinematic construction is so wild that one is compelled to applaud its ingenuity. Xenophobia is not the issue, but rather, the flair with which the *coup d'etat* is executed.

These references to earlier modes of villainy (which are not 'innocent', steeped as they are in sexist and lumpen glamorisation) provide a point of reference, nonetheless, for examining the very different construction of the 'enemy' in *Roja*. Here there are no villains in the earlier sense, but enemy figures who are specifically marked as 'Kashmiri' and 'Muslim'. Their representation is almost low-key, even 'realistic' by commercial film standards. Far from being flamboyant or even caricatured, they are played in the context of verisimilitude. They even 'look' Kashmiri, the 'terrorists' being represented by north Indian actors, the leader Liaquat played by Pankaj Kapoor, who is better known all over India as the Hindi-speaking 'masterji' in the popular television serial *Zaban Sambhalke*, which focuses on the teaching of the 'national language' to all communities in India.[16] The fact that Liaquat is able to communicate with Rishi Kumar from Tamil Nadu is 'explained' through his earlier study of BSc Agriculture in Coimbatore.[17] These are the 'naturalist' details, the 'lower depths' to which Mani Ratnam is capable of sinking in order to substantiate the 'reality' of his narrative.

More than one enthusiast of *Roja* has undermined the danger of its representation of the 'enemy': "There are no black and whites in the film, but varying shades of grey. Mani Ratnam does not paint the militants as totally evil, but merely as deviants in a society gone wrong."[18] This, according to a reviewe , is "where the genius of *Roja* lies." Precisely: the 'genius' of propaganda, which makes you believe that Ratnam is sympathetic to these 'deviants', who incidentally are not 'militants' but 'terrorists.' (In the Tamil version of the film, the use of the word 'theveravathi' ('terrorist'), is specifically distinguished from 'porali', ('militant')—a distinction that has become particularly conspicuous since Rajiv Gandhi's assassination.)

How, one wonders, are these 'objective' reviewers capable of forgetting that these 'deviants' are also presented in a rather monstrous light? The hawk-like, sinister persona of Wasim Khan is never once humanised. In a sense, he continues to be a 'villain' in the earlier mould of Indian cinema, but his frenzy and somewhat demented demeanour are contained within the framework of naturalism. Liaquat is more 'civilised', but let us not forget the knife that he points at Rishi Kumar's neck, drawing a trickle of blood (very discreet, but sadistic nonetheless); the slaps that he inflicts on his sister (whose compassion is problematically silent); and the blows with which he hammers the hero in the *Jai Hind* sequence. The very rhythm and movement of the camera are positively menacing when we first encounter the 'terrorists' in their own terrain, when at abrupt intervals, they appear suddenly like predatory guards, masked and pointing their guns directly at 'us' in the

audience. How can all these details be regarded as 'grey' in representing the 'terrorists'?

Of course, the menace of the 'terrorists' is not conveyed through violence alone but through the more ambiguous sign of prayers. Are there any 'greys' to be found in the synthesised calls to prayer on the soundtrack which resemble the wails of banshees? Is there any 'balance' in the disorienting angle of the shot depicting Muslims praying—a shot that is deliberately inserted in a sequence of images representing 'Kashmir' when it reappears in the middle of the film? The other shots (almost like quotations) accompanying this image are the army drill and an explosion. Prayer is interspersed between maintenance of order and its disruption. Why does 'Islam' have to be quoted so emphatically and equated with disturbance?

The most insidious representation of 'Islam' is when Liaquat is praying while Rishi Kumar is going berserk rolling on the ground while attempting to extinguish the national flag burned by the 'terrorists'. What almost every single reviewer has relished about this sequence is its great act of patriotism, the more astute pointing out that 'our' hero Rishi Kumar resembles one of the Mandal commission agitators in his flame-resistant blue jeans. But what needs to be emphasised is that this sequence does not begin or end with Rishi Kumar but with Liaquat praying and ending his prayers by wiping the palms of his hands over his face, and then jerking his head in the direction of Rishi Kumar (off-screen). These are the punctuation points that frame the entire sequence, the patriotic tumult (accentuated by hysterical chants on the soundtrack rising in a crescendo, declaiming the 'oneness' of the country) interspersed with shots of Liaquat praying with an almost fanatical calm.

Underlying the orchestration of the scene is a principle drawn from Mani Ratnam's deepest influence as a film director: advertising.[19] The principle is one of foregrounding a particular message by filling the background with seemingly irrelevant and contradictory details. To reiterate a truism, what is being sold in an advertisement of soap, for example, is a particular style of living and thinking without which that particular brand of soap would have no 'marketable' value. In a strategically altered mode, Ratnam is 'selling' the hottest brand of nationalism and to make it not just palatable but desirable, he is setting the mood not only with sharp cuts and a rousing soundtrack but through the juxtaposition of negative images of the 'enemy'—some hyperactive 'terrorists' beating the hero up; one absolutely still, a man lost in prayer.

This is the central sequence in *Roja* that borders, to my mind, on fascism, echoing the feverish pitch of the opening sequence of the film in which we (in the audience) enter the frame of action along with the rifle-wielding militia accompanied by Alsatian dogs straining on the leash in hot pursuit of Wasim Khan. Our empathy with the army is monitored kinetically from these very first images, and the pace is sustained in the subsequent Kashmir sequences reaching its climax in the flag-burning episode. Here the peaking of nationalist fervour is consolidated, I repeat, through the inscription of the 'enemy' (Liaquat), whose 'faith' is so intense (rather like his primordial link to the concept of jihad) that it seems to transcend reason, humanity, history. It is a non-negotiable source of power that is ultimately linked to the perpetuation of violence. And the only legitimate counter to this threat is a delirious state of self-sacrifice driven by the hero's uninflected courage and surrender to the highest ideals in fighting for the nation. Here he is not just defending the nation with patriotic cries of *Jai Hind*, he is entering a state of hypernationalist transcendence.

Sympathy Factor

If there is one aspect in *Roja*'s narrative that has been consistently misread, it is the 'sympathy factor' which has diluted the 'enemy image' of the 'terrorists' without altering its essential violence and threat. At even subtler levels, the 'sympathy factor' conditions one's viewing of Rishi Kumar's boss who is a top consultant for the Indian state in deciphering enemy codes.

This benign, fatherly figure carries his authority so lightly that it would seem somewhat exaggerated to cast him in the context of 'the authoritarian Indian'. Certainly, he is not one of those victims of technology, science, and westernisation in modern India who is "psychologically uprooted" and desperately in search of "total ideologies and value-systems".[20] On the contrary, the boss in *Roja* is a thoroughly, 'rooted', traditional brahmin, his connections with scientific knowledge judiciously balanced with his understated religiosity. In his office, there are computers and a neat row of religious pictures, including a photograph of Ramana Maharshi. In addition, he is the only person in the metropolis who is able to establish an immediate, nativist link with *Roja*, querying her about local food preparations and the location of temples.

Though he appears only in two scenes, his sudden (and convenient) illness precipitating Rishi Kumar's trip to Kashmir—indeed, the boss provides the structuring principle on which the narrative of *Roja* pivots—one realises the political resonances of his role in the context of what Ashis Nandy has illuminated about the psychology of fascism in India:

> Even when the authoritarian Indian takes a revivalist position, thereby trying to return to the uterine warmth of an idealised past and an idealised motherland, what he projects into the past and into the concept of the nation are nothing other than conventional western middle class values.[21]

This is the paradox of the 'rootedness' conveyed by the boss insofar as it coexists, and perhaps reinforces his affinities to the most lethal 'westernisation' embodied in the mechanisms of surveillance facilitating the protection of the nation. Through his affiliations to *Roja*, a direct link is established between espionage in the national interest and the exaltation of the community so conspicuous in the celebration of village life in the first half of the film.

Whether the village is named Sundara Perumal Puram (as in the Tamil version of the *Roja*) or Sunder Bhanpur (as in the Hindi version), the fact is that this is a synthetic pan-Indian village whose geography covers a panorama featuring almost all aspects of the national landscape including mountains, fields, waterfalls, running brooks, creeks. The village is also essentialised as a totally harmonious social structure dominated by old women who play an active role in celebrating Rishi Kumar's wedding night, gyrating lasciviously to the strains of a pornographic song highlighting the thrill of coitus. Here, unlike the more discreet sexuality of the couple's first night in Kashmir, Ratnam does take a risk in stretching the norms of titillation in commercial cinema by making old women (significantly no old men) compete with the frenzied dancing of the village youth, whose violent pelvic thrusts are counterpointed with the more sinuous movement of sexy mother-figures.

Once again, if this is 'acceptable' as part of the Roja's world, it is because the treatment of the community is overwhelmingly sympathetic. Apart from a slight feud in Roja's family, which is countered through her grandmother's intervention, there are no caste tensions, no panchayat politics, no blatant disparities in income—in short, we are presented with a totally 'unreal' utopia from which Roja is thrust into the *realpolitik* of Kashmir.

The 'sympathy factor' is, perhaps, strongest (and most deceptive) in the projection of Roja herself as an 'individual' who is able to expose the limitations of the state. In one of the most analytical readings of the film provided by Tejaswini Niranjana, we learn of "the failure of the state, which cannot defeat the militants, cannot rescue its employee, a failure that can be made to justify a middle class rejection of it in favour of liberalisation and free enterprise".[22] In a more journalistic vein, this statement has been reduced to a punch-line: "The system has failed; it's up to the individual".[23] Certainly, the most symptomatic moment in the film that substantiates this view is Roja's sharp (and much-quoted) rejoinder to the colonel, when he declares that her husband cannot be released in favour of Wasim Khan: "Would you say that same thing if a 'mantri ki beti' were kidnapped? Is a mantri ki beti more important than my husband".

Here, too, as in the sequence with the burning flag, there is double message at play. Overtly, there is sympathy for this brave young wife who is obviously familiar with the *realpolitik* to recall the kidnapping of an erstwhile home minister's daughter by Kashmiri militants and her subsequent release through government intervention at the highest levels.[24] In articulating her position in opposition to that of the privileged mantri ki beti, Roja is obviously striking a chord—

she is 'one of us'. But significantly, she is also striking a chord with the colonel, who listens attentively, even compassionately, and later intervenes on her behalf so that Roja can directly address a minister from New Delhi about the release of her husband. And miraculously, with no bureaucratic hassles whatsoever, the government agrees to release Rishi Kumar. The order may come 'from above', but the agencies facilitating them are essentially benign and understanding. I would contend, therefore, that 'we' (the people watching *Roja*) are given the illusion that the state needs to be defied, but in actuality, the state is *with* us and is even willing to be guided by us.

In this context, though Roja does take the initiative when the 'terrorists' fail to deliver Rishi Kumar, she is accompanied by an entire battalion of rifle-wielding soldiers who protect her. In their vigilance, which is more ceremonially visible in the army parade represented earlier, we witness the most efficient demonstration of military power in the history of Indian cinema. It is the 'terrorists' who bungle, while the army keeps its word with the necessary precautions. The only inefficient member of the state is the poor sentry who falls asleep on duty outside Roja and Rishi Kumar's hotel room in Srinagar, but then, he does not belong to the rank and file of the army.

In short, it is a euphoric misreading to imagine that *Roja* is celebrating individualism above the power of the state. The fact is that Roja and Rishi Kumar are integrally a part of the state. If the fervent wife gets hysterical and places her husband above the state, that is only to be expected. Ultimately, it is the patriarchy of marriage and the benevolence of the state that protect her. In the concluding shots of the film, as the army scurries off in pursuit of Liaquat (no 'happy end', I imagine, for him once he is caught), a sobbing Roja drops at her husband's feet, reliving that eternal icon of the devoted Indian wife. The husband picks her up and gently caresses her cheek, but—this is a telling sign—there are no tears, not even glycerine drops. Somewhere in the chemistry of Mrs India and the system sustaining her, there is a triumph of the will.

Manafacturing Consent

There is more that can be read in *Roja*, but a sufficient context has been provided, I believe, to examine how the official position on Kashmir is being validated in the larger endorsement of the film. Not only is the hype surrounding the film directly related to public relations and big business, it is more disturbingly orchestrated to enhance an integrationist image of Kashmir for which the government has awarded the film by waiving its entertainment tax. More than the rave reviews which have gushed about *Roja*, the more disturbing critiques are those which have self-righteously vindicated the 'patriotic' premises of the film with a specious objectivity.

No issue has been more earnestly—and hypocritically—defended than the representation of human rights as is evident in the following response:

> Of course, the Indian army is not a bunch of Sir Galahads. Of course, there have been human rights violations. Sadly, a lot of our intellectuals are totally silent about the other side of this: the human rights violations of the terrorists. Sadly, no one also writes about the army jawan spending his days in constant danger in unfamiliar and hostile territory. What's wrong with saying good things about our military then? What is wrong with showing courageous soldiers?[25]

Even if one wanted to parody a defence of the state, I do not think this statement can be surpassed. The human rights argument (why do not you show the poor jawans suffering?) is characteristic of the pitch on many features, documentaries, and talk shows on Doordarshan, which are going out of their way to elicit (and exploit) sympathy for the suffering jawan.

If there have been human rights violations by the army, then why keep silent about them? In a spirit of objectivity, show 'both sides of the picture'. Along with Liaquat beating Rishi Kumar, Why do not we also see the Indian army picking up civilians from the streets, searching houses at random, killing demonstrators in self-defence, and 'worse' (the euphemism for rape). The problem with showing 'courageous soldiers' is not that they lack courage but that they are capable of a totally unjustified violence, which even the state has been compelled to acknowledge.[26] But to show these violations, one would necessarily have to show 'people'—and that is one category of the human race that is conspicuous by its absence in the Srinagar of *Roja*, apart from two cursory shots of a newspaper boy and a row of detainees lined up against a wall.

Once again, there can be perfectly 'justified' reactions: "The film clearly explains that there are no people on the streets because there's a curfew on. Reviewers should do well to watch the film—which after all is providing his bread and butter—instead of looking for Hindu communal snakes under the seat".[27] The fact that a director has multiple options within his fictional framework to present the contradictions of a situation is obviously lost on this 'critic'. Why does Kashmir have to be reduced in *Roja* to a confrontation between 'terrorists' and the army with a romantic couple caught in the cross-fire with one displaced Tamil tour-guide providing some comic relief? What is the politics of this reduction? What is it saying (or not saying) about the people who live in Kashmir and who are neither 'terrorists' nor members of the army? Why are they erased? These questions have serious political implications, and they cannot be dismissed through claims (with no concrete evidence) that *Roja* is extremely popular on the video circuit in Kashmir. Instead of assuming some kind of subaltern endorsement in this 'fact', I would be compelled to probe who exactly is watching the film (apart from the army) and what is being perceived.

The defence of *Roja* in these earlier paragraphs is a fine example of the 'pragmatic criticism' that Noam Chomsky has cautioned against in his reflections on the 'manafacture of consent'. Through a seemingly reasonable and self-righteous stand, the 'pragmatic' critic actually contributes to 'thought control' by working within the rules of the game. Democratic systems do not merely tolerate such criticism, they even welcome and honour it on occasion because it contributes to the larger myth of a free exchange of ideas. Obviously, there are different levels of expertise in reinforcing the premises of the state, but they meet through a common ground of complicities which empower what people think. These complicities are 'manafactured' not by force, but through the most 'open' and, at times, inane of exchanges.

Inanity is frequently the distinguishing mark of propaganda in a democratic system. In the magazine culture that proliferates under its patronage through 'free enterprise', it is not uncommon for a certain mindlessness and vacillation to be upheld as a norm. Thus, in the *Sunday* magazine cover story of *Roja*, after mock-serious dismissals of the film's potential danger (it will not lead to "raucous calls for our own *lebensraum*") and a tacit acknowledgement of its "jingoism...that could stick at the level of the subconscious", the ultimate verdict is that the film "might or mightn't lead to anything".[28] When a critical attempt is made to counter this evasion through a position, it is generally dismissed with a facile quip: "*Economic and Political Weekly* now carries turgid academic analyses of the film, and every kitty party in the capital seems to revolve around *Roja*".[29] As part of the same trivial rhetoric, another appreciative comment on *Roja* is inscribed in a feature on the Miss India Beauty Competition. On Kashmir in particular, the first runner-up is definitely worth quoting: "It's India's Eden. How could anyone think of giving it away?"[30] This casual angst for a potentially lost paradise is symptomatic of a growing public consensus that Kashmir is 'ours'.

Sometimes in the midst of quips and chatty columns, there can be some down-to-earth advice from veteran journalists like Khushwant Singh, whose capacities to combine the personal, the political and the sexual have endeared him to millions of readers and the state. While breezily dismissing a "Punjab-like solution" to the Kashmir problem, and advocating a need to break the deadlock created by Indian and Pakistani governments through "the pressure of public opinion in both countries", Singh ultimately neutralises the validity of his points by chatting about other matters, ranging from the death of a film star's father to the growth of cactus to the translation of a love poem to his inevitable dirty joke.[31] By the time you have read it and attempted to laugh, Kashmir is forgotten.

If the 'pressure of public opinion' has to be taken seriously, it cannot be subsumed in the 'manafacture of consent' provided by the

trivialisers of free speech in the mass media. Other forums and languages are needed through translation, songs, poems, pamphlets, documentaries, and hopefully, counter-films to *Roja*. The thrust of these alternative discourses could meaningfully cohere around a more detailed knowledge of the history of Kashmir since independence—a history that is being subtly suppressed. It could be argued, of course, that there is free access to information in a democratic society, but one can be equally sure that little or nothing will be done by the state or its allies to provide a more complete picture of all the complicated, fractious, and violent details of history that are best ignored 'in the national interest'.

The right to know the history of Kashmir beyond crude associations with 'terrorism' needs to be demanded and actively pursued by all citizen groups and public forums in India concerned with the protection of democracy. It is shocking indeed to realise not only how little we know, but how we accept this fact. A more detailed awareness of Kashmir (and not just the 'Kashmir problem') can begin only if we are prepared to counter our somnolence by consciously seeking out relevant facts and new strategies of intervention: the limits and possibilities of regional autonomy in Kashmir in the context of the abortive attempts in the past to negotiate and then deny this autonomy; the need to respect 'Kashmiri' identity as a complex of cultural and ethnic strains without equating it with 'Muslim' fundamentalism; the capacities of a democratic state to tolerate, as Balraj Puri puts it so bravely, "non-terrorist and peaceful expression of secessionist ideas".[12]

Dissent cannot be summarily equated with anti-nationalism. It needs to be contextualised within the specific histories of pain shared by different communities in Kashmir and addressed not with token concessions and gestures of sympathy, but concrete political measures. Nor can dissent be denied on the grounds that only a 'unified' (read: government) stand can prevent Kashmir from erupting into a 'thousand Bosnias'. More critically, dissent should not be equated with a tacit support for the aggressive internationalisation of the 'Kashmir problem' by Pakistan abetted by the US, whose policing of human rights is one of the most violent ironies in global politics today. The manipulative roles of Pakistan and America need to be confronted critically but not at the expense of addressing the very real estrangement of the people in the Kashmir valley from the rest of India. If Kashmir is an 'internal problem', then it is necessary to acknowledge the validity of dissent in negotiating differences not only in relation to 'militancy' but to certain constructs of the 'nation' in the country at large. The determination of the 'sovereignty of people' is not the prerogative of the state alone.

It would be presumptuous to assume that the 'Kashmir problem' can be resolved through cultural intervention. But considering the traumas that have emerged through the failed illusions, betrayals, wars, and collusions determined by a succession of political regimes, one could suggest the creation of a more humane ground for debate and dialogue through interactions between artists, writers, thinkers, and concerned citizens across the border(s). The 'responsibility of intellectuals' today is not to allow the exigencies of the *realpolitik* to destroy the possibilities of interaction with 'others' or to compromise on the freedom to think differently. By merely mounting or endorsing the categorical imperatives of the state, we are not protecting the 'national interest' but further contributing to a 'manafacture of consent' that needs to be disrupted. To acknowledge the democratic necessities of this disruption is, ironically, to risk being considered anti-national. But this risk is unavoidable today if we want to keep the struggles within democracy alive. It is not just the 'azadi' in Kashmir that is at stake, but the foundations of our own freedom as well.

I end this essay somewhat unexpectedly on an 'embrace'. This is how most romances are supposed to end and *Roja* is no exception. Sometimes in the closing shots of a commercial film, it is not just the lovers who embrace but their fathers as well. In *Roja*, the fathers are quite nondescript and absent, the state having usurped their roles. However, it would have been deeply moving to my mind—indeed, real tears could have been shed—if another embrace could have been realised: the embrace of Liaquat and Rishi Kumar. At an earlier point in time, this 'impossible' moment could have been realised through an 'unreal' narrative building to a rousing climax in which these estranged brothers could have embraced. But *Roja* is 'real' after all—so the final meeting between the 'patriot' and the 'terrorist' is perfunctory and falls flat.

Filling the void in the *realpolitik* beyond *Roja* is the embrace of politicians. Not the two leading negotiators of Kashmir within the home ministry whose tensions have resulted in a much-publicised 'cold war', but rather, two politicians from opposite camps—a 'liberal' veteran of the Hindu right and a tough-talking young Congressman. In their embrace, following the pyrrhic 'victory' of the Indian government at the recent talks in Geneva, both partymen grinning ecstatically at the camera (and 'us'), we confront the new complicities of our times: Congress-BJP bhai-bhai. This embrace would seem to contradict all the earlier dissensions between the defenders of the Sangh parivar and the upholders of a secular Indian state, between those politicians branded as 'deshdrohi' and the others claiming to be patriots. Where are the borders today in this dissolving of differences, this great show of 'unity'? What is being suppressed, denied, lied in this demonstration of loyalties? What is being celebrated? The 'national interest' or the collusions in 'the highest corridors of power'? The unnamed needs to be addressed.

Notes

[I would like to acknowledge the critical contributions and insights that I have received from Paneer Selvan, Sadanand Menon, Rajeev Bhargava, and Gautam Navlakha in the writing of this essay.]

1 Noam Chomsky, 'The Manafacture of Consent', *The Chomsky Reader*, edited by James Peck, Pantheon Books, New York, pp 121-36.

2 T N Seshan's comment, "I unhesitatingly recommend this movie which should be seen by everyone", has been included in the hoardings of *Roja* as part of the advertising.

3 Fascism has yet to be rigorously defined within the contradictions of the Indian context, but in my use and questioning of the term in this essay, I am referring not only to extreme forms of authoritarian behaviour, but more specifically, to a hypernationalist endorsement of the power and legitimacy of the state in controlling the thoughts and lives of people through mechanisms of propaganda and violence.

4 Sumit Sarkar, 'The Fascism of the Sangh Parivar', *EPW*, January 30, 1993, pp 163-67.

5 Ashis Nandy's comments are highlighted in Mannika Chopra's brief analysis of 'Propaganda as Hysteria' included in the 'Insight' section of *The Telegraph*, February 13, 1994.

6 Noam Chomsky, op cit, p 136.

7 Quoted in report entitled 'Both Houses Pass Resolution on J and K', *The Statesman*, February 23, 1994.

8 For more details read Kumar Shahani's 'Politics and Ideology: The Foundation of Bazaar Realism' and Madan Gopal Singh's 'Technique as an Ideological Weapon', included in *Indian Cinema Superbazaar*, edited by Aruna Vasudev and Phillipe Lenglet, Vikas Publishing House, 1983; Rashmi Doraiswamy's 'Ideologic Front of Indian Cinema', in *Patriot*, August 31, 1980; Ashis Rajadhyaksha's trenchant account of the state control of television entitled 'Beaming Messages to the Nation', *Journal of Arts and Ideas*, May 1990, pp 33-52.

9 M S S Pandian, *The Image Trap*, Sage Publications, New Delhi, 1992.

10 As documented in *The Image Trap*, the facts of MGR's regime are deeply disturbing: a 11-year authoritarian rule determined by the most ruthlessly engineered corruption spearheaded by liquor barons, real-estate magnates, ruling party politicians, and implemented by a police machinery responsible for annihilating the 'mildest forms of dissent' through terror tactics resulting in jail deaths, illegal detention of innocent people, and a general intolerance for civil liberties. Ironically, even the most 'humanitarian', people-oriented programmes such as the Nutritious Meal Programme set up in the memory of MGR's mother ('Till my last breath, I will work for the people so that no mother in Tamil Nadu suffers the way my mother did') were actually financed by the poor themselves through tax revenue which ultimately facilitated "calculated political investments".

11 M S S Pandian, ibid, p 118.

12 M S S Pandian, ibid.

13 All references to Susan Sontag in the context of the debate concerning propaganda are taken from Sohnya Sayres' study of her work entitled *Susan Sontag: The Elegiac*

Modernist, Routledge, New York, 1990, p 136.

14 Susan Sontag, 'Fascinating Fascism', *A Susan Sontag Reader*, introduced by Elizabeth Hardwick, Penguin Books, 1983, pp 305-25.

15 Susan Sontag, 'Fascinating Fascism', ibid, p 316.

16 *Roja* opens up the politics of casting which was a non-issue in Indian cinema till very recently. Earlier, in the late 50s and 60s, for instance, villains were type-cast. There was an unquestioned convention in relating a particular actor to the 'role' of the villain which had nothing to do with his or her religious or political affiliations in real life. This was possible because communities, for the most part, were not marked in Indian cinema on the basis of religion. Rather, there was a constant spillage between cultural, religious, and fictional identities.

Today, however, we are beginning to confront new modes of differentiating actors both on screen and off. Their political affiliations can no longer be taken for granted; their links to the underworld and political parties are more 'real' than ever before. While at one time the fictionalisation of screen identities transcended the specific loyalties of an actor to a particular religion, creed, or party, the 'private' and the 'public' are more blurred today, as communal realities have entered the fictional frames and disrupted earlier, more 'innocent' (or perhaps, more complacent) modes of seeing.

17 The bilingual possibilities of *Roja* are implicit in the narrative insofar as it brings together people from Tamil Nadu/'the south' and Kashmir/'the north'. Unfortunately, Mani Ratnam frustrates these possibilities through his commitment to a predominantly monolingual accessibility. The real politics of the language in the film has been determined by its dubbing from Tamil into Hindi, which has proved to be so lucrative that yet another jingoist Tamil film, *I Love India*, featuring an army officer fighting Kashmiri terrorists, is going to be dubbed into Hindi.

The other political dimension of language in *Roja* is its uncritical, even 'positive' use of the English language (which, of course, remains the same in both the Hindi and Tamil versions of the film). From the sweet banalities of 'I love you' to the more 'professional' use of the word 'cryptologist', *Roja* reveals its openness to 'westernisation' which is part of its projection of 'development' in India.

18 Minu Jain, 'One for the Little Guy', *Sunday*, February 25-March 5, 1994, p 53.

19 A more detailed analysis of Mani Ratnam's cinematography could reveal how his most memorable sequences, notably the song picturisation of *Chhoti si Aasha*, are steeped in the formulae of picturesque, seductive advertising. He is assisted in this respect by his music director, A R Rahman, whose catchy and cute tunes with teeny-bopper rhythms are a skilful extension of his considerable experience in composing advertising jingles.

20 This description of the 'authoritarian Indian' is from Ashis Nandy's shrewd analysis of 'Adorno In India: Revisiting Psychology of Fascism', included in *At the Edge of Psychology*, Oxford University Press, New Delhi, pp 99-111.

21 Ibid, p 105.

22 Tejaswini Niranjana, 'Integrating Whose Nation? Tourists and Terrorists in *Roja*', *EPW*, January 15, p 81.

23 See caption to the review 'One for the Little Guy', op cit.

24 While *Roja* is obviously referring to the kidnapping of Rubaiya Sayeed, the daughter of former home minister Mufti Mohammed Sayeed, it appears that Mani Ratnam himself was partially inspired to make *Roja* after the oil executive D Doraiswamy was kidnapped by 'terrorists' and later released. Instead of fictionalising and valorising the *realpolitik*, what is needed is a more critical view of how kidnappings have been legitimised by the state itself.

25 Sandipan Deb, 'Objective Zones of Prejudice?', *The Economic Times*, January 25, 1994. This was a response to an earlier, more 'critical' review of *Roja*, which Deb proceeds to tear apart in the name of 'accountability' without questioning his own premises.

26 The evidence is documented in Balraj Puri's *Kashmir: Towards Insurgency*, Orient Longman, p 72.

27 Sandipan Deb, op cit.

28 'The Roja Phenomenon', *Sunday*, February 25-March 5, 1994, p 58.

29 'Diary', *The Telegraph*, February 20, 1994.

30 *The Telegraph* magazine, feature on Miss India Beauty Contest, February 20, 1994.

31 Khushwant Singh, 'Time for Enmity to Give Way to Amity', *The Telegraph*, February 14, 1994, p 9. The photograph accompanying this column shows rifle-wielding Kashmiri militants with a caption that reads: '... state of no return'.

32 Balraj Puri, op cit, p 74. This is a deeply lucid and responsible reflection on the history of Kashmir that needs to be widely read and discussed particularly in the context of negotiating 'regional autonomy'.

REVIEW ARTICLE

From Metaphysical to Political: John Rawls' Revised Version of Libe

Prakash Sarangi

Political Liberalism by John Rawls; Columbia University Press, New York, 1993.

I

JOHN RAWLS' *Political Liberalism* (1993)* is an important landmark in contemporary liberal theory. It is a continuation of his earlier work *A Theory of Justice* (1971), which was written in an era of decline of political philosophy and which has made him almost a celebrity. His ideas on justice have been powerful, subtle and wide-ranging. Nozick's prediction that political philosophers would have to "either work within Rawls' theory or explain why not" has indeed come true [Nozick 1974: 183]. Rawls' ideas have been assessed not only by political and moral theorists, but also by economists, jurists, sociologists, international relations scholars and lay critics. The responses are not confined to the western world; he is read and discussed in almost every country. However, no critic has agreed with Rawlsian ideas *in toto*. He has been criticised both by liberals and libertarians, by conservatives and Marxists. Since 1978, Rawls has been writing off and on and has been giving occasional lectures primarily as replies to critics. In the process, he has revised and systematised his notion of 'justice as fairness'. The result of this enterprise is his latest book, *Political Liberalism*. It is more than a compilation of his earlier writings (1978, 1980, 1982a, 1982b, 1985, 1987, 1988, 1989). He has revised those papers considerably, added an unpublished paper, 'The Idea of Public Reason', and has presented an introductory chapter which lucidly knits together his idea of political liberalism.

The aims of *A Theory of Justice* were to generalise and to carry to a higher order of abstraction the doctrine of social contract as an alternative to the moral theories of utilitarianism and rational intuitionism (1971: vii-viii). Justice as fairness was the chief structural feature of this conception. The social contract tradition was seen by Rawls as part of moral philosophy. A moral doctrine of justice which is supposed to be general in scope was not distinguished from a strictly political conception of justice. However, Rawls' attempt to present a universal moral theory led to several logical inconsistencies. Justice as fairness was framed to accord with the idea of a 'well-ordered society'. A well-ordered society was supposed to be regulated by a public conception of justice. It is a society in "everyone accepts and knows that s accept the same principles of justice, and the basic social institutions satisfy and are known to satisfy these principles" (1971: 454). Such a society is relatively homogeneous in its basic moral beliefs and there is broad agreement about what constitutes the good life. Since a well-ordered society endures over time, its conception of justice is supposed to be stable, i e, when institutions are just, as defined by the conception of justice, those taking part in these arrangements acquire the corresponding sense of justice and desire to do their part in maintaining them.

Such stability provided a basis for Rawls to argue that justice as fairness was a comprehensive philosophical doctrine. But Rawls faced a problem because the idea of a well-ordered society of justice as fairness is not only unrealistic but is also incompatible with the fact of reasonable pluralism. In his new book, he sets the tone of this argument thus:

> A modern democratic society is characterised not simply by a pluralism of comprehensive religious, philosophical, and moral doctrines but by a pluralism of incompatible yet reasonable comprehensive doctrines. No one of these doctrines is affirmed by citizens generally. Nor should one expect that in the foreseeable future one of them, or some other reasonable doctrine, will ever be affirmed by all, or nearly all, citizens. Political liberalism assumes that, for political purposes, a plurality of reasonable yet incompatible comprehensive doctrines is the normal result of the exercise of human reason within the framework of the free institutions of a constitutional democratic regime. Political liberalism also supposes that a reasonable comprehensive doctrine does not reject the essentials of a democratic regime (1993: xvi).

Now, instead of looking for a comprehensive moral doctrine, Rawls attempts to present a political conception of justice. This justice is the focus of an overlapping consensus of reasonable comprehensive doctrines. Justice as fairness is now presented as an example of such a political conception. Being the focus of an overlapping consensus, it can be endorsed by the main religious, philosophical and moral doctrines that endure over time in a well-ordered society. it is the most likely basis of social unity available in a constitutional democratic regime. Were it achieved, Rawls believes, it would extend and complete the movement of thought that began three centuries ago with the gradual acceptance of the principle of toleration. This process would end with the full acceptance and understanding of modern liberties.

The problems of contemporary political life do not centre around simply the issue of religious toleration but extend to diverse issues based on race, ethnicity, gender, etc. This calls for a different set of principles of justice which *A Theory of Justice* did not discuss. Rawls is aware of this. The earlier version of liberalism was intrinsically faulty because it relied on abstract concept of the person and used individualist, non-social idea of human nature. It employed an unworkable distinction between the public and the private that rendered it unable to deal with the problems of gender and family. It is because of these problems that Rawls sets out to present his notion of justice as fairness as a form of political liberalism. He seems to argue that it is possible to delinate the fair terms of social co-operation between citizens characterised as free and equal yet divided by profound doctrinal conflicts. This is a problem of political justice and not a problem about the highest good. The general problems of moral philosophy are not the concern of political liberalism, except insofar as they affect the way the background culture and its comprehensive doctrines tend to support a constitutional democratic regime.

Thus Rawls' *Political Liberalism* raises two fundamental questions about political justice in a democratic society: What is the most appropriate conception of justice for specifying the fair terms of social co-operation between citizens regarded as free and equal, and as fully co-operating members of society over a complete life, from one generation to the next? What are the grounds of toleration, given the fact that the political culture of a democratic society is always marked by a diversity of opposing an Irreconcilable religious, philosophical and moral doctrines? Rawls finds it remarkable that in spite of the deeply opposed views in almost every democratic country, there could be a possibility of obtaining just co-operation among free and equal citizens. He thinks that political liberalism could provide a solution to this intractable problem.

An important reason for the conflict in a constitutional democracy is the deeply contested ideas about how the values of liberty and equality are best expressed in the basic rights of citizens so as to answer to the claims

of both liberty and equality. Rawls thinks that his idea of justice as fairness tries to adjudicate between the two contending values. He attempts to show that a certain arrangement of basic political and social institutions is more appropriate to realising both the values of liberty and equality when the citizens are conceived as free and equal.

One has to start by looking to the public culture as the shared fund of implicitly recognised basic ideas and principles. The sharing of such convictions emerges out of the historical experiences of citizens. Giving examples from the American society, Rawls says that religious toleration is now accepted and no one openly professes an argument for persecution. Similarly, slavery which caused a civil war is now rejected as inherently unjust and no one would defend it as a social policy. "We collect such settled convictions as the belief in religious toleration and the rejection of slavery and try to organise the basic ideas and principles implicit in these convictions into a coherent conception of justice. These convictions are provisional fixed points that it seems any reasonable conception must account for" (1993: 8). Such considered convictions which are also described as 'reflective equilibrium' become the basis of the political conception of justice. The aim of justice as fairness is to present itself as a conception that may be shared by citizens as a basis of a reasoned, informed, and willing political agreement. It expresses their shared and public political reason.

A political conception of justice is presented as, what Rawls calls, a 'freestanding view'. It offers no specific metaphysical or epistemological doctrine beyond what is implied by the political conception itself. It is assumed that all citizens would affirm their own comprehensive doctrines, to which the political conception they accept is in some way related. But the latter is not a part of or derivable from any comprehensive doctrine. Rawls explains this by using a contemporary phrase: "[T]he political conception is a module, an essential constituent part, that fits into or can be supported by various reasonable and comprehensive doctrines that endure in the society regulated by it. This means that it can be presented without saying, or knowing, or hazarding a conjecture about [the] doctrine it may belong to, or be supported by" (1993: 12-13). Thus a freestanding political conception does not deny there being other values; nor does it say that political values are separate from other values. Rawls' aim seems to specify the political domain and its conception of justice in such a way that its institutions can gain the support of an overlapping consensus.

Citizens who affirm reasonable but opposing comprehensive doctrines belong to an overlapping consensus, i e, they generally endorse that conception of justice which endorses the content of their political judgment of basic institutions. The object of consensus is itself a moral conception. It is affirmed on moral grounds. It includes conceptions of society and of citizens as persons, as well as of principles of justice, and an account of the political virtues through which those principles are embodied in human character and expressed in public life. An overlapping consensus, therefore, "is not merely a consensus on accepting certain authorities, or on complying with certain institutional arrangements, founded on a convergence of self- or group-interests" (1993:147). All those who affirm the political conception start from within their comprehensive view and draw on religious, philosophical and moral grounds it provides. They will not withdraw their support of it should the relative strength of their view in society increase and eventually become dominant. Thus overlapping consensus is supposed to be stable in spite of the shifts in the distribution of political power. Hence Rawls excludes the possibility of the creation of a political community united by the affirmation of the same political doctrine. The moral quality of public life is achieved because the citizens share a common aim rather than by the oppressive use of state power.

This notion of the exercise of power by the people was missing in the earlier writings of Rawls [Sarangi 1991]. In *Political Liberalism*, he introduces the idea of 'public reason' as the basis of the liberal legitimacy of the state. He describes it as the intellectual and moral power of the citizens, though limited to constitutional essentials and questions of basic justice: "...in a democratic society public reason is the reason of equal citizens who, in a collective body, exercise final political and coercive power over one another in enacting laws and in amending their constitution" (1993:214). Public reason imposes a limitation on the exercise of coercive political authority over the most fundamental values of the polity. Citizens share in political power as free and equal persons, and being reasonable and rational they have a duty of civility to appeal to public reason. They are to "conduct their fundamental discussions within the framework of what each regards as a political conception of justice based on the values that the others can reasonably be expected to endorse and each is, in good faith, prepared to defend that conception so understood" (1993: 226). This means that each one of us must have, and be ready to explain a criterion of what principles and guidelines we think other citizens (who are free and equal) may reasonably be expected to endorse along with us. It is inevitable and often desirable that citizens have different views as to the most appropriate political conception because the public political culture is bound to contain different fundamental ideas that can be developed in different ways. Thus an ideal of public reason is an appropriate complement of a constitutional democratic culture which is marked by a plurality of reasonable comprehensive doctrines.

Rawls' interest in the political conception of justice leads him to emphasise on the role of a citizen in a democratic state rather than on the abstract individual. However, his procedure for achieving social co-operation is the same as before: citizens are viewed as persons who can engage in social co-operation over complete life. They can adjust their ends so that those ends can be pursued by the means they can reasonably expect to acquire in return for what they can reasonably expect to contribute. The idea of responsibility for ends is implicit in the public political culture. Instead of a metaphysical doctrine of persons, Rawls presents a conception of persons as political beings. These citizens are represented in the original position as free and equal. They think of themselves as free in three respects: first, as having a moral power to form, to revise, and rationally to pursue a conception of the good; second, as being self-authenticating sources of valid claims; and third, as capable of taking responsibility for their ends (1993:72). Being free in these respects enables citizens to be both rationally and fully autonomous. Rational autonomy rests on persons' intellectual and moral powers. It enables them to deliberate in accordance with their conception of the good. It is in their public recognition and the informed application of the principles of justice in their political life, as their effective sense of justice directs, that citizens achieve full autonomy. As stated by Rawls: "[F]ull autonomy... is a political and not an ethical value. By that I mean that it is realised in public life by affirming the political principles of justice and enjoying the protections of the basic rights and liberties; it is also realised by participating in society's public affairs and sharing in its collective self-determination over time" (1993: 77-78).

II

On the whole, Rawls now asserts that justice as fairness is a *political* conception and not a metaphysical one. However, he seems to be attaching several meanings to the term 'political conception of justice'. Such a conception is directed towards the basic structure of society rather than toward a full range of moral conduct. It therefore accepts a sharp distinction between public and non-public principles. At the same time, it is a moral notion because it rests on the possibility of conscientious public action and not on pure Hobbesian appeal to rational self-interest. Further, a political conception is constrained by the requirements of practicality. It is based on the facts of political history and social development. It is drawn from and addressed to a specific public culture. Its justification lies in sharing the understanding of that culture rather than its correspondence to some universe of moral facts. Also, it is supposed to be independent of the broad philosophical, metaphysical and religious commitments.

It is not clear whether Rawls' revision of his conception of justice adequately counters the critique of communitarians [e g, Sandel 1982]

that his conception of the self is self-created and freely chosen as opposed to the constitutive conception of the self in which it is history and circumstances that constitute individual identities. Rawls' strategy seems to deny that liberalism rests on any specific conception of individuality. One enters the original position not by denying one's unique self-hood, but by blacking out the knowledge of social position which might be morally arbitrary. The veil of ignorance, therefore, has "no specific metaphysical implications concerning the nature of the self; it does not imply that the self is ontologically prior to the facts about persons that the parties are excluded from knowing" (1993:27).

One may object to Rawls' arguments on several grounds. It is one thing to say that liberalism does not presuppose a single metaphysical view of the individual, but quite another to say that liberalism is compatible with all such views. Rawls seems to depend on the latter claim which cannot be easily sustained [Gutmann 1985]. Secondly, Rawls' argument depends on a specific affirmative conception of individuality: persons must be emotionally, intellectually and ontologically capable of drawing an effective line between their public and non-public identities. This may defeat the very purpose of anonymity associated with the idea of a veil of ignorance. Thirdly, conflict within liberal societies may force metaphysical issues onto the public agenda. Consider the issue of non-discrimination. It raises the question as to who is to be treated as an equal member of moral community. Public authority may be used to defend equal rights of all moral persons. Yet, doing this in circumstances of deep moral disagreement risks discord and even violence.

At the same time, Rawls' revised version of liberalism does not rest on the unencumbered self. He seems to be convinced that individuality is not only shaped but also threatened by the community. He expects individuals to be endowed with the capacity for critical reflection on the institutions and presuppositions of their society as also for non-coerced choice essential to moral action. "To have the capacity to become aware of the inner contradictions of one's own society is precisely the kind of reflective distance required by the liberal conceptions of individuality. . liberal theory needs no more; and the communitarian critics of liberalism cannot in the last analysis deny its possibility" [Galston 1989: 722].

Rawls has narrowed down his conception of political philosophy by addressing to a specific public culture, that of democratic society. Earlier, *A Theory of Justice* was applauded partly because it was seen as restoring the legitimacy of truth-based political evaluations. He contended at that time that his theory was neither produced by specific historical and social circumstances nor ...... to defend any existing order. He has subsequently abandoned this effort. Political philosophy, he now contends, is always addressed to a specific public culture. It proposes principles congenial to specific historical traditions. Justice as fairness presents itself "not as a conception of justice that is true, but one that can serve as a basis of informed and willing political agreement. ...Philosophy as the search for truth about an independent metaphysical and moral order cannot, I believe, provide a workable and shared basis for a political conception of justice in a democratic society" (1985:230).

It seems that the Rawlsian idea of moral personality is the predominant self-understanding held by contemporary citizens of liberal democratic societies. Rawls, like Hegel, has transposed the Kantian idea of the free and equal moral personality from the realm of transcendental reason to the realm of history. However, in the absence of some sort of philosophy of history, there is no obvious reason to accord moral significance to the subjective beliefs about moral personality held by contemporary liberal citizens. "One needs to moralise history if one is going to develop a moral theory of justice out of historical circumstance. Otherwise, the moral character of the political interpretation of justice as fairness is left unexplained and ungrounded" [Neal 1990:47].

Rawls has to clarify as to how the existence of an overlapping consensus on a conception of justice can be empirically ascertained and whether the presentation of a political conception is the best way to gain sufficient consensus for stable unity. He seems to be satisfied with merely imaginatively realisable consensus on a principle of justice. He even goes on to justify this utopianism: "[P]olitical philosophy assumes the role Kant gave to philosophy generally: the defence of reasonable faith in the possibility of just constitutional regime" (1993: 172). Whether such a reasonable faith can remain divorced from metaphysical implications of political philosophy is not certain.

Although Rawls' political conception of justice is not defined in opposition to moral, he nevertheless wants it to be understood as something not founded on a comprehensive moral ideal. He wants to maintain a balance between the Hobbesian strand of liberalism—liberalism as a *modus vivendi* secured by a convergence of self and group interests—and a liberalism founded on a comprehensive moral doctrine such as that of Kant and Mill. Perhaps he fears that a Hobbesian reading of the political would fail to provide a sufficiently moral account of the citizens' obligation to accept and obey the institutional practices which would result from the original position. At the same time, he does not want his conception of justice to be premised on a comprehensive moral ideal of individual character, because in that case it would fail to qualify as a non-controversial conception of a procedure capable of adjudicating conflict among moral ideals.

It goes to the credit of Rawls that he seems to have found a way of solving what might be called a paradox of liberalism. On the one hand, liberalism is committed to tolerance. Hence, state has to remain neutral in the conflict of ideas among citizens. On the other hand, liberalism also demands partiality for itself. It requires that force be used against the individuals challenging the principle of tolerance. "Rawls' justification of a political conception as part of an overlapping consensus allows him to argue, on everyone's behalf, that the substantive conception of justice included within it is right (and worthy of enforcement through state power) even while remaining tolerant of (and impaired towards) the disparate ideas, life-styles, religions, and moral views of the citizenry" [Hampton 1989: 803]. Now it is clear why Rawls says that formulating a political conception of justice is simply applying the principle of toleration to philosophy itself. It is worth pondering over the idea that political philosophy is useful to a liberal society only if it rids itself of all metaphysical views so as to be properly tolerant of the diversity of ideas and practices in a country's political culture.

Note

* Unless otherwise mentioned, references in the parentheses are to the works by Rawls.

References

Galston, W A (1989) 'Pluralism and Social Unity', *Ethics*, 99: 711-26

Gutmann, A (1985): 'Communitarian Critics of Liberalism', *Philosophy and Public Affairs*, 14: 308-22.

Hampton, J (1989): 'Should Political Philosophy Be Done Without Metaphysics', *Ethics*, 99: 791-814.

Neal, P (1990): 'Justice as Fairness', *Political Theory*, 18: 24-50.

Nozick, R (1974): *Anarchy, State and Utopia*, Basil Blackwell, Oxford.

Rawls John (1971): *A Theory of Justice*, Harvard University Press, Cambridge.

—(1978): 'Basic Structure as Subject', *American Philosophical Quarterly*, 14: 47-71.

—(1980): 'Kantian Constructivism in Political Theory', *Journal of Philosophy*, 77: 515:72.

—(1982a): 'Basic Liberties and Their Priority', *Tanner Lecture on Human Values*, Vol III, University of Utah Press, Salt Lake City.

—(1982b): 'Social Unity and Primary Goods' in A Sen and B Williams (eds), *Utilitarianism and Beyond*, Cambridge University Press, Cambridge.

—(1985): 'Justice as Fairness: Political Not Metaphysical', *Philosophy and Public Affairs*, 14: 223-51.

—(1987): 'The Idea of Overlapping Consensus', *Oxford Journal of Legal Studies*, 7: 1-25.

—(1988): 'The Priority of the Right and the Idea of the Good', *Philosophy and Public Affairs*, 17: 251-76

—(1993): *Political Liberalism*, Columbia University Press, New York.

Sandel, M (1982): *Liberalism and the Limits of Justice*, Cambridge University Press, Cambridge.

Sarangi, P (1991): 'Notion of State in John Rawls' Theory of Justice', *Indian Journal of Political Science*, 52: 195-207.

Regional Variation in Demographic Consequences of Famines in Late 19th and Early 20th Century India

Arup Maharatna

India provides a good opportunity for analysing famine demography from a historical perspective. While analysis at an aggregate level provides an understanding of short-term demographic responses, analysis of inter-district variations helps to assess the relative importance of factors such as drought severity, relief provision, flow of migration, etc, that shaped the demographic outcome.

WHILE demographic considerations are central to an understanding of famine[1] this aspect appears to be a relatively less researched area.[2] However, there have been some serious attempts, in recent times towards providing useful insights on famine demography.[3] In this context India provides a good opportunity of analysing famine demography from a historical perspective.[4] Tim Dyson in a recent study has exploited this opportunity by analysing demography of India's four major historical famines, namely, those of 1876-78, 1896-97, 1899-1900 and 1943-44.[5] In Dyson's study, however, the analysis is at an aggregate provincial level. While this provides an understanding of short-term aggregate demographic responses during the famine process, the question of spatial variation has not been addressed at all in Dyson's study. But examination of regional variation within a province should also provide insights into the factors which contribute to demographic consequences. This is because in major famines not all areas were similarly afflicted in terms of excess deaths. So inter-district analysis should help assess the relative importance of factors (e g, drought severity, and relief provision) that shaped the demographic outcomes.

Of course, the question of regional variation is potentially far more complex than an aggregate province-level analysis. Indeed, a comprehensive study of spatial variation in demographic consequences might involve many complex forces (e g, economic conditions, regional ecology, variation of infrastructure, and different patterns of relief). Thus a region with a relatively large proportion of irrigated land can be expected to cope better with a drought than a solely rainfall dependent region. However, given the existence of transport and communications network, trading and speculative activities may tend to spread dearth and high food prices across all regions—irrigated or unirrigated. This, in the context of an integrated market, a region with little loss of farm activities and employment may still experience a rise in food prices and associated distress, while a drought-affected region suffers both from employment (hence income) loss and price rise. From these considerations it may be hypothesised that regional variation in price rises actually may be a poor indicator of regional variation in famine distress (especially where a transport network is fairly developed). Furthermore, variation in the demographic impact of a famine may also involve factors such as migration, relief provision, and epidemics. Thus a significant flow of migration from one region to another, other things equal, will inflate the number of registered deaths in a receiving area and vice versa. Regional patterns of relief may also influence demographic consequences. A better provision of relief in one area may be hypothesised to mean less distress and less associated excess mortality.

The purpose of the present paper is to examine some of these issues using district-level data for selected major famine locations in the Indian subcontinent. These are the Bombay famines of 1876-78 and 1896-97, the Punjab famine of 1899-1900 and the United Provinces of Agra and Oudh (called United Provinces henceforth) famine of 1907-08.[6] All these famines were 'major' both in the sense of 'severity' of distress and its spread across wide areas of the Indian subcontinent.[7] The selection of these locations has largely been influenced by the availability of a relatively good quality data and other official documents. The primary source of district-level demographic data is the registration system.[8] There is no doubt that registration coverage was far from complete. This problem was particularly pronounced during the early days of the registration system. However, it should also be noted that there has been a significant provincial variation in quality of registration. For example, the registration system was relatively good in Central Provinces, Berar, Bombay Presidency, Punjab and United Provinces.[9]

During periods of social disruption such as accompanied by famine, it is possible that quality of registration sometimes deteriorated. But this was not necessarily the case. Famine conditions often led to augmented registration efforts.[10] While there might have been regional differences in registration quality this problem should not prevent one from using registration data for the purpose of assessing changes during the famine process from the pre-famine levels. Even if there was a deterioration in registration coverage during famines, assessing inter-district variation in demographic impact should not be difficult, provided all districts suffered somewhat uniformly in terms of deterioration in registration operations. The principal sources of information on non-demographic variables (e g, regional variation in drought, crop failure, price rises, and relief) are the annual provincial administration reports and separate provincial (often very voluminous) reports on famine administration.

Few more general points are worth noting here. First, the single most important precipitating factor in all these famines was drought. Thus the events associated with different stages of famine (i e, early signs, peak of the crisis and tapering off) were somewhat common to all these famines.[11] The onset of drought (around early July) immediately triggered food prices, and this together with the loss of farm employment resulting from a very low agricultural production (of both kharif and rabi crops), contributed to a drastic entitlement failure for the majority of rural population. Migration in search of food or employment was a

common response. Famine distress in the forms of starvation and acute undernutrition usually tended to peak over the period until the resumption of monsoon in the year following drought.

Second, the chief governmental effort to tackle famine consisted of relief provision for the most vulnerable sections. There was no governmental control over prices, supplies and distribution of food, which were basically left to market forces and private traders.[12] Organisation of relief policy was the responsibility of the local-level administration.[13] For example, a district was entitled to government relief provision only after local-level administrators had declared the existence of famine conditions. Accordingly, in the provincial reports on the famine administration districts have, almost always, been classified into 'famine districts' and 'non-famine districts'. Official declaration of famine in a locality was usually based on some 'tests'. For example, 'test works' (i e, provision of paid works on a very small scale) were set up initially to test whether or not the provision of large-scale relief work in that locality was justified.

Relief measures were in two basic forms: direct and indirect. The most important measure of relief was the provision of massive public works at subsistence wages (paid in cash) for those who came forward for it. Complementary to public works was gratuitous relief for those who were unable to work. Gratuitous relief usually took the form of either cash doles or cooked food in the relief kitchens also poor houses. Indirect relief measures usually included remissions from land revenue, and agricultural loans for both subsistence and production.

Bombay Famine of 1876-78

The Bombay presidency, or at least a large part of it, has traditionally been vulnerable to drought and famine. This is, of course, related to the scanty and uneven nature of monsoon rainfall in this vast and largely unirrigated land. The proportion of irrigated land to the total under cultivation has always been less than 5 per cent.[14] However, all regions were not equally vulnerable to drought. Table 1 provides some background on 23 districts, grouped into four divisions, under the British administration in the years immediately before the 1876-78 famine. Of the four divisions only Konkan normally received abundant rain. Both Deccan and Gujarat were usually the recipients of scanty rainfall and were thus relatively dry. However the districts of Sind division were the driest (Table 1).[15] However, Sind was not as vulnerable to drought-related famine as the Deccan. This was partly due to the fact that Sind division—being extremely dry—used to rely on the cultivation of dry crops like cotton, sugar-cane, and wheat. Also, agricultural production was largely based on the waters of the Indus river rather than on the monsoon rains.[16] Sind's relative prosperity and lesser vulnerability to drought was amply reflected in the fact of very high productivity of cotton cultivation, especially compared to the Deccan (Table 1). Gujarat division, though dry, was not always affected by a general monsoon failure as severely as was Deccan. This was partly because "the southern districts of Gujarat lie open to the sea (rather than shielded behind the Ghats)".[17]

The vital rates for 1874-75 in Table 1 clearly indicate that the registration data were deficient; and the level of underregistration was almost certainly *not* uniform across districts. Very low registered vital rates for the districts of Sind reflect the division's own special difficulties in establishing the registration system.[18] However, while we cannot attach much confidence to the levels of these vital rates, proportionate changes in registered deaths and births may still be used for inter-district comparisons. Of course, we do this under the assumption that both registration coverage and its inter-district differentials did not change significantly within the very short space of time involved. Note that both the Deccan and Gujarat divisions registered comparatively high death rates in 1874-75. Relatively lower registered death and birth rates in Konkan division may be indicative that registration coverage in this region was slightly less. However, Konkan being a region of abundant rainfall, this may also be partly a reflection of the fact that this region was relatively secure from famine.[19]

We now analyse regional variation in the demographic consequences of the 1876-77 famine. Table 2 provides key indices of drought, crop losses, price rises, mortality and fertility effects and also relief provisions across the districts of Bombay presidency. The officially declared famine districts (i e, the Deccan division)—which were the only ones provided with government relief—have been distinguished from the rest; and districts in both groups have

Table 1: Background Information on Districts during the Pre-Famine Period: Bombay Presidency

District/Division	Population according to 1872 Census	Average Annual Rainfall 1872-74	Yield of Clean Cotton Per Acre 1875-76 (lbs)	CBR 1874-75	CDR 1874-75
Deccan division					
Khandesh	10,28,642	38.1	44.84	19.9	22.3
Nasik	7,34,386	29.9	57.08	26.3	21.1
Poona	9,07,235	63.8	43.16	22.7	20.0
Satara	10,61,002	88.0	41.02	28.8	20.2
Ahmednagar	7,73,938	45.7	12.87	30.8	24.3
Sholapur	7,18,034	42.9	23.87	20.8	19.4
Bijapur	8,16,037	34.2	10.02	21.3	18.1
Belgaum	9,38,037	60.6	29.92	29.4	26.5
Dharwar	9,88,037	47.9	46.24	28.4	26.5
Total	79,66,061	50.1*	34.33*	25.4	22.2
Konkan division					
Kanara	3,98,406	159.1	—	30.4	27.8
Ratnagiri	10,19,136	179.9	—	15.4	13.4
Kobala	3,50,045	125.2	—	14.7	13.2
Thana	8,47,424	192.8	—	21.0	20.9
Total	26,15,011	164.3*	—	19.4	18.0
Gujarat division					
Surat	6,07,087	79.4	132.05	24.1	26.4
Broach	3,50,322	55.6	73.18	16.4	23.8
Kaira	7,82,733	46.5	143.25	20.5	23.4
Panch Mahals	2,40,743	46.2	na	17.6	15.6
Ahmedabad	8,29,637	34.7	50.17	18.9	24.5
Total	28,10,522	52.5*	99.66*	20.0	23.7
Sind division					
Hyderabad	7,21,947	9.5	425.01	5.8	8.2
Thar and Parkar	1,80,761	14.9	206.53	6.0	6.2
Sikarpur	7,76,227	8.3	49.64	6.0	9.6
Kurrachee	4,23,495	6.3	190.07	8.4	11.3
Upper Sind	89,985	6.4	117.14	8.6	9.1
Total	21,92,415	9.1*	197.78*	6.5	9.2
Bombay City	6,44,405	—	—	20.1	25.9
Bombay Presidency	1,62,28,774	69.0*	93.61*	20.8	20.2

Notes: (1) Figures marked (*) are the respective unweighted averages of the district-level figures.
(2) There was almost no cotton cultivation in the Konkan division.

Sources: Rainfall and demographic data: *Annual Report of the Sanitary Commissioner for the Bombay Government*, Government Press, Bombay, various years; data on yields of cotton: *General Report on the Administration of the Bombay Presidency for the year 1875-76*, Government Press, Bombay, 1877.

been ranked separately (in descending order) with regard to the scale of mortality increase. It is clear from Table 2 that almost all of the Deccan region experienced a significant shortfall of rain in 1876 and hence much of the normally cultivated land had to remain uncultivated during 1876-77. Although shortfalls in both rain and land cultivation from pre-famine levels were not confined to the districts of the Deccan, it is apparent that such failures were relatively less in the other divisions. Indeed, some districts (e g, Sikarpur and Broach) even recorded a slight increase in the area under cultivation in 1876-77.[20] This difference between the Deccan and other regions was also reflected in food prices. The districts of the Deccan (i e, the 'famine districts') generally experienced higher price increases than other regions. This probably partly reflects the fact that markets were not very well integrated. This should be judged in the light of the available transport and communication facilities which were, though developing, still relatively poor during the late 1870s. Thus the implication is that famine distress (particularly as evinced by rising prices) could not spread uniformly across districts. Conditions of severe famine distress were relatively confined to areas which were most severely affected by crop failures.

While the number of registered deaths more than doubled in the 'famine districts', the 'non-famine' areas on average recorded a modest (if not entirely negligible) increase in mortality (Table 2). Similarly, the registered number of births in 1878—which can be taken as approximately indicative of the number of conceptions in the peak famine year of 1877—appears to have been reduced by about 50 per cent on average in the Deccan division; but all the other divisions, taken together, seem to have experienced no appreciable decline in births (Table 2). Thus considering these two groups of districts—famine and non-famine—we find a clear correspondence between their presumed economic and demographic vulnerability.

Table 3 presents correlation matrix for the relevant measures. It shows that correlations of index of land cultivation with indices of rainfall failure and price rises are respectively positive and negative—both being statistically significant and in expected directions. This implies that failures of the rains played a distinct part in determining failures of agriculture and hence price increases. As also can be seen from Table 3, the correlations of the index of births with the index of land cultivation and price are of the expected signs and also statistically significant. Note, however, that the relationship between the index of mortality and the index of land cultivation is much stronger (-0.72) than with the relationship with index of price (0.32). There may be a suggestion here that the extent of production failure is a better measure of distress than price rises *per se*. Note too that the reduction in births corresponds better with regional variation in the measures of distress. Moreover, the correlation coefficient between the indices of deaths and births is negative (as expected) and also statistically quite significant. However, there are some notable irregularities to these generalisations at the district level. For example, some non-famine districts (e g, Thar and Parkar, and Kanara) experienced very large increases in mortality—even larger than some famine districts. As mentioned earlier, the division of districts into 'famine' and 'non-famine' was based on assessments made by district officials. However, such a sharp official distinction did not conform strictly to the real regional varia-

Table 2: Indices of Rainfall, Land under Cultivation, Prices, Relief Provisions, Mortality and Fertility by District during Famine of 1876-78, Bombay Presidency

Districts	Index of Rainfall in 1876 Compared with Average 1872-74	Index of Land Cultivated in 1876-77 Compared with 1874-75	Index of Price of Jowar in 1876-77 Compared with 1874-75	Index of Deaths in 1877 Compared with 1874-75	Index of Births in 1878 Compared with 1874-75	Daily Average No of Persons on Relief Per 1000 Population
Famine Districts						
Bijapur	13	27	176	561	16	80.7 (8.1)
Dharwar	28	51	186	320	35	38.3 (3.8)
Belgaum	35	62	169	282	42	33.7 (3.4)
Shalapur	14	34	365	252	45	84.9 (8.5)
Satara	44	62	248	243	61	31.4 (3.1)
Poona	40	48	215	170	57	56.5 (5.6)
Nasik	86	na	135	168	80	17.0 (1.7)
Ahmednagar	23	60	231	164	50	44.4 (4.4)
Khandesh	33	95	160	112	100	5.0 (2.3)
Average	35*	55*	209*	248	54	41.9 (4.2)
Non-famine Districts						
Thar and Parkar	73	76	105	220	314	
Kanara	46	na	136	194	66	
Ratnagiri	36	100	na	156	87	
Hyderabad	77	97	123	149	120	
Kurrachee	151	na	121	146	93	
Kolaba	70	98	na	135	117	
Thana	43	54	123	133	92	
Sikarpur	58	105	105	98	109	
Surat	64	68	200	95	102	
Panch Mahal	90	na	na	94	105	
Broach	60	108	109	92	109	
Uppersind	120	na	100	89	86	
Kaira	68	76	157	86	98	
Ahmedabad	77	98	135	83	103	
Average	73*	88*	128*	118	98	
Bombay city				198	105	
Bombay Presidency				191	92	

Notes: (1) Figures marked (*) are the respective unweighted averages
(2) Figures in parentheses are the respective percentages of gratuitously relieved persons to the total number relieved.

Sources: Data on prices and area cultivated: *General Report on the Administration of the Bombay Presidency*, Government Press, Bombay, various years; data on relief: *Report of the Indian Famine Commission, 1898, Volume III, Appendix*, London, 1899; on rainfall and demographic data *Annual Report of the Sanitary Commissioner for Government of Bombay*, Government Press, Bombay, various years.

Table 3: Correlation Matrix Involving Demographic and Other Measures Presented in Table 2—Bombay Famine of 1876-78

	Index of Rain in 1876	Index of Price in 1876-77	Index of Deaths in 1877	Index of Births in 1878
Index of cultivation in 1876-77	0.69*	-0.66*	-0.72*	0.86*
Index of rain in 1876		-0.64*	-0.70*	0.85*
Index of price in 1876-77			0.32	-0.58*
Index of deaths in 1877				-0.84*

Note: Data on changes in births and deaths for Thar and Parkar were excluded because of unduly extreme influences (see Table 2).
* Less than 1 per cent level of significance.

tion of distress. For example, Kanara which seems to have received less than half the normal rainfall in 1876 may well have suffered great food shortage and distress. Certainly it seems to have experienced both considerable mortality increase and fertility reduction (Table 2). **But Kanara was not officially recognised as a famine-affected district and was not provided with relief. Thus the case of Kanara may be an example of administrative failure in the identification and classification of districts.** However, the administration report for 1877-78 stated that: "The district of Kanara, without being affected by scarcity, became the resort of numerous immigrants from the famine country, who, being unaccustomed to the climate of the thickly-wooded coast and hill tracts, fell victims to fever and other diseases on their arrival".[21]

On the other hand, unlike Kanara, mortality increases in much of Sind division (e g, in Thar and Parkar, Kurrachee and Hyderabad) were not generally matched by signs of fertility reduction. Indeed, the fact that the registered number of deaths and births in Thar and Parkar both more than doubled is striking (Table 2). As indicated earlier, the registration system, particularly in Sind, was extremely deficient. Apropos the enormous rise in registered births in Thar and Parkar in 1877 compared with the preceding year, the *Administration Report* writes that "no explanation of this increase has been given, but under the present system the registration of births and deaths cannot but be unsatisfactory".[22] In any case, an increase in the registered number of deaths (perhaps combined with an increased or constant number of registered births) in a less affected area may also be consistent with in-migration of famine victims.

This is probably best illustrated by the indices of registered deaths and births for Bombay in Table 2. The city recorded a considerable increase in mortality in 1877 with presumably no drop in the number of conceptions. In this context the *Administration Report* states that "The year [1877] has been an exceptionally unhealthy one, and there was a large influx of labourers from the coast and Deccan, amongst whom fever was both prevalent and fatal to an extraordinary degree. The total number of immigrants cannot be exactly stated, but during the six weeks that registration was carried on, it amounted to 36,258."[23] Note from Table 2 that in 1872 the population of Bombay city was only 6,44,405. So the volume of immigration was comparatively large. Note too from the foregoing quotation the perceptive linking of migration and mortality from 'fever'.

Relief operations may also exert an important influence on regional pattern of demographic consequences Table 2 suggests that relief provision was relatively great in those famine districts which experienced comparatively large reductions in cultivated area (presumably reflecting greater crop losses). The estimated correlation coefficient between the index of land cultivated and the measure of relief is negative and **very high (-0.95). In other words, relief operations appear to have been quite well targeted.**

However, the impact that variation in the distribution of relief made on regional variation of mortality and fertility is not easy to judge simply by looking at the relevant district-level data in Table 2. Shalapur—experiencing severe drought and a large increase in mortality—received the largest relief provision. Nearly equal relief provision in another most severely affected district, namely, Bijapur—which also recorded the largest mortality increase—may be suggestive that although relief was generally targeted in accordance with the severity of distress, it was not very successful in preventing demographic crisis. This, in fact, may imply several things (which are not necessarily mutually exclusive), such as the untimeliness, inadequacy, or excessive harshness of the relief measures which were provided. It is also possible that the allocation of large relief provisions to one area drew in victims from adjoining localities, and thus provoked epidemics and inflated the number of deaths in the receiving districts. But in turn this explanation implies inadequate relief provision in those areas **from where people migrated. All this probably reflects both the inadequate and harsh nature of the relief provision. Proportion of gratuitous relief was indeed very small** (Table 2).[24]

While the question of what would have happened to mortality without relief remains open, the district-level data on relief and mortality effects indicate that relief

TABLE 5: CORRELATION MATRIX INVOLVING DEMOGRAPHIC AND OTHER MEASURES PRESENTED IN TABLE 4—BOMBAY FAMINE OF 1896-97

	Index of Deaths in 1897	Index of Births in 1898
Index of crop outturn in 1896-97	-0.60*	0.53*
Index of deaths in 1897		-0.80*

Notes: For data used see Table 4.
* significant at 1 per cent level.

TABLE 4: DISTRICT-LEVEL INDICES OF CROP FAILURE, RELIEF PROVISION, MORTALITY AND FERTILITY EFFECTS DURING BOMBAY FAMINE OF 1896-97

Districts	Index of Crop Outturn in 1896-97 Compared with 1894-95	Index of Price of Jowar in 1896-97 Compared with Normal	Average Daily No of Persons Relieved Per 1000 Population during the Famine	Index of Deaths in 1897 Compared with Average of 1892-95	Index of Births in 1898 Compared with Average of 1892-95
(1)	(2)	(3)	(4)	(5)	(6)
Famine Districts					
Poona	27	211	24 (34)	177	80
Bijapur	4	225	95 (12)	176	68
Satara	63	206	13 (7)	167	74
Nasik	32	239	21 (3)	156	83
Shalapur	8	225	125 (8)	150	70
Belgaum	30	174	9 (6)	142	83
Khandesh	32	259	10 (1)	127	91
Ahmednagar	39	247	74 (11)	120	79
Dharwar	50	196	2 (37)	117	83
Average	31*	220*	41 (11)	147	80
Non-famine Districts					
Thana	39			152	96
Cobala	42			137	101
Ratnagiri	51			134	81
Kanara	47			125	77
Surat	50			115	99
Thar and Parkar	—			115	125
Broach	69			88	106
Hyderabad	—			83	83
Panch Mahal	53			82	113
Ahmedabad	61			78	106
Kaira	41			77	117
Average	50*			109	99
Bombay City				188	70

Notes: (1) The figures marked (*) are the respective unweighted averages. (2) The figures in the parentheses are the respective percentages of persons on gratuitous form of relief to the total relieved.

Sources: Column (2): *Report on the Famine in the Bombay Presidency, 1899-1902*, Volume II, Government Press, Bombay, 1903, p 15; Columns (3) and (4): Government of India, *Appendix to the Report of the Indian Famine Commission, 1898*, Volume III, London: Government Press, 1899, pp 204 and 207, Columns (5) and (6): *Annual Report of the Sanitary Commissioner for the Government of Bombay*, Government Press, Bombay, various years.

policy was deficient in mitigating the great vulnerability in the most severely affected areas. Indeed, the scatter plot between the index of mortality and measure of relief (based on Table 2) suggests a positive relation, the estimated correlation coefficient being 0.61. Thus, while allocation of relief provision was broadly directed towards the severely affected districts, it does not appear to have been able to break the positive association between the severity of famine and extent of mortality rise.

Bombay Famine of 1896-97

The famine of 1896-97 in Bombay presidency "resulted less from the total insufficiency of the rainfall than from its unreasonable distribution".[25] Table 4 presents district-level data on crop failure, relief, and mortality and fertility.[26] Famine was officially declared in nine districts of the Bombay Presidency. Note that as in the famine of 1876-78 the districts of the Deccan were only declared as famine affected. Relief provisions were also organised only for those nine districts. From Table 4 it appears that the famine-declared districts experienced considerable reductions in agricultural productivity in 1896-97. The remaining districts also seem to have experienced shortfalls in productivity, but generally to a lesser extent. Average prices in 1896-97 more than doubled in most of the affected districts. Although data on prices for the non-famine districts were not provided in the Famine Commission Report, the "tendency of equality of prices in famine and non-famine tracts" has been a very common feature of Indian famines especially in the late 19th century when transport reached a higher level of development.[27] Thus Khandesh, which appears to have recorded the highest price rise, does not seem to have suffered most either in terms of productivity or mortality.

Proportional rises in mortality during the famine of 1896-97 were distinctly less than in the famine of 1876-78. The range of variation in mortality increase too appears to have been less in the famine of 1896-97 (compare Tables 2 and 4). As can be seen, some of the 'non-famine' districts seem to have experienced significant mortality increases compared to some 'famine' districts. In fact, the correlation coefficient between district-level indices of crop failure and mortality increase, though positive, is somewhat lower than in the famine of two decades before (compare Tables 3 and 5). Thus, the suggestion from the data that mortality increases were less confined to the famine-declared areas (compared to the events of 1876-78) probably also reflects greater market integration. This is consistent with the increased development of transport networks (especially railways) during the last few decades of the 19th century.

Note too that the association between the extent of crop failure and reduction in births during this famine seems to have also been lower than in the preceding crisis. The suggestion is that perhaps owing to both increasing transport networks and market integration over time, famine distress and its adverse demographic consequences became less restricted to drought-affected areas.

The apparent improvement in registered mortality in districts such as Broach, Ahmedabad, Panch Mahals and Kaira is notable. These four districts also appear to have experienced an increase in registered births. However, the correlation coefficient between the indices of births and deaths is negative—as expected—and also quite high (Table 5). Note that the reduction in conceptions in most of the affected districts from their respective pre-famine levels appears to have been considerably less in the famine of 1896-97 (compared to that of 1876-78).

As Table 4 shows the number of persons on relief in many of the affected districts in 1896-97 appears to have been lower than in 1876-78. This may partly reflect the reduced pressure on relief works because of relatively liberal policy of giving loans and

Table 6: Inter-District Variation in Demographic and Other Measures, Punjab 1891-95

District/Division	Population 1891 Census	Rainfall during 1892-94 (inches)	Per Cent of Harvested Crops Grown by Irrigation (10 Year Average)	Average Registered CBR 1891-95	Average Registered CDR 1891-95
(1)	(2)	(3)	(4)	(5)	(6)
Delhi Division					
Hissar	7,75,808	17.29	6	42.1	25.7
Rohtak	5,90,446	30.86	10	44.4	27.4
Gurgaon	6,68,863	24.56	14	46.7	29.7
Delhi	6,35,224	25.66	19	43.8	37.3
Karnal	6,83,652	32.71	20	44.9	36.4
Umballa	9,82,291	29.83	4	37.4	38.3
Simla	35,246	53.56	na	18.7	25.0
Total	43,71,530	30.64*	12*	42.6	32.7
Jullunder Division					
Kangra	7,59,458	139.12	27	33.9	29.7
Hoshiarpur	10,11,644	39.00	5	36.8	34.0
Jullunder	8,91,347	35.02	43	40.8	35.6
Ludhiana	6,48,655	28.73	24	43.0	32.2
Ferozepur	8,61,499	22.07	31	42.3	26.9
Total	41,72,603	52.78*	26*	39.2	31.8
Lahore Division					
Mooltan	6,20,859	9.37	84	38.1	29.9
Jhang	4,36,821	8.24	75	39.3	26.1
Montegomery	4,99,449	8.07	75	38.9	25.6
Lahore	10,55,619	19.04	62	40.9	32.4
Amritsar	9,90,990	25.41	51	41.3	38.8
Gurdaspur	9,40,785	46.01	21	40.3	36.9
Total	45,44,523	19.36*	61*	40.1	33.0
Rawalpindi Division					
Sialkot	10,98,712	31.47	51	43.7	33.9
Gujrat	7,60,823	28.21	29	37.5	25.6
Gujranwala	6,90,061	23.66	65	43.2	31.8
Shahpur	4,93,535	11.70	48	38.5	23.5
Jhelum	6,05,774	28.48	5	38.7	27.7
Rawalpindi	8,45,259	27.09	5	38.9	30.5
Total	44,94,164	25.10*	33*	40.4	29.5
Peshwar Division					
Hazara	4,76,125	40.77	12	30.3	21.7
Peshwar	6,79,183	9.85	52	22.1	22.8
Kohat	1,82,487	14.84	23	35.3	31.6
Total	13,37,795	31.82*	29*	26.8	23.6
Derajat Division					
Bannu	3,69,972	10.29	26	35.8	24.4
Dera Ismail Khan	4,82,463	7.58	25	38.4	27.9
Dera Ghazi Khan	3,99,860	3.44	46	29.6	23.4
Muzaffargarh	3,81,072	4.53	76	32.7	26.9
Total	16,33,367	6.46*	43*	34.3	25.8
Punjab	2,05,53,982	—	30	39.2	32.9

Notes: The figures marked (*) are unweighted averages. (2) The year 1892 is not included in average CBRs and CDRs for 1891-95 because this was an exceptional epidemic year.

Sources: (1) Columns (2), (5) and (6): *Report on the Sanitary Administration of the Punjab*, Government Press, Lahore, various years; columns (3), (4): Based on Government of Punjab, *Report on Administration of the Punjab and Its Dependencies*, Government Press, Lahore, various years.

advances to landholders who created a considerable amount of employment.[28] In terms of crop failure Shalapur and Bijapur appear to have been the most severely affected districts; and they also received relatively large provision of relief. In fact, the regional distribution of relief provision in 1896-97 (as far as it can be assessed) appears to have corresponded fairly closely to regional variation in severity of famine.[29]

It is notable that as a proportion of total relief the share of gratuitous relief in most districts seems to have been larger during 1896-97 than in 1876-78 (Tables 2 and 4). As Bhatia states in connection with the Bombay famine of 1896-97, "[i]n the treatment of the children and dependents of relief workers in kitchens, maintained at relief works, a high degree of success was obtained in Bombay. The administration of village gratuitous relief was 'on the whole carried out with success' ".[30] Measures were also taken to protect sanitary condition particularly at the relief camps.[31] Thus a comparative moderation in the scale of overall mortality and, perhaps, its reduced variation between districts during this famine can reasonably be attributed, in part, to better provision of relief. For example, the relatively moderate mortality increase in the severely affected district of Shalapur (compared with some less affected areas) may partly be due to the favourable effects of the largest provision of relief there (Table 4). That relief provision during the famine was somewhat better (compared with the famine of 1870s) seems to find support too from the absence of a positive relationship between district-level relief provision and mortality increase, correlation coefficient being -0.06.

Punjab Famine of 1899-1900

Under the British administration Punjab was a vast territory (1,10,463 square miles), consisting of 31 districts which were divided between six administrative divisions.[32] Table 6 presents demographic and other background information for all the districts and divisions of Punjab. Note that the spatial distribution of monsoon rain appears to be very uneven across the regions. For example, Kangra district normally receives rains as high as 139 inches, whereas for Dera Ghazi Khan the figure is only about three inches. Even immediately adjacent districts can receive very different amounts of rain (e g, see Hazara and Peshwar). Yet despite

Table 7: District-Level Indices of Rainfall, Prices, Crop Production, Livestock, Relief Provision, Fertility and Mortality during Famine of 1899-1900: Punjab

Districts (1)	Index of Number of Cows in 1899-1900 Compared with 1893-94 (2)	Rainfall in 1899 as a Per Cent of 1892-94 (Kharif Season) (3)	Harvested Area of Crops in 1899 (Kharif) as Per Cent of Normal (4)	Price of Jowar in 1899-1900 as Per Cent of 1894-95 (5)	Average Daily No Relieved Per 1000 Population (6)	Index of Deaths in 1900 Compared with 1891-95 (7)	Index of Births in 1900 Compared with 1891-95 (8)	Index of Land Sale in 1899-1900 Compared with 1893-94 (9)
Famine Districts								
Hissar	61	41	10	321	108 0 (20)	374	58	202
Ferozepur	76	17	71	231	0.8 (0)	323	101	87
Rohtak	66	31	23	286	40.0 (14)	248	73	181
Karnal	93	24	55	197	10.0 (14)	255	111	234
Lahore	91	25	82	210	0.8 (31)	183	114	91
Gurgaon	72	48	39	533	14.0 (15)	167	81	162
Delhi	85	44	69	233	3.0 (12)	144	99	141
Gujarat	85	26	38	233	1.2 (0)	132	93	161
Amritsar	101	34	80	207	0.6 (0)	118	118	114
Shahpur	124	33	51	280	14.4 (1)	123	93	248
Jhelum	59	36	11	378	2.3 (0)	121	79	221
Umbala	68	51	39	181	0.3 (0)	132	81	121
Mooltan	108	29	73	254	1.6 (3)	95	124	108
Average	83*	34*	49*	266*	13.8 (17)	183	95	159*
Non-famine Districts								
Jhang	168	31	261	254		226	197	147
Ludhiana	86	31	71	241		187	105	67
Montegomery	75	10	85	280		151	79	96
Gujranwal	115	46	83	132		140	129	165
Bannu	126	41	56	232		128	115	118
Sialkot	86	31	55	262		131	102	177
Hazara	120	49	95	na		135	118	151
Peshwar	102	17	87	276		120	140	116
Dera Ghazi Khan	124	6	78	260		116	114	220
Dera Ismail Khan	128	53	75	224		111	99	114
Gurdaspur	89	19	83	357		124	115	68
Kangra	116	58	83	na		118	100	97
Kohat	144	43	96	na		105	121	101
Muzaffargarh	119	28	103	158		101	133	100
Hoshiarpur	104	34	85	238		119	111	80
Rawalpindi	107	61	51	205		105	96	129
Jullunder	116	20	80	380		105	112	69
Simla	130	66	49	na		85	97	104
Average	114*	36*	87*	253*		129	113	117*
Punjab						155	104	

Notes: (1) The figures marked (*) are the respective unweighted averages. (2) Years for columns (2) and (9) end on September 30. (3) The districts in each group are ranked according to mortality increase in 1900. (4) The figures in parentheses are the respective percentages of persons on the gratuitous form of relief to the total relieved.

Sources: Columns (2), (3), (5) and (9): Based on *Report on the Administration of the Punjab and Its Dependencies*, Government Press, Lahore: relevant years; columns (4) and (6): *The Punjab Famine of 1899-1900*, Vol 1, Government Press, Lahore, 1901; columns (7) and (8): Based on *Report on the Sanitary Administration of the Punjab*, Government Press, Lahore: various years.

inter-district differences, the divisional averages suggest a relative paucity of rainfall across most of Punjab.

However, Punjab is known to have had an advantage historically over most other provinces in terms of irrigation facilities. Several districts with low rainfall enjoyed relatively large proportions of irrigated land, and hence they were comparatively less dependent on the monsoon (e g, the districts of Lahore division). But the districts of Delhi division appear to be particularly vulnerable, since they were neither recipients of good normal rainfall, nor were they provided with significant irrigation. Obviously, therefore, this region should be relatively susceptible to famine conditions. In this respect Hissar stands out as the most vulnerable district (Table 6). However, many other districts, including some outside of Delhi division, were also susceptible. Yet because of the comparatively extensive irrigation facilities in the province, drought may be expected to have affected agricultural production less uniformly across the districts of Punjab, compared to other provinces (say Bombay) where irrigation was much more rare.

Registration data do not show any distinct regional pattern of pre-famine levels of mortality and fertility. For most districts the birth rate was considerably higher than the death rate. However, variation in death rates across districts seems to have been larger than for the birth rate; the coefficients of variation are respectively 0.22 and 0.16. Note from Table 6 that registered vital rates were both high and generally (perhaps with the exception of Peshwar division) very plausible; there is every reason to suppose that the registration system worked rather well in Punjab at this time

With this as background, Table 7 gives key district-level data, with particular reference to the main famine period (i e 1899-1900). Again, we have distinguished those districts which were officially classified as famine-affected. The drought in 1899, however, appears to have been widespread; all districts experienced a shortfall of rains. And the intensity of drought does not seem to have been particularly restricted to the declared famine districts. In several non-famine districts the deficiency of rainfall was also very appreciable (e g, Montegomery, Gurdaspur and Dera Ghazi Khan). But, as already noted, the actual loss of agricultural production depends partly on the degree of monsoon dependence. And on this count the famine districts appear to have been particularly disadvantaged; while the average shortfall in rains in the famine districts was only slightly larger than in the non-famine districts, the loss of harvested area was very much greater (by 38 points, Table 7).

The implications for famine distress are also clearly reflected in two other measures, namely, the indices of land sales and the number of cows in 1899-1900 (compared with 1893-94). Cattle mortality is generally believed to be an index of famine severity. And sale of property (particularly land) is often thought to be a means of last resort for those who have some property. It is clear from Table 7 that in famine districts there was overall a reduction in cattle of about 17 per cent, while most of the non-famine districts experienced an increase. The increase in the number of cows in the non-famine districts may partly be due to a net transfer by means of distress sales in the severely affected districts. Similarly, the frequency of land sales in the famine districts increased during the crisis by nearly 60 per cent (from the normal level) while in the non-famine districts this increase was only 17 per cent. This is again indicative of a higher degree of distress in the famine districts as a whole.

Turning to district-level price indices, Table 7 shows relatively small differences, on average, between the famine-affected and other districts. This was again partly due to the increased level of market integration, backed up by the advance of thr transport network. Thus, the spatial integration of markets in the absence of state controls spread price hikes across the province, and thus made variation in food prices an inadequate indicator of regional variation in crop failure.

The proportionate increase in deaths in 1900 was generally much larger in the famine than in the non-famine districts Among the officially declared famine districts, Hissar experienced both the highest increase in deaths and the greatest reduction in births. This probably reflects its acute famine vulnerability, which is amply reflected in many of the relevant measures. The apparent improvement in registered mortality in Mooltan, one of the officially declared famine districts, is noteworthy. In terms of measures such as agricultural failure and cattle mortality, both Mooltan and Amritsar seem to have suffered relatively less severe distress, especially compared with the other 'famine' districts; and this may help to explain the rather negligible adverse mortality effects in these two districts. This said, some non-famine districts also experienced significant increases in registered deaths (e g, see Jhang, Ludhiana and Montegomery in Table 7) In fact, there was a wide range of variation in proportionate increases in mortality between the districts of Punjab.

Table 8 provides a correlation matrix involving the measures presented in Table 7. It shows that the correlation coefficient between the district-level indices of shortfalls in rainfall and the area under cultivation is negative but not very high (-0.38). However, the correlation between the proportion of harvested area of crops compared to normal and the index of cattle stock is positive and fairly strong. But correlation coefficients between the district-level price indices and both the indices of land cultivation and cattle stock were low (but, as expected, negative). This probably confirms that extent of crop failure was a better indicator of regional intensity of famine distress than price rises. Mortality increases appear to have been somewhat large in those districts which were generally more affected by crop failure (Table 8). However, note that this correlation is smaller than found for the preceding famines. Also, the correlations of mortality increase with various measures of distress across all districts in Table 8 are relatively weak.[33] This indicates that the distribution of mortality across districts was far from being solely determined by crop failure. Interestingly, however, the district-level reductions in births were strongly associated with most of the indices of distress (Table 8).[34] So the regional variation in fertility reduction (especially in the early stage) was a better measure of the severity of distress than was the pattern of mortality elevation.

TABLE 8: CORRELATION MATRIX OF THE DEMOGRAPHIC AND OTHER MEASURES PRESENTED IN TABLE 7—PUNJAB FAMINE OF 1899-1900

	Index of Land Sales in 1899-1900	Index of Rainfall in 1899	Index of Harvested Area in 1899	Index of Price in 1899-1900	Index of Deaths in 1900	Index of Births in 1900
Index of cattle stock in 1899-1900	–0.07	–0.02	0.74*	–0.30	–0.35**	0.80*
Index of land sales in 1899-1900		0.09	–0.30***	0.13	0.21	–0.24
Index of rainfall in 1899			–0.22	–0.07	–0.09	–0.22
Index of harvested area in 1899				–0.21	–0.42*	0.80*
Index of price 1899-1900					0.06	–0.30
Index of deaths 1900						–0.21

Notes: (1) Information on the change in the harvested area in Jhang has been excluded as it produce unduly large influences (Table 7). (2) For data used see Table 7.

* Significant at 1 per cent level.

** Significant at 5 per cent level.

*** Significant at less than 10 per cent level.

As we have already stressed, regional pattern of famine mortality may significantly be influenced by the pattern of relief, the nature of epidemics and migration. Turning to the officially declared famine districts it can probably be suggested that relief was relatively large in those districts which were relatively severely affected. But the data for Jhelum provide an exception to this generalisation; while its intensity of distress as reflected by the relevant measures in Table 7 was quite similar to Hissar's, it received a negligible quantity of relief. On the other hand, Jhelum experienced a comparatively small rise in deaths. Emigration from Jhelum may be part of the explanation. Indeed, the lieutenant-governor in the home department of Punjab wrote that "[i]n Jhelum and Shahpur which show low birth-rates and low death-rates, the figures are principally due to emigration consequent on scarcity".[35] Test works in Jhelum (at Jalalpur Canal) were opened late in February of 1900; although the number of persons employed immediately rose fairly high, it then fluctuated, and it was thought that the "condition of those who attended was not such as to call for its [i e, canal work] conversion into relief work".[36] The reason for the smaller relief provision in Jhelum, thus, may partly be due to the relatively small mortality increase itself. The relatively small provision of relief may in turn have induced emigration from the district

Indeed, it appears that the number of persons relieved was relatively high in those districts which experienced relatively high proportionate increases in mortality (Table 7).[37] A part of this relation may stem from the fact that relief provision was relatively large in the severely affected districts. However, this also reflects the inadequacies of the relief policy. In a study of Hissar (which experienced the largest increase in deaths) a large part of excess mortality during this famine has been attributed to the very stringent and inadequate nature of relief.[38] Relief works applied harsh regulations and offered very low wages so that debilitated workers could not benefit much from the provision of such relief. Gratuitous relief was small, and it was extended mostly to those who were already on the brink of death. For example, the deputy commissioner of Hissar district himself wrote that 'It may be argued that the fact of the high mortality occurring among recipients of relief would tend to show that either relief reached the necessitous too late or that something connected with the famine administration itself was a cause of the great mortality''.[39]

However, there were of course exceptions to the positive relationship between relief provision and mortality increase. For example, Ferozepur experienced the second highest mortality increase but received an insignificant amount of relief. In fact, the

TABLE 9: DISTRICT-LEVEL INDICES OF RAINFALL DEFICIENCY, CROP LOSSES, GRATUITOUS RELIEF, MORTALITY AND FERTILITY EFFECTS DURING FAMINE OF 1907-08: UNITED PROVINCES OF AGRA AND OUDH

Districts (1)	Per Cent Deficit in Rainfall in 1907 Compared to Normal (2)	Per Cent of Autumn Harvest in 1907 Compared to Normal (3)	Gratuitous Relief Expenditure in Famine Period (Per Capita) (Rs) (4)	Index of Deaths in 1908 Compared with the Average of 1901-04 (5)	Index of Births in 1909 Compared with the Average of 1901-04 (6)
Famine Districts					
Hardoi	63	41	107.0	195	59
Muttra	40	36	116.5	198	55
Agra	31	32	147.9	189	72
Sultanpur	56	14	102.5	169	64
Etawah	44	42	136.7	170	65
Bahraich	66	18	579.4	170	65
Kheri	70	20	409.1	165	69
Gonda	67	12	274.9	162	74
Sitapur	60	19	253.1	168	52
Mirzapur	–2	24	605.6	152	69
Banda	52	25	491.8	150	75
Jalaun	51	11	403.9	162	65
Bara Banki	58	12	168.8	155	62
Basti	53	43	81.1	142	86
Fyzabad	57	23	105.4	137	70
Jaunpur	36	62	70.1	113	84
Jhansi	33	20	214.2	125	84
Hamirpur	32	21	287.1	121	62
Allahabad	26	24	185.7	105	73
Average	47*	26	249.5	157	70
Scarcity Districts					
Bareilly	30	40	35.4	202	70
Moradabad	52	40	10.8	196	73
Baudaun	33	46	30.4	208	64
Bijnor	44	16	26.6	184	83
Pilibhit	47	43	9.7	185	75
Etah	47	54	6.4	196	63
Shahjahanpur	20	42	23.7	179	76
Farrukhabad	37	65	15.9	165	66
Mainpuri	51	47	18.7	160	73
Rae Bareli	47	32	80.8	159	62
Unao	53	25	46.5	154	58
Cawnpur	56	40	29.1	139	63
Fatepur	26	22	108.2	136	67
Almora	38		13.2	145	92
Garhwal	43		8.4	137	94
Lucknow	60	19	104.2	136	65
Dehra Dun	54	46	19.3	123	88
Azamgarah	47	26	11.4	131	99
Benares	25	50	93.4	101	85
Ghazipur	32	39	26.7	98	72
Ballia	47	63	14.0	74	77
Average	42*	40	34.9	152	73
Non-Famine Districts					
Bulandshahr	60	45	0.0	182	67
Aligarh	41	49	0.0	187	58
Meerut	64	40	0.0	150	74
Muzaffarnagar	56	23	0.0	143	69
Partabgarh	22	34	0.0	143	73
Saharanpur	58	42	0.0	121	76
Gorakhpur	46	73	0.7	122	121
Nainital	38	25	8.4	101	92
Average	48*	41	1.1	146	83
United Provinces	45*	31	107.3	153	74

Notes: (1) Figures marked * are the respective unweighted averages. (2) Data on rainfall (in inches) refer to the period between June 1 and October 31. (3) The baseline period does not include 1905 and 1906 because a partial famine occurred during that time.

Sources: Columns (2), (3) and (4): *Resolution on the Administration of Famine Relief in the United Provinces of Agra and Oudh during the Years 1907 and 1908*, Government Press, Allahabad 1908; columns (5) and (6): *Report on the Sanitary Administration of the United Provinces of Agra and Oudh*, Government Press, Allahabad, various years.

data on crop losses, reductions in births and land sales all indicate that Ferozepur was indeed relatively less severely affected compared to many of the other famine districts. The official report on the famine stated that "fortunately no portion of its [Ferozepur] area reached a state of acute distress".[40] Similarly, Lahore appears to have received scant relief probably because of the lesser severity of the famine in that district (reflected too in measures of crop loss, fertility reduction, land sales and livestock loss); but Lahore nevertheless registered a substantial increase in mortality (Table 7).

The epidemic malaria was probably the most important killer in the Punjab famine of 1899-1900.[41] And once such an epidemic breaks out the usual forms of relief (e g, provision of works or dole) are unlikely to be of much help in mitigating excess deaths. Indeed, the outbreak of malaria occurred late 1900 when relief had mostly been withdrawn.[42] During this (malaria) epidemic stage part of the regional variation in mortality may well have been influenced by variation in malaria ecology (e g, malaria endemicity). For example, it is probable that the more endemic was the malaria in a district during the pre-famine period, the less would be the severity of a subsequent epidemic in the wake of a famine, owing to greater levels of immunity.[43] Such factors may also have exerted some influences in shaping the regional pattern of mortality during the famine.

In this connection the experience in the non-famine district of Jhang is particularly interesting. While the harvested area of crops more than doubled in 1899 from its 'normal' level, the proportional increase in the number of registered deaths in 1900 was larger than in many of the severely affected famine districts (Table 7). Note that the number of registered births in this district also rose substantially in 1900. All this can probably be taken as indicative of a significant amount of immigration during the famine. Indeed, there were a number of districts (even among the famine districts) in which the number of registered births increased from pre-famine levels. The cases of Karnal and Lahore (both famine districts) are particularly noteworthy on this count. They too both experienced rises in births while also experiencing considerable excess mortality. However, the index of births in 1900 largely reflects the outcome of conceptions in 1899. Since there were some territorial changes in Punjab in 1901, it is difficult to calculate comparable measures of changes in the number of births for all districts in that year. But in 1901 almost all districts for which comparison could easily be made showed a reduction in births (except for Jhang and Mooltan). On the whole, the negative effects of famine on fertility seem to have been larger in the officially declared famine districts.

United Provinces Famine Of 1907-08

Table 9 presents measures for 48 districts relating to the United Provinces famine of 1907-08. The districts were classified by the official famine report into three categories, namely, 'famine', 'scarcity' and 'non-famine' districts. This categorisation (which we also use here) was usually the responsibility of the district administration. It is clear from Table 9 that most districts experienced a considerable shortfall in monsoon rains in 1907. Consequently, crop failure was not restricted to the famine and scarcity districts. However, on the whole the extent of harvest failure in 1907 seems to have been larger in the famine districts. It is notable that there was hardly any difference in the overall shortfall of rain or harvested crops between the scarcity and non-famine districts.

But one important implication of this official classification was that non-famine districts were given almost no relief. As Table 9 shows, there was a remarkable difference in the amount of gratuitous relief provided between the famine and the scarcity districts. This discrepancy was not restricted to gratuitous relief. Indeed, a similar discrepancy in overall relief provision (in favour of the famine districts) is also indicated by the data contained in the report on the administration of the famine.[44] Therefore the official diagnosis of famine severity between districts seems to have had important implications for the scale of relief provisions.

As can be seen, the overall reduction in births appears to have been somewhat larger in the famine districts, particularly compared to the non-famine districts. As Table 10 shows, the correlation coefficient between the indices of crop failure and reduction in births is positive and statistically significant. However, the relatively low degree of association compared to that we have found in the earlier famines may partly reflect the increased level of economic integration and partly the favourable influence of a relatively effective and liberal relief provision in the affected areas.

Relatedly, on the whole both the scarcity and non-famine districts appear to have experienced a roughly similar magnitude of mortality increase as in the famine districts.[45] Note too from Table 10 that there is hardly any correlation between the measure

Table 10: Correlation Matrix of the Demographic and Other Measures Presented in Table 9, United Provinces Famine of 1907-08

	Index of Harvest in 1907	Index of Deaths in 1908	Index of Births in 1909	Gratuitous Relief per Capita
Rainfall deficit in 1907	–0.17	0.14	–0.13	0.02
Index of harvest in 1907		–0 04	0.37*	–0.56*
Index of deaths in 1908			–0.40*	–0.01
Index of births in 1909				–0.28**

Note: For data used see Table 9.
* less than 1 per cent level of significance
** less than 5 per cent level of significance

Table 11: Summary Measures for Comparison of the Inter-District Variation in Demographic and Other Variables, Four Major Historical Famine Locations

	Bombay 1876-78	Bombay 1896-97	Punjab 1899-1900	United Province 1907-08
Index of deaths in the peak mortality year(a)	248	146	183	157
Index of births during the year following the peak mortality year(a)	54	80	87	70
Coefficient of variation in district-level indices of deaths	0.58	0.23	0.43	0 20
Coefficient of variation in district-level indices of births	0.41	0 17	0.23	0.17
Correlation coefficient between the measure of crop production and index of deaths	–0.71*	–0.60*	–0.42*	–0.07
Correlation coefficient between the measure of crop production and index of births	0.86*	0.53*	0.30(b)	0.30
Percentage share of gratuitously relieved persons to the total relieved(a)	4.2	11.0	17.0	54.0
Correlation coefficient between relief provision and index of mortality(a)	0.61**	–0.06	0.70*	–0.01

(a) refers to 'famine districts' only.
(b) refers to those districts for which comparison could be made after some territorial changes in Punjab in 1901.
* less than 1 per cent level of significance.
** less than 5 per cent level of significance.

of crop failure and mortality rise. Apart from the possible effects of increased market integration and consequent diffusion of crisis, a part of the explanation for this may lie in favourable effects of relatively large relief provision in the famine districts.

Indeed, comparison with some of the earlier famines, say those in 1876-78 and 1899-1900 suggests that mortality increases in this famine were distinctly smaller (compare, for example, Tables 2 and 9). A relatively small excess mortality in this famine has sometimes been attributed to the efficient management of the famine.[46] It is true that this famine was not as widespread as former 'countrywide' food crises (e g, that of 1896-97). Therefore food could be imported from neighbouring provinces. Again, the labouring classes migrated out to other provinces where they were able to find remunerative employment There are indications (e g, an increased value of money orders sent back to the affected districts) that emigrants were even able to send remittances to support their dependents at home.[47] However, the number of such emigrants seems unlikely to have been sufficiently great to influence the famine's demographic consequences.[48] This said, the relief policy adopted during this famine appears to have been both relatively liberal and rational. As the report on the administration of the famine states, "the crop failure of the present year [1907-08] was serious enough to have caused widespread distress if the measures of relief adopted by government had not been both prompt and liberal".[49] A liberal suspension of land revenue and as well as large grants of advances for farmers' subsistence and agricultural production, characterised the relative emphasis on indirect forms of relief during this famine. Interestingly, the large advances made to agriculturists, especially for irrigation and cultivation of the spring crops, helped maintain (and perhaps even increase) the demand for labour, and in turn this helped to keep market wage rates relatively high: Moreover, the fixing of wages on the relief works was modified so that, unlike the old policy, it was based not on what would be sufficient for the worker only, but on ordinary market wage rates instead.

Emphasis was also placed on village works so that people did not need to congregate around large relief works sites. 'Aided' village works, which were undertaken by landholders using advances given by the government, appeared as a prominent means of relief. They were so popular that on June 4, 1908 about 1,77,185 persons were employed on such works. The wages paid in these aided village works "were as a rule higher than the rates paid on government works and approximated to the ordinary wages of labour prevailing in the vicinity."[50] The implication of such policies lay partly in reducing deprivation and distress among farm labourers. But it also meant relatively less congregation at large work camps and this probably helped contain the spread and virulence of epidemic diseases such as cholera, dysentery and diarrhoea, which were all comparatively minor problems during this famine. Finally, an increased emphasis on the provision of gratuitous relief to the dependents of relief workers was also a cornerstone of relief policy during this famine. Indeed, the ratio of workers' dependents relieved (gratuitously) to the total number of relief workers was 0.44 in 1907-08, compared to only 0.24 in 1896-97.[51] The proportion of persons receiving gratuitous relief to the total number on relief reached 54 per cent during this famine. The Famine Commission of 1901 had recommended that this figure should not exceed 42 per cent. Thus emphasis on relieving workers' dependents as well as the liberal nature of the relief policy—the policy being adopted in far greater measure in the famine districts than in the scarcity districts (Table 9)—can probably be held as partly responsible for the somewhat lesser mortality rise. Again, the view that a relatively more gratuitous and liberal relief policy played a significant part in containing mortality during this famine gains support from the absence of a positive correlation between relief provision and mortality increase.[52]

Discussion

We now summarise and review major findings on the regional variation in demographic and other variables during four major historical famines (in the context of individual locations). Our foregoing district-level analysis for the Bombay famine of 1876-78 shows that the intensity of distress varied markedly between the affected and non-affected regions. In turn, this was also reflected in greater variation of adverse demographic consequences between the affected districts and those not affected. In fact, transport and communication system of earlier decades was very limited. Thus, during the 1870s the very restricted road and rail network inhibited both fast transport of grain and population movement.[53] So less affected famine areas seem to have been relatively insulated from both price rises and the spread of epidemics, while famine affected districts could not be supplied rapidly with grains.[54] As can be seen from Table 11, both the scale and regional disparity in demographic impact during the famine of 1876-78 appears to have been larger than during the famines of 1896-97, 1899-1900, and 1907-08. Note too a weakening of strength of association over time between the district-level extent of crop failure and adverse demographic effects. In fact the regional variation in price rises has been a relatively poor indicator of the variation both in distress and associated demographic impact. On the other hand, compared with mortality variation, regional variation in the reduction in births seems to have been a better indicator of the variation in the measures of famine distress (such as the extent of failures in rain and crop production).

Thus, while increasing transport and communications over time may have played a role in augmenting the diffusion of the intensity of crisis,[55] overall scale of mortality elevation seems to have depended at least partly on the nature of relief provision.[56] For example, much greater increase in mortality (and larger reduction in births) during the famine of 1876-78 compared to later famines does not seem to relate to the severity of drought and crop losses. Indeed, as we have shown earlier, on these criteria the later famines—particularly during 1899-1900 and 1907-08—appear to have been no less severe than the famine of 1876-78.[57] Again, it was not that relief provisions in terms of the number of persons on paid works during the 1876-78 famine were particularly inadequate. In fact the average daily number of persons on relief during the 1876-78 famine compares favourably with that during later famines (Tables 2, 4, 7). Furthermore, as has been shown above, the regional distribution of relief provision seems to have broadly corresponded to regional variation in severity of drought and crop losses. But the proportion of persons on gratuitous relief appears to have been much lower in the Bombay famine of 1876-78 compared to later famines (Table 11). This probably partly reflects the more harsh relief policy during the 1870s (i e, before the establishment of the Famine Codes).[58] That the relief policy during the famine of 1876-78 was very severe and punitive in character (especially compared with later relief policy) has been documented by several authors.[59] Indeed, district-level data on relief and mortality do not support the idea that the greater the relief provided in a district, the smaller the adverse mortality effects during the famine (Table 11). This probably partly stems from the fact that relief provision was generally larger in the most severely affected districts. This said, relief policy too must have been deficient in mitigating vulnerability of the population in the affected areas. This brings us to the issue of the nature of relief.

Indeed, a declining trend in the quantum of excess famine mortality over the decades since the 1870s has been observed, and this has often been attributed to a trend towards more 'liberalism' and 'flexibility' in relief policy (as formulated by the successive Indian Famine Commissions)—a trend which was sometimes helped by expansion of transport and communications network and creation of alternative employment opportunities.[60] But the formulation of Famine Codes and a more rational relief policy does not guarantee their implementation. Although relief policy became more liberal

during the decades since the 1870s, it was sometimes very harsh and deficient in several respects (e g, delayed response, non-adherence to Famine Codes). The relief policy has often been criticised as being influenced by "wait and see" attitude on government's part.[61] While stressing the extreme stinginess of relief policy Dreze remarks that "[i]n particular, the level of wages paid on relief works was extraordinarily low...As a result, during the most severe crises the availability of work did not always prevent a considerable enfeeblement of affected people, and their enhanced vulnerability to epidemics".[62]

This point is illustrated by the fact of a larger increase in mortality during the Punjab famine of 1899-1900 than both during the famines of 1896-97 and 1907-08 (Table 11). As has been discussed before, the relief policy as adopted during the Punjab famine was particularly punitive and harsh. The chief engineer of the Public Works Department in the Punjab government concluded that "some part" of the excess mortality in the famine of 1899-1900 was "due to the greater severity of our famine works as compared to the last [1896-97] famine".[63] That relief provision was relatively deficient in 1899-1900 is also reflected in the high positive correlation between district-level relief provision and mortality increase. In contrast, the relief policy as implemented in Bombay during 1896-97 seems to have been better organised and more rational in taking especial care for workers' children and dependents, and also in protecting sanitary condition at large relief camps. As has already been discussed, the relief measures during the famine of 1907-08 in United Provinces too were remarkably liberal and rational. Note from Table 11 that the proportion of gratuitous relief during this famine was far larger than in the preceding famines. Note too that in case of these two famines no positive relationship was found between district-level relief provision and mortality increase, confirming the greater effectiveness of relief provision than in the Punjab famine of 1899-1900. This is not to suggest that inter-district variation in mortality rises was solely related to the nature of relief. In fact, regional variation in ecology and inter-district migration also seem to have contributed to the variation in demographic impact.

All these considerations, thus, suggest that although during the last decades of the 19th century India witnessed the establishment of a well-defined famine relief system, which partly contributed to the declining trend in overall excess famine mortality, the role of relief continued to conform to the popular notion "which conjures up the picture of a battle already half lost and focuses the attention on emergency operations narrowly aimed at containing large-scale mortality."[64] Indeed, as has been amply documented by several authors, this was probably proved again during the Bengal famine of 1943-44.[65]

Notes

[The author is grateful to Tim Dyson who read an earlier draft of this paper and offered many useful comments and suggestions.]

1 Indeed famine has often been defined in terms of demographic consequences, particularly its mortality effects; see D Arnold, *Famine*, Basil Blackwell, Oxford, 1988; M Alamgir, *Famine in South Asia: Political Economy of Mass Starvation*, Oelgeschlager, Cambridge, Mass, 1980; Amartya Sen, *Poverty and Famines*, Oxford University Press, Oxford, 1981.

2 Reviewing the literature on famine demography, G Hugo concluded in 1984 that "demographers have generally neglected the response to famine as a field of study"; see G Hugo, 'The Demographic Impact of Famine: A Survey' in B Currey and G Hugo (eds), *Famine as a Geographical Phenomenon*, Dordrecht, Riedel, 1984, p 28.

3 For a general (and somewhat theoretical) discussion, see J Bongaarts and M Cain, 'Demographic Responses to Famine' in K Cahill, *Famine*, Orbis Book, New York, 1982; G Hugo, ibid; and S C Watkins and J Menken, 'Famines in Historical Perspective', *Population and Development Review*, Vol 11, No 4, 1985. The recent careful demographic studies of south Asian famines include Tim Dyson, 'On the Demography of South Asian Famines', Part I and II respectively in *Population Studies*, Vol 45, Nos 1 and 2, 1991; R Lardinois, 'Famine, Epidemics and Mortality in South Asia: A Reappraisal of the Demographic Crisis of 1876-78', *Economic and Political Weekly*, Vol 20, No 11, 1985; L C Chen and A K M A Chowdhury, 'The Dynamics of Contemporary Famine', *International Population Conference*, Mexico, Volume 1, 1977; A Razzaque, 'Socioeconomic Differentials in Mortality during the 1974-75 Famine in a Rural Area of Bangladesh', *Journal of Biosocial Science*, Vol 21, No 1, 1989; and Amartya Sen, op cit, Appendix D. For several references on the recent studies on the demography of African famines see Jean Dreze, 'Famine Prevention in Africa' in Jean Dreze and Amartya Sen (eds), *Political Economy of Hunger, Volume II*, Clarendon Press, Oxford, 1990; and also Tim Dyson, ibid, Part II.

4 This is largely because of the availability of India's registration data for the whole period since the 1870s. This contrasts with the most other third world countries (especially African and Latin American) where registration system is still generally in its infancy.

5 Tim Dyson, op cit. For a background discussion on these famines, see Tim Dyson, op cit, Part I, and also the references cited by him.

6 All these locations were actually respective provinces under British administration.

7 For a description of the severity and geographical spread during these famines, see B M Bhatia, *Famines in India: A Study in Some Aspects of the Economic History of India (1860-1965)*, Asia Publishing House, London, Second Edition, 1967. Although the famine of 1907-08 was probably less widespread than those of 1876-78, 1896-97 and 1899-1900, it was quite severe particularly in United Provinces.

8 Since the inception of the registration system (i e, since the 1870s) the Sanitary Commissioner of each province was responsible for producing an annual report, containing quite detailed registration data (e g, deaths, births, cause of death, etc). The information on vital events was collected by village watchman (or 'chowkidars'), each being responsible for a particular jurisdiction.

9 On the relatively good registration in these regions, see M B McAlpin, *Subject to Famine: Food Crises and Economic Change in Western India, 1860-1920*, University Press, Princeton, 1983, p 50; Tim Dyson, 'The Historical Demography of Berar, 1881-1980' in Tim Dyson (ed), *India's Historical Demography*, Curzon Press, London, 1989; Census of India 1901, *Punjab Volume XVII, Part I*, Simla, 1902, pp 41-42.

10 Indeed one stated motive behind the establishment of the registration system in India was to monitor mortality trends during periods of crisis; on this see Tim Dyson, op cit, p 10. The Sanitary Commissioner of Bombay Presidency wrote: "[t]here can be no question that the increased attention paid to the registration by the large staff of village inspectors throughout famine districts had led to much greater accuracy in the number of deaths returned in 1877 [i e, peak mortality year]"; see *Annual Report of the Sanitary Commissioner for the Government of Bombay, 1977*, Government Press, Bombay, 1878, p 139.

11 For a useful description of these drought-caused late-19th century Indian famines, see Jean Dreze, 'Famine Prevention in India' in Jean Dreze and Amartya Sen (eds), *The Political Economy of Hunger*, Vol II, Clarendon Press, Oxford, 1990.

12 While governmental participation in trade and distribution of food during the subsistence crisis is sometimes seen as an effective means of protecting the food entitlement of vulnerable sections of population, the British administration was almost obsessively against the policy of state intervention in free market operations and private trading; on this see Jean Dreze, 'Famine Prevention in India', ibid, pp 27-28. For a discussion on the influence on the British famine relief policy of the classical ideas favouring operation of free market forces and its implications, see S Ambirajan, *Classical Political Economy and British Policy in India*, University Press, Cambridge, especially pp 69-100; see also Amartya Sen, op cit, pp 160-62.

13 For a useful discussion of the basic principles and rationale behind the relief policy—and also its evolution—during the closing decades of the 19th and early 20th centuries, see Jean Dreze, ibid, pp 25-32, and also H S Srivastava, *The History of Indian Famines and Development of Famine Policy, 1858-1918*, Sri Ram Mehra, Agra, 1968.

14 See M B McAlpin op cit, p 48.

15 The whole of Sind division is now included in Pakistan.

16 See *Report on the Administration of the Bombay Presidency*, Government Press, Bombay, various years; see also S Qureshi, *The British Annexation of Sind*, Council of British Pakistanis, Bromsgrove, Monograph No 1, 1988, p 3.

17 M B McAlpin op cit, p 26.

18 The contemporary sanitary commissioner for Bombay presidency in his annual reports commented upon some of the special difficulties faced by efforts to instigate registration in Sind.

19 See also M B McAlpin, op cit, pp 54-55. Indeed McAlpin has suggested that both low birth and death rates in Konkan may imply a different pattern of population growth—a pattern which implies "less wastage of human life". The underlying hypothesis is that "in Konkan, where the population was less subject to abrupt rises in the death rate due to

famine, society had evolved norms for somewhat lower fertility resulting in lower birth rates", see p 56.

20 The district-level annual data on agricultural livestock also show large losses during the famine in the Deccan compared to other divisions; see,e g, *Report on the Administration of the Bombay Presidency for the Year 1877-78*, Government Press, Bombay, 1878, p 181.

21 See *Report on the Administration of the Bombay Presidency for the year 1877-78*, Bombay, 1878, p 361.

22 Ibid, p 360.

23 Ibid, p 160.

24 As Bhatia writes about this famine, "[t]he guiding principle in the management of this famine was to secure maximum economy in relief expenditure"; see B M Bhatia, op cit, p 92.

25 See *Report on the Famine in the Bombay Presidency 1899-1902*, Government Press, Bombay, 1903, Volume I—Report, p 3.

26 There was, indeed, a considerable increase both in population and registered vital rates between the 1870s and 1890s in Bombay Presidency. But the basic normal patterns of regional variation that we have found prior to the famine of 1876-78 (see Table 1) seem to have remained largely valid prior to the famine of 1896-97.

27 See B M Bhatia, op cit, p 241.

28 See B M Bhatia, op eit, p 244.

29 The correlation coefficients of the numbers of persons on relief with the indices of crop failure and reduction in births are respectively 0.71 and 0.69.

30 See B M Bhatia, op cit, p 247

31 The Sanitary Commissioner of the Bombay Presidency reported the following to the Indian Famine Commission: "I consider the relief camps were kept in good sanitary condition and precautions taken, certainly at all large camps, to protect water supply"; "As far as I am aware there was no abnormal deficiency in the water-supply"; see *Appendix to the Report of the Indian Famine Commission 1898*, Vol III—Bombay Presidency, London, 1899, p 239.

32 Areas from some of these 31 districts were taken out of Punjab to constitute a separate administrative province, namely, the North-Western Frontier Province in 1901. Then Punjab consisted of 27 districts.

33 The correlation coefficients between the index of deaths and the indices of cattle stock and land sales are respectively -0.35 and 0.21 (Table 4.8). Note also that the positive association between the rises in human and cattle mortality is statistically significant.

Note that unlike the previous famines the district-level indices of births in Punjab are given for the prime famine year (i e, 1900), while a large part of the effect on conceptions in 1900 should be captured by the respective numbers of births in the following year. This was necessitated because of non-availability of comparable data for several districts after some areas were taken out of Punjab in 1901. However, for those districts for which comparison could be made the correlation coefficient between the index of harvested area in 1899 and index of births in 1901 is found to be 0.30.

Quoted in *The Punjab Famine of 1899-1900*, Volume I, Government Press, Lahore, 1901 (no page number).

Ibid, p 9.

Indeed, the correlation coefficient between the daily average number of persons on relief per 1,000 population and the mortality indices across the 13 famine districts is positive and significant (0.70). It may also be noted that coefficient stays exactly the same (0.70) when average daily numbers of persons on relief (irrespective of population size) in the districts are used.

38 See D Guz, 'Population Dynamics of Famine in Nineteenth Century Punjab, 1896-97 and 1899-1900' in Tim Dyson (ed), *India's Historical Demography: Studies in Famine, Disease and Society*, op cit.

39 See *The Punjab Famine of 1899-1900*, Lahore, 1901, Volume II, Appendix XVIIII, pp 163-64. On this issue, see also D Guz, ibid; Dreze, 'Famine Prevention in India', op cit, and B M Bhatia, 'Famine and Agricultural Labour: A Survey', *Indian Journal of Industrial Relations*, Vol 10, No 4, 1975.

40 See *The Punjab Famine of 1899-1900*, Lahore, 1901, Volume I, p 8.

41 On this see the Punjab Sanitary Commissioner's annual reports for 1990 and 1901.

42 See the *Annual Report of the Sanitary Commissioner for Punjab for the Year 1900.*

43 See G Harrison, *Mosquitoes, Malaria and Man: A History of the Hostilities since 1880*, John Murray, London, 1978, especially pp 199-207.

44 See *Resolution on the Administration of Famine Relief in the United Provinces of Agra and Oudh during the Years 1907 and 1908*, Government Press, Allahabad, 1908, especially chapter VIII.

45 As the Report on the famine administration states, "One conclusion seems to follow from the experience of the present year [1908], namely, that the distinction between scarcity and famine admits of better definition than is at present given in the Famine Code. General opinion seems in favour of defining famine districts to be those districts in which relief works with relief to dependents are needed, and scarcity districts as those in which gratuitous relief and aided works without relief works afford all the aid to distress that is necessary"; ibid, p 86.

46 As Bhatia writes, "As a result of the famine there was only a small excess of mortality over the normal rate and the local government was congratulated by the secretary of state on the efficient manner in which the famine had been managed"; see B M Bhatia, *Famines in India*, op cit, p 269.

47 See Bhatia, *Famines in India*, op cit, p 267.

48 As the report on the administration of the famine remarks, "[t]here was no organised movement of the population from the distressed areas in search of work, no considerable emigration to or immigration from naive states, and in fact no noticeable wandering at all"; see *Resolution on the Administration of Famine Relief in the United Provinces of Agra and Oudh during the Years 1907 and 1908*, op eit, p 150.

49 Ibid, p 150.

50 Ibid, p 83.

51 Ibid, p 74.

52 In this connection, it may be noted that migration (especially from adjoining regions) during this famine was rather limited; see *Resolution on the Administration of Famine Relief in the United Provinces of Agra and Oudh during the Years 1907 and 1908*, p 128.

53 In the aftermath of the famine of 1876-78 the *1880 Indian Famine Commission* recommended direct state efforts for extending railways and irrigation.

54 Referring to the period before large-scale development of the railways, Dreze writes that "[e]ntitlement failures were exacerbated by the sluggishness of trade and the large price disparities prevailing between adjacent regions"; see Jean Dreze, 'Famine Prevention in India', op cit, p 21. As Srivastava writes, "lack of satisfactory communications... severely restricted the movements of food grains so that while in one part of the country people died of lack of food, in another, only a few miles away, there was an abundance of cheap food"; see H S Srivastava, op cit, p 7.

55 Railway mileage in India increased from 9,891 in 1881 to 19,555 in 1895; see K Currie, 'British Colonial Policy and Famines: Some Effects and Implications of 'Free Trade' ion the Bombay, Bengal and Madras Presidencies, 1860-1900', *South Asia*, Vol 14, No 4, 1991, p 55.

56 It has sometimes been argued that the construction of roads and railways did not necessarily function as protective against famine mortality; see, e g, K Currie, ibid.

57 However, it should be mentioned that the Bombay famine of 1876-78 may be considered as being more severe than the later famines in one respect at least, namely, that it involved the occurrence of *two* successive serious droughts.

58 Indeed the severity of the famine of 1876-78 (particularly in terms of excess mortality), at least partly, prompted the establishment of the first Indian Famine Commission (of 1880), which, in turn, laid the foundation of India's subsequent relief system, namely, the Famine Codes (i e, guidelines to the local administration for anticipation, recognition and relief of famines). The first 'Draft Famine Code' was submitted along with the Famine Commission Report of 1880. Each province was asked to frame its own code by adapting the model contained in the Draft Code to its own circumstances. For details, see Jean Dreze, *Famine Prevention in India*, op cit, and also H S Srivastava, op cit.

59 See B M Bhatia, *Famines in India*, op cit, H S Srivastava, op eit, and also K Currie, op cit.

60 See, e g, R E Seavoy, *Famine in Peasant Societies*, New York: Greenwood Press, 1986, especially p 242; I Klein, 'When the Rains Failed: Famine, Relief, and Mortality in British India', *Indian Economic and Social History Review*, Vol 21, No 2, 1984, M B McAlpin, op cit, and Jean Dreze, *Famine Prevention in India*, op cit.

61 See, e g, M Alamgir, op cit, p 83. Referring to the implementation of the Famine Code, Guz writes that "[i]t [government] stepped in once excess mortality and severe social disruption had occurred"; see D Guz, op cit, p 217.

62 See Jean Dreze, *Famine Prevention in India*, op cit, p 34.

63 See *The Punjab Famine of 1899-1900*, Volume 2, Lahore, 1901, pp 90-92.

64 See Jean Dreze and Amartya Sen, *Hunger and Public Action*, Clarendon Press, Oxford, 1989, p 67.

65 On the failure of relief provision during the Bengal famine of 1943-44, see Famine Inquiry Commission, *Report on Bengal*, Government Press, New Delhi, 1945; Amartya Sen, op cit, especially chapter 6 and Appendix D; P R Greenough, *Prosperity and Misery in Modern Bengal: The Famine of 1943-44*, Oxford University Press, New York, 1982 especially pp 127-138; and also Arup Maharatna, 'Regional Variation in the Demographic Impact during the Bengal Famine of 1943-44', *South Asia Research*, May, 1993, and Arup Maharatna, 'The Demography of the Bengal Famine of 1943-44: A Detailed Study' (appearing), *Indian Economic and Social History Review.*

Debt Crisis and Economic Reforms

S P Gupta

Any study of the growth of India's external debt cannot be undertaken in isolation from the growth of domestic public debt. The question is whether the present economic reform will succeed in reversing the rising trends in debt service ratio and percentage of public and external debt to GNP in a sustainable fashion. An attempt is made here to answer the question with the help of a simple macro-economic model.

THE present economic reform in India has been triggered primarily by an external debt crisis, mainly an outcome of her domestic fiscal imbalance, i e, overspending by the government. Three years of this reform have already passed. The impact of some of the policies under this reform is now perceptible. There is a general feeling from the experience of other countries that for accessing the full impact of such policies, the three-year period is 'too short'. At the same time, it is felt that as far as mid-course corrections in the policy packages are required, it will be too late if their results are not detected in time.

To start with, one would like to identify all key factors leading to the present debt crisis; because only then can one assess whether all the fiscal and monetary packages presently initiated under this reform could help the economy to deactivate these factors, so that the economy can come out of the present crisis in a sustainable fashion.

The government has recently brought out a *Status Report on External Debt* (October 1993). This has placed India's external debt at a high figure of $ 74.5 billion (excluding defence) and $ 85.4 billion (including defence) in 1993 and as percentage of GDP 33.4 and 38.3 respectively in 1992-93. There is a sharp difference of opinion among economists about the viability of this level of debt burden. For example some read this statistic as a forewarning for an impending or continuing debt crisis. But if one makes an inter-country comparison, one will notice that among 30 major developing countries (barring China and Republic of Korea), all have an external debt ratio to GNP higher than that of India in 1991. The concern, therefore, should not be for this level of debt to GNP ratio. Alternatively it is the debt service ratio of a country that conventionally measures its repayment abilities, which should be of real concern. Using this indicator, there are only three countries Zambia, Algeria and Argentina among 30 selected developing countries mentioned in the *World Development Report 1992-93* which are above India. In India (even excluding defence debt), this ratio is higher than one-third of exports and showing an ever-increasing trend.

External debt accumulates basically from the growth of the current account balance financed by contractual borrowing. Its servicing commitments depend on the composition of its financing sources having different schedule of repayments and levels of interest charges. I do not like here to narrate the familiar reasons for how the 'grant element' of India's external borrowing has eroded over time, thereby aggravating her servicing liabilities. In a nutshell, there has been all along a heavy shift from mid-80s from official to commercial borrowings (bearing comparatively high interest rates and having shorter maturity periods). The large current account balance in its turn can be ascribed to the continuing large domestic fiscal deficit creating heavy excess demand in the domestic market. At times in the past, a part of the pressure of this excess demand has been absorbed by squeezing investment in the private sector (the 'crowding out' effect) through priority borrowing (under SLR) by the public sector. This is why the relation between high fiscal deficit and high current account balance in the external sector has not always been one-to-one. But over time the private sector has been squeezed so much, almost reaching a 'saturation' point, that the impact of any further large fiscal imbalance is likely to be transmitted largely to the external sector. Besides, with the recent reduction in the SLR and the market orientation in government borrowing, any more squeezing of the private sector will not be possible.

This is why, any study on the growth of India's external debt cannot be undertaken in isolation from her domestic public debt. The external debt as percentage of exports (goods and non-factor services), in current dollars

TABLE 1: ASSUMPTIONS—ALTERNATIVE PUBLIC DEBT SCENARIOS

	(A) Base Case	(B) Optimistic Case
(a) Fiscal deficit (central government)	7.0 per cent (1994-95 to 2003-04)	6 5 per cent (1994-95 to 1996-97) than 6 0 per cent there on
(b) Budgeting deficit (central government)	0.7 per cent -do-	Same as base case
(c) Revenue deficit (central government)	4 3 in 1994-95 and then 4.0	4.3 per cent in 1994-95, 4.0 per cent in 1995 96 and then 3.5 per cent until 1998/99 and there on 3 0 per cent per annum.
(d) Interest rates	10.02 (BE) for 1994-95 and then 12 0 per cent (1995-96) 13.0 per cent (there on)	10 2 in 1994-95 and then 11 per cent there on
(e) Real GDP growth	5 0 althrough	Same as the base case
(f) Inflation rate	9 0 (1994-95 onwards)	8 0 in 1994-95 and onwards
(g) Population growth	2.1 per cent (1994-95 onwards)	Same as base case

TABLE 2. ASSUMPTIONS—ALTERNATIVE EXTERNAL DEBT SERVICES

	(A) Base Case	(B) Optimistic Case
(a) to (g) refer to Table 1	Same as the public debt scenario (Base case)	Same as the public debt scenario (Optimistic case)
(h) Real growth of exports (goods and nfs)	9 per cent in 1994-95; 8 per cent thereafter	13 0 in 1994-95; 15 0 thereafter
(i) Nominal average interest rate-charges for external debt	7.3/8.0/8.3/8.5/8.6/8.7/8.8/8 8/8 8 for 1994-95 to 2002-03	As the base case
(j) Repayment schedule	As given in *World Bank Report* and extrapolated	As the base case
(k) Trade balance as percentage of GNP	1.2 to 1.4	0.7-1 5
(l) Import elasticity	1.21	1 30
(m) Rupee depreciation	3.9 per cent per annum from 1994-95 to the end	10 per cent per annum from 1994-95 to the end
(n) FDI	Disbursement around $ 800 in 1994-95, rising to $ 1.46 million in 2002-03	Disbursement around $ 800 in 1994-95, rising to $ 2 billion in 2002-03

increased from 257 per cent to 313 per cent between 1984-85 and 1992-93 almost monotonically and the debt-servicing at percentage of exports from 22 7 per cent to 31 3 per cent over the same period As percentage of GNP at current dollar, the external debt again increased from 17 5 per cent in 1984-85 to 28.8 per cent in 1991-92 (Table 12) The significant contribution to this increasing external debt came from growing public debt Public debt at the centre over this period rose from 49 3 per cent of GDP to 57 9 per cent of GNP almost monotonically and its external debt component increased from 35 5 per cent in 1984-85 to 43 3 per cent in 1991-92 Thus in 1992 the central government public debt covered 43 per cent of India's total external debt, besides there was the indirect impacts of growing domestic fiscal deficit on the external gaps when the excess demand spilled into the external market Now, the moot question is whether the present economic reform will be able to ameliorate this situation and reverse the increasing trends in the debt-service ratio and percentage of public and external debt to GNP, in a sustainable fashion

For this an attempt is made to examine the future trends in these few selected indicators to measure the likely debt build-up in India with the help of a simple macro-economic model The two most commonly used indicators are either debt expressed as percentage of GNP or debt-servicing (repayment and interest charges) as percentage of exports in the external case and as percentage of central government's fiscal deficit in the domestic case One test of an impending debt crisis is when these ratios continue to increase without any sign of a turning point over the

Table 3 Central Government Public Debt Projections—Scenario 1 Base Case

	1992/93 Actuals	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
		Projections									
Fiscal deficit as per cent of GNP	5 7	7 4	7 0	7 0	7 0	7 0	7 0	7 0	7 0	7 0	7 0
Budgetary deficit as per cent of GNP	1 7	1 1	0 7	0 7	0 7	0 7	0 7	0 7	0 7	0 7	0 7
Revenue deficit as per cent of GNP	2 6	4 3	4 3	4 0	4 0	4 0	4 0	4 0	4 0	4 0	4 0
Interest payments (Rs billion) at current prices	310 4	375 0	460 0	609 2	743 4	838 6	947 1	1070 8	1211 8	1372 6	1555 8
Interest payments as per cent of GNP	4 5	4 8	5 1	6 0	6 4	6 3	6 3	6 2	6 2	6 1	6 1
Interest rate (per cent)	8 8	9 3	10 2	12 0	13 0	13 0	13 0	13 0	13 0	13 0	13 0
GNP real growth (per cent)	4 9	4 0	5 0	5 0	5 0	5 0	5 0	5 0	5 0	5 6	5 0
Inflation rate (per cent)	10 1	9 0	9 0	9 0	9 0	9 0	9 0	9 0	9 0	9 0	9 0
Total public debt as per cent of GNP	57 9	57 5	56 8	56 1	55 5	55 0	54 5	54 1	53 8	53 5	53 2
Per capita public debt (Rs)	4573 7	5026 0	5541 5	6114 2	6755 1	7472 2	8274 3	9171 3	10174 2	11295 4	12548 7
Memo items											
Total public debt (Rs billion)	4019 2	4509 5	5076 4	5718 6	6450 8	7285 4	8236 9	9321 6	10558 1	11967 8	13574 8
GNP at current prices (Rs billion)	6941 6	7844 0	8942 1	10194 0	11621 2	13248 2	15102 9	17217 3	19627 7	22375 6	25508 2
Population (in million)	878 8	897 2	916 1	935 3	955 0	975 0	995 5	1016 4	1037 7	1059 5	1081 8

Notes (a) Inflation rate for 1992/93 is from *RBI Annual Report*
(b) Interest rate is estimated value
(c) Invisibles for 1992/93 are estimated using the same growth in dollar terms prevailed in 1991/92 over 1990/91
(d) Exports (goods) figure has been taken from the Commerce Ministry Press Notes
(e) Current account deficit figure for 1992/93 is from the *Economic Survey*
(f) External debt excludes defence this figure has been taken from the Finance Ministry s Status Report on External Debt

Sources (1) Reserve Bank of India *Report on Currency and Finance*
(2) Reserve Bank of India *RBI Annual Report*
(3) Ministry of Finance *Union Budget Documents*
(4) Ministry of Finance *Economic Survey*
(5) *India s External Debt A Status Report*, Ministry of Finance, Government of India
(6) World Bank *World Development Report 1993*

Table 4 Central Government Public Debt Projections Scenario 2 Optimistic Case

	1992/93 Actuals	1993/94	1994/95	1995/96	1996/9	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
		Projections									
Fiscal deficit as per cent of GNP	5 7	7 4	6 5	6 5	6 5	6 0	6 0	6 0	6 0	6 0	6 0
Budgetary deficit as per cent of GNP	1 7	1 1	0 7	0 7	0 7	0 7	0 7	0 7	0 7	0 7	0 7
Revenue deficit as per cent of GNP	2 6	4 3	4 3	4 0	3 5	3 5	3 5	3 0	3 0	3 0	3 0
Interest payments (Rs billion) at current prices	310 4	375 0	460 0	553 0	616 9	689 1	763 7	847 9	943 1	1050 7	1172 3
Interest payments as per cent of GNP	4 5	4 8	5 2	5 5	5 5	5 4	5 3	5 2	5 1	5 0	5 0
Interest rate (per cent)	8 8	9 3	10 2	11 0	11 0	11 0	11 0	11 0	11 0	11 0	11 0
GNP real growth (per cent)	4 9	4 0	5 0	5 0	5 0	5 0	5 0	5 0	5 0	5 0	5 0
Inflation rate (per cent)	10 1	9 0	8 0	8 0	8 0	8 0	8 0	8 0	8 6	8 0	8 0
Total public debt as per cent of GNP	57 9	57 5	56 7	56 0	55 3	54 3	53 3	52 5	.51 8	51 1	50 5
Per-capita public debt (Rs)	4573 7	5026 0	5487 7	5995 9	6560 0	7120 3	7743 3	8,435 6	9204 6	10 058 4	11005 9
Memo items											
Total public debt (Rs billion)	4019 2	4509 5	5027 1	5608 1	6264 5	6942 3	7708 3	8573 8	9551 9	10657 1	11905 9
GNP at current prices (Rs billion)	6941 6	7844 0	8863 7	10016 0	11318 0	12789 4	14452 0	16330 8	18453 8	20852 8	23563 6
Population (in million)	878 8	897 2	916 1	935 3	955 0	975 0	995 5	1016 4	1037 7	1059 5	1081 8

Notes Same as Table 3
Sources Same as Table 3

Table 5: India: External Debt Projections—Scenario 1: Base Case

	1992/93 Actuals	Projections 1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Total exports (g+nfs) (Rs billion)	671.4	866.1	1022.1	1195.7	1399.0	1636.9	1915.1	2,240.7	2621.6	3067.3	3588.7
Exports (goods) (Rs billion)	536.9	671.1	785.2	910.8	1056.5	1225.6	1421.7	1649.2	1913.0	2219.1	2574.2
Trade balance (Rs billion)	–125.9	–76.6	–107.3	–154.1	–171.9	–171.1	–199.8	–232.7	–270.3	–318.1	–373.5
Current account deficit (Rs billion)	150.8	129.9	162.7	269.0	314.8	343.7	402.2	470.5	550.5	644.1	753.6
Rupee devaluation (per cent)	17.0	10.7	4.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Inflation rate (per cent)	10.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Nominal interest rate (excluding repayments) (per cent)	5.3	6.3	7.3	8.0	8.3	8.5	8.6	8.7	8.8	8.8	8.8
Interest payments (Rs billion)	117.9	146.3	179.0	207.9	235.8	265.6	295.3	330.9	373.2	419.0	473.2
Principal repayments (Rs billion)	91.0	112.0	167.0	212.0	280.0	224.0	202.0	221.0	244.0	322.0	450.0
Current A/c balance as per cent of total exports	22.5	15.0	15.9	22.5	22.5	21.0	21.0	21.0	21.0	21.0	21.0
Real interest rate changes (per cent)	–3.9	–2.0	–1.3	–0.7	–0.4	–0.2	–0.1	0.0	0.1	0.1	0.1
Real export growth (g+nfs) (per cent)	3.1	20.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Real export growth (goods) (per cent)	3.1	16.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Debt service ratio (per cent)	31.1	29.8	33.9	35.1	36.9	29.9	26.0	24.6	23.5	24.2	25.7
Total external debt as per cent of exports	345.9	283.2	254.3	237.6	223.4	209.8	198.6	189.3	181.6	175.3	170.1
Total external debt as per cent of GNP	33.5	31.3	29.1	27.9	26.9	25.9	25.2	24.6	24.3	24.0	23.9
Per-capita external debt (Rs)	2642.5	2733.7	2837.2	3037.7	3272.6	3522.3	3820.1	4172.9	4588.2	5074.6	5642.3
Memo items:											
Exports (Rs billion in real prices)	293.6	337.6	391.4	479.4	587.3	710.6	859.8	1040.4	1258.9	1523.2	1843.1
Assumed price indices (1981/82 = 100)	228.7	249.3	271.7	296.2	322.8	351.9	383.6	418.1	455.7	496.7	541.4
Real GNP growth (per cent)	4.9	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
GNP at market prices (Rs billion)	6941.6	7844.0	8942.1	10194.0	11621.2	13248.2	15102.9	17217.3	19627.7	22375.6	25508.2
Population (in million)	878.8	897.2	916.1	935.3	955.0	975.0	995.5	1016.4	1037.7	1059.5	1081.8
Total external debt (Rs billion)*	2322.2	2452.7	2599.1	2841.2	3125.2	3434.2	3802.9	4241.3	4761.3	5376.7	6103.7
Foreign direct investment (Rs billion)	8.0	15.0	25.0	35.0	40.0	45.0	45.0	45.0	45.0	45.0	45.0

* Excluding Defence.
Notes: Same as Table 3.
Sources: Same as Table 3.

Table 6: India: External Debt Projections—Scenario 2: Optimistic Case

	1992/93 Actuals	Projections 1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Total exports (g+nfs) (Rs billion)	671.4	866.1	1108.6	1419.0	1816.4	2324.9	2975.9	3809.2	4875.7	6241.0	7988.4
Exports (goods) (Rs billion)	536.9	671.1	805.3	982.5	1198.6	1462.3	1784.1	2176.5	2655.4	3239.6	3952.3
Trade balance (Rs billion)	–125.9	–76.6	–69.1	–69.4	–80.9	–96.9	–146.6	–209.4	–289.0	–394.3	–528.0
Current account deficit (Rs billion)	150.8	129.9	155.2	184.5	218.0	255.7	327.4	419.0	536.3	686.5	878.7
Rupee devaluation (per cent)	17.0	10.7	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Inflation rate (per cent)	10.1	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Nominal interest rate (excluding repayments) (per cent)	5.3	6.3	7.3	8.0	8.3	8.5	8.6	8.7	8.8	8.8	8.8
Interest payments (Rs billion)	117.9	146.3	179.0	208.1	230.0	251.8	273.7	302.6	340.3	385.2	443.7
Principal repayments (Rs billion)	91.0	112.0	167.0	212.0	280.0	224.0	202.0	221.0	244.0	322.0	450.0
Current A/c balance as per cent of total exports	22.5	15.0	14.0	13.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0
Real interest rate changes (per cent)	–3.9	–2.0	0.0	0.8	1.1	1.4	1.5	1.6	1.7	1.7	1.7
Real export growth (g+nfs) (per cent)	3.1	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Real export growth (goods) (per cent)	3.1	16.0	12.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Debt service ratio (per cent)	31.1	29.8	31.2	29.6	28.1	20.5	16.0	13.7	12.0	11.3	11.2
Total external debt as per cent of exports	345.9	283.2	234.6	195.3	163.1	136.9	116.9	101.5	89.8	80.8	73.9
Total external debt as per cent of GNP	33.5	31.3	29.3	27.7	26.2	24.9	24.1	23.7	23.7	24.2	25.1
Per-capita external debt (Rs)	2642.5	2733.7	2391	2962.8	3101.8	3264.6	3493.5	3804.6	4218.2	4759.1	5459.1
Memo items:											
Exports (Rs billion in real prices)	293.6	337.6	384.9	434.9	487.1	540.7	600.2	666.2	739.4	820.8	911.1
Assumed price indices (1981/82 = 100)	228.7	249.3	269.2	290.8	314.0	339.1	366.3	395.6	427.2	461.4	498.3
Real GNP growth (per cent)	4.9	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
GNP at market prices (Rs billion)	6941.6	7844.0	8863.7	10016.0	11318.0	12789.4	14452.0	16330.8	18453.8	20852.8	23563.6
Population (in million)	878.8	897.2	916.1	935.3	955.0	975.0	995.5	1016.4	1037.7	1059.5	1081.8
Total external debt (Rs billion)*	2322.2	2452.7	2600.8	2771.1	2962.1	3183.0	3477.7	3867.0	4377.4	5042.4	5905.5
Foreign direct investment (Rs billion)	8.0	15.0	25.0	35.0	50.0	60.0	60.0	60.0	60.0	60.0	60.0

* Excluding Defence.
Notes: Same as Table 3.
Sources: Same as Table 3.

medium and long term. Such a situation is regarded as being potentially explosive and may ultimately lead to a loss of credibility about the country's capacity to fulfil the economy's debt liabilities, both internal or external and failing which the likely consequent severe economic and political repercussions.

Public Debt

The prime source contributing to domestic public debt in India is the increasing budgetary gaps.

Presently three types of budgetary gaps are mentioned in the official budget documents. The first type is defined as fiscal deficit which measures the gap between all central government expenditure (current and capital) and all revenue through tax and non-tax measures, including capital receipts. Then there is the budgetary deficit, where the government covers excess expenditure on income by printing notes, i e, borrowing from the central bank. The third is the revenue deficit, when the government even for financing its revenue expenditure borrows from the market, home and abroad, a source of finance which conventionally is used to cover developmental and capital expenditure. Another type which has recently been quoted in the central government's budget document is based on a concept of primary deficit, i e, the fiscal deficit net of all interest payments. However, this concept is valid only *vis-a-vis* the consolidated budget of a country (i e, centre and states taken together). The primary deficit of the centre in isolation should be calculated as the fiscal deficit net of gross interest payments less interest receipts from lending to the states. The *Budget at a Glance for 1993-94*, however, has mistakenly estimated centre's primary deficit as the difference between the gross fiscal deficit and gross interest payments.

These different concepts of budgetary gaps have different economic implications *vis-a-vis* the accumulation of public debt. Primary deficit adds to the public debt and measures, the degrees of freedom government enjoys in selecting its expenditure portfolio since it is *net* of all payments for contractual interest payments. Fiscal deficit, in the aggregate, gives the overall resource transfer from private to public sector. It has its significance in assessing the allocative efficiency of resources, determined by the relative rates of return of the public and private sector investments. Budgetary deficit normally has a bearing on inflation. It should be recognised that deficit budgets are not always inflationary. As the country's real demand for money increases along with real growth of income, a budgetary deficit equivalent to or less than this increased demand cannot generate inflation. This non-inflationary budgetary deficit as a source of public sector income will be higher if the economy grows faster. Similarly, with a higher rate of inflation, money demand also increases, thus providing some more room for raising the non-inflationary limit of the budget deficit. In India's case, it has been calculated that with a real growth rate of around 5 to 6 per cent and inflation around 6 to 8 per cent, the non-inflationary level of consolidated budget deficit is around 1.1 to 1.3 of GNP; i e, around 1.0 per cent of GNP at the centre.

A higher revenue deficit especially covering increasing percentage of non-developmental expenditure reflects a lower allocation of resources for capital and developmental expenditure, on 'physical' and 'human', infrastructure and cannot, therefore, be regarded as 'growth friendly'. This has especially happened in India, over the last decades. Indeed the revenue deficit in 1993-94 (RE) is the highest ever reached over last several decades in India. The investment expenditure by the public sector in India has acted as an engine of growth—nearly half of the total capital formation in India has originated from the public sector over the last three decades. Here lies the importance of the level of capital expenditure in the budget. Also, it has been found from the experience of many other countries that when during fiscal restraint the investment activity in the public sector has been made to decline very fast, the private sector in most cases has failed to step in at an appropriate pace and volume.

For assessing the impact of the fiscal and monetary changes initiated by the government on domestic and external debt, this paper has used an analytical model (see the Annexure) very close to the one developed by Stanley Fischer, former vice-president of the World Bank. This model clearly demonstrates that the 'safe' outer limits to a possible debt crisis in the 'current account balance' in the external sector on the one hand and the government's fiscal deficit, on the other hand are very much interdependent and depend largely on growth of exports, real income of the country, real interest rates and the 'source composition' used for financing the two gaps: balance of payment and fiscal deficit. For example, a higher fiscal deficit may not lead to an increase in the ratio of domestic public debt provided the real GDP grows faster than the real interest rate. On the other hand, even a zero primary deficit will increase the public debt ratio if the real interest rate exceeds the real growth of the economy. This point is often overlooked. Thus, in any effort to reduce the public debt, an exclusive concentration in reducing the fiscal deficit, without any proper concern for the growth implications of the government's income and expenditure patterns in the budget and real interest rates, may be self-defeating. Similarly, for reducing external debt exclusive concern on the current account gap in the BOP, and mainly achieved by import compression and aid without consideration for export growth, the exchange rate changes and on other monetary policies is rather ineffective. All these

Table 7: Money-Demand Function—Scenario 1: Base Case

	1992/93 Actuals	Projections 1993/94	1994/95	1995/96	1996/97	1997/98
Inflation rate (per cent)	10 1	9.0	9.0	9.0	9.0	9.0
Real GNP growth (per cent)	4 9	4.0	5.0	5.0	5 0	5.0
GNP at current prices (Rs billion)	6941.57	7844.0	8942.1	10194.0	11621.2	13248.2
Nominal GNP growth (per cent)	14.9	13.0	14.0	14.0	14.0	14.0
Currency with the public as per cent of GNP	9.89	9.90	9.77	9.93	10.10	10.27
Non-inflationary budgetary deficit as per cent of GNP	1.47	1.24	1.42	1.44	1.46	1.49

Notes. Same as Table 3.
Sources Same as Table 3.

Table 8: Money-Demand Function—Scenario 2: Optimistic Case

	1992/93 Actuals	Projections 1993/94	1994/95	1995/96	1996/97	1997/98
Inflation rate (per cent)	10.1	9.0	8.0	8.0	8.0	8.0
Real GNP growth (per cent)	4.9	4.0	5.0	5.0	5.0	5.0
GNP at current prices (Rs billion)	6941 57	7844.0	8563.7	10016.0	11318.0	12789.4
Nominal GNP growth (per cent)	14.9	13 0	13.0	13.0	13.0	13.0
Currency with the public as per cent of GNP	9.89	9.90	9.86	9.98	10.10	10.23
Non-inflationary budgetary deficit as per cent of GNP	1 47	1.24	1.38	1.40	1.41	1.43

Notes. Same as Table 3.
Sources: Same as Table 3.

show that we cannot assess whether a given policy package in the fiscal, trade or monetary areas will aggrevate or ameliorate the debt crisis in deference to the movements of the major real variables of the economy. It is easy to reduce the current account balance in order to reduce debt obligations by slashing imports. Such a strategy may, however, prove to be self-defeating since it may ultimately reduce both GDP growth and exports, especially given the fact that India now needs more imported inputs by way of imports of goods and services and technology to improve her efficiency in production and for faster growth. Similarly, it is sometimes short-sighted to continue with high real interest rates as a tool for demand compression, in order to bridge the budgetary gap, because pursued over a prolonged period this may adversely affect the debt-servicing burden directly through higher interest payments and indirectly by lower growth of the real economy and exports and thereby aggravate the debt burden. Similarly the temptation to reduce internal debt burden by financing the budget with printing notes (interest neutral) has the risk of crossing the 'outlimits' of budget gaps (roughly calculated as 1-1.3 per cent of GNP in India, as given the base scenario); this may expose the GDP growth to high inflation. To take these interacting forces into account, we have used a computable model already mentioned, to assess the impact of the present and likely future policy changes adopted under the reform programme. For this, alternative projections over a ten-year period of relevant debt parameters have been made both in the domestic and external sectors. These projections are made mainly against two scenarios: 'base' and 'optimistic'. Admittedly, it is very difficult to attempt any futuristic projection exercise at this point of time since both the external and domestic environments confronting India are changing very fast and becoming increasingly uncertain.

The 'base case' projections can be regarded as a standard exercise in 'forecasting': The optimistic case assumes a successful implementation of the government's reform measures and a near-fulfilment of their targets regarding major parameters of the economy.

The simulation for the future has been done with the help of the simplified model as has already mentioned. Alike all simplified models it has the ability to cover only the main policy tools in government's debt management in an aggregative fashion. We have also confined to central government budget. This is because the present bout of reform seems to be very much confined to central government's policies.

The model includes eight major policy variables. These are: the level of gross fiscal deficit, the budget deficit, the revenue deficit, the nominal interest rates, external borrowing, the level of current account balance, the repayment schedule of debts and the exchange rate changes. The three major exogenous variables assumed are GNP, export growth and domestic inflation rate. Evidently, the selected policy variables might also affect the three exogenous variables and, therefore, strictly they cannot be treated as 'purely exogenous'. A rough linkage of the changes in the policy variables with the exogenous variables has been done outside the model. The major endogenous variables are debt-servicing liabilities, the growth of public debt (at the centre), real interest charge, and the growth of external debt.

To start with, the central government's actual fiscal deficit in 1992-93 has been taken as the projection base. For 1993-94 (RE) the fiscal deficit has been revised upwards to 7.4 per cent as against the budget estimate of 4.66 per cent.

Base Scenario

The gross fiscal deficit which was very high in 1990-91 (8.41 per cent of GDP at market price) indeed went down significantly over 1991-92 and 1992-93 but unfortunately since then has started rising, reaching 7.4 per cent in the revised estimates of 1993-94 against a budgeted target of 4.66 per cent. For the year 1994-95, it has been placed at 6 per cent of GDP. Still worse is the revenue deficit as percentage of GDP; it has reached a peak of 4.3 per cent of GDP (in the 1993-94 revised estimates) highest ever in the past against a level of 2.63 per cent reached in 1992-93. The inflation rate, measured in terms of wholesale price index has come to 8.30 per cent averaged over first ten months of 1993-94 and estimated to go up to 9.0 per cent by the end of this year. The real GDP growth rate with an initial depth to 1.0 per cent from the base of 5.6 per cent in 1990-91 has increased to 4.55 per cent in 1992-93 (with a GNP growth of 4.9 per cent) and now estimated to come down to 3.8 per cent in 1993-94 (4.0 per cent as GNP growth) by the CSO's advance estimates.

The foreign exchange reserve in this year is the highest since the reform process has been initiated and the current account balance as a percentage of GDP is very comfortable and has increasingly been reduced. The fiscal and revenue deficits have been marginally reduced in this year's budget, i e, in 1994-95 compared to 1993-94 revised estimates. This suggests, as has been explained by the finance ministry, the budget is on the correction course for a once for all slippage in fiscal deficit observed in 1993-94. But at the same time, by judging the heavy upward revisions in the budgetary gaps in the 1993-94 revised estimates, one wonders whether the estimates provided by 1994-95 budget can be accepted with a reasonable confidence limit.

The higher fiscal deficit for 1993-94 (revised estimates) has been explained by the finance ministry primarily by a revenue loss due to lower growth of industrial production and of imports. But detailed scrutiny of the revised budget will show that it is also largely due to a heavy increase in the government's revenue and capital expenditure including nearly 50 per cent increase in subsidy compared to the budget estimates. The question that may come in one's mind is whether this is likely to be repeated in the budget estimates

Table 9 Total External Debt Ratios in 1991

	Per Cent of Exports	Per Cent of GNP	Debt Service Ratio
Tanzania*	1207 8	250 8	24.6
Ethiopia*	464.7	53.4	18.6
Nepal*	370.0	53.5	13.6
Bangladesh*	443.7	56.0	19.9
India	395 3	29.3	36.7
Kenya*	318 4	89.6	32.7
Nigeria*	257 1	108.8	25.2
China*	87.1	16.4	12.1
Ghana*	384 5	66.9	26.9
Pakistan*	244.9	50 1	21.1
Sri Lanka*	211.0	72 6	13.9
Indonesia*	223.2	66.4	32.7
Egypt Arab Rep*	280 0	133 1	16.7
Sudan	3465 6	NA	NA
Zambia	624.8	NA	50.3
Philippines	215 6	70.2	23 2
Peru*	483 6	44.3	27.7
Colombia*	167 7	43 5	35.2
Jamaica*	186 3	134 9	29.4
Tunisia*	137 2	66.2	22.7
Thailand*	94.9	39 0	13.1
Turkey*	194 7	48 1	30.5
Algeria*	214 8	70.4	73.7
Chile*	153 5	60.7	33.9
Malaysia*	53.7	47.6	8.3
Argentina*	433 0	49.2	48.4
Brazil*	324.9	28.8	30 0
Mexico*	224 1	36.9	30.9
Korea Rep*	47 6	14 4	7 1

* These countries' external debt ratio to total exports is less than India

Notes: Same as Table 3.

Sources: *World Development Report 1993*. Same as Table 3.

Table 10: Interest Payments (IP) in Central Budget as Per Cent of Fiscal Deficit (FD)

	FD (Rs Billion)	IP (Rs Billion)	(IP/FD) (Per Cent)
1992/93	401 7	310.4	77.3
1993/94	585 5	375 6	64.0
1994/95	625.39	460 0	73 5
1995/96	713.6	609 2	85 4
1996/97	813 5	743.4	91 4
1997/98	927 4	838 6	90 4
1998/99	1057 2	947 1	89.6
1999/2000	1205.2	1070 8	88.8
2000/01	1373 9	1211 8	88.2
2001/02	1566.3	1372.6	87.6
2002/03	1785 6	1555 8	87 1

Notes Same as Table 3

Sources Same as Table 3.

of 1994-95. The budget for 1994-95 provides a reduction in the income and corporate taxes and also in tariffs. The estimated revenue receipt out of all taxes provided in the 1994-95 budget (after netting any loss due to a reduction in the tax rates) assumes implicitly an increase in the tax buoyancy *vis-a-vis* the growth in GDP by more than 10 per cent (the elasticity has been raised from around 0.87 to near unity). This increase has been explained by an improvement in tax collection. Similarly, in the estimation of customs revenues there has been an implicit assumption of 16 per cent growth in the value of import thereby raising the long-term import elasticity to GDP from near 0.87 to 1.12 per cent and a custom revenue elasticity of nearly 1.2. Judging from the past experience, so larger an improvement in the tax administration and a recovery in the import growth within one year seems to be improbable. Similarly on the expenditure side the claim that the present budget is growth-oriented canot be justified when there is almost a zero increase in its capital expenditure. In the estimate of revenue expenditure there is an assumption that subsidy will go down by 40-50 per cent. Past experience does not give confidence on this promise. The implicit real GDP growth rate assumed to be 5 per cent. This also seems to be an ambitious one, given the prospects of a further decline in agricultural growth. All these taking into consideration, the realised fiscal deficit for 1994-95 may go up by more than one percentage point. This will mean the fiscal deficit target will come back minimum at 7.0 per cent of GNP and the revenue deficit will remain at 4.3 per cent. These new parameters therefore have been assumed in Base Case.

For the future projections in the Base run the potential growth elements in the budget should be looked at from its: (i) Contribution to effective demand, as an aid to bring an industrial recovery; (ii) help in releasing in the supply constraints mainly in the infrastructure areas; (iii) release in the 'capital availability' constraint in the private sector, *vis-a-vis* the need for privatisation, and disinvestments; (iv) contribution in containing inflation; and (v) providing incentives in the growth process; Lastly (vi) the budget's assumption of an accelerated inflow of foreign direct investment and technology should also be examined. The budget for 1994-95 adopted measures to increase the effective demand in the market to help industrial recovery by increasing the purchasing power with the public via reduction in tax and tariff rates. But the effectiveness of these measures is debatable Conceptually, this measure tantamounts to undertaking a balanced budget approach with transfer payments as the expenditure flow. The balance budget multiplier literature in public finance clearly demonstrates that multiplier effect in such cases are unity whereas if this balancing of the budget would have been reached by government increased real expenditure financed by tax revenue, the multiplier would have been minimum two times or more. Thus, there is no clear case that the multiplier impact of this tax reduction will add to effective demand. Regarding the measures for a possible release in the supply constraints, the budget claims an increase in the plan's capital expenditure. However, the empirics show that in current price there is almost no increase in the total capital/plan expenditure and in constant price, i e, in real terms, there have been a decline. Admittedly in two areas, (i) in the social expenditure and (ii) in the rural development, there have been a significant increase by 15 per cent in current prices and around 4 per cent in real terms. This increase although marginal is commendable. But, it should be remembered that both these heads of expenditure are basically in the state sector; however the central assistance to the state plans in the budget is going down. Furthermore, the budget, in tune with the present economic reform justifiably argues in favour of more investment in the private sector at the expense of the public sector. But one should notice that in the budget, an increase in the fiscal deficit has been associated with a lowering of the current account balance in the balance of payment account, as percentage of GNP. This immediately would suggest that there is a heavy crowding out effect going on in the private capital market. Indeed, this has also been observed in 1992-93 and in 1993-94. Further the Reserve Bank's data clearly shows that the lending of the financial institutions to the private sector remained almost stagnant over last two years. This is also corroborated in a sense by the quick estimates of CSO, which shows that there is a declining trend in the propensity to save in the domestic household sector and specially in the financial saving. The real interest rates, besides, are too high, specially for small and medium industries; Its 1 per cent reduction in the budget is too marginal. Besides the effective interest rates for budgetary borrowing is likely to increase because of reduction in SLR and priority lending when the public sector has to provide market rate of interest. Hence in the base case interest rate for public borrowing on the average increased from 10.2 per cent of 1994-95 to 12-13 per cent in future. Similarly the GNP growth rate has been raised only to 5.0 per cent from 4.0 per cent estimated for 1993-94.

Regarding the budget's contribution to the containment of inflation, the verdict is not unequivocal. As our table shows that the budgetary deficit has been reduced from 1.14 for the year 1993-94 to 0.66 for the year 1994-95. This low percentage of budgetary deficit per say cannot be any threat to creation of access liquidity. exceeding the demand for money. However, the experience shows that in 1993-94, the budget estimate has been exceeded by more than double in the

Table 12: Debt as Percentage of GNP and Debt Service Ratios

Central Government	Public Debt as Per cent of GNP at Current Market Prices	Total External Debt as Per cent of GNP at Current Prices	Debt Service Ratio
1983-84	50.6	17 6	—
1984-85	49 3	17.5	18.2
1985-86	52 7	19.2	22.7
1986-87	57.2	21.4	32.0
1987-88	59.2	21.8	29.4
1988-89	58.6	21.6	29.6
1989-90	59.8	23.7	27.2
1990-91	60.0	23.6	27.0
1991-92	58.7	28.8	25.5
1992-93	57.9	33.7	31.3
Estimated			
1993-94	57 5	31.3	29.8
1994-95	56.8	29.8	33.9
1995-96	56.1	28.5	35.6
1996-97	55.5	27.5	37.3
1997-98	55.0	26.4	30.3
1998-99	54.5	25.6	26.3
1999-2000	54.1	25.0	24.9
2000-01	53.8	24.6	23.8
2001-02	53.5	24.3	24.4
2002-03	53.2	24.2	25.9

Notes: Same as Table 3.
Sources: Same as Table 3.

Table 11: Deficit Trends—Central Government

	1989/90	1990/91	1991/92	1992/93	1993/94 BE	1993/94 RE	1994/95 BE
Rs billion							
Gross fiscal deficit	379.30	446.50	363.25	401.73	369.59	585.57	549.15
Revenue deficit	142.11	185.61	162.77	185.74	176.30	340.58	327.47
Primary deficit	245.97	283.52	163.27	169.81	87.26	307.52	200.42
Budgetary deficit	105.92	113.47	68.55	123.12	43.14	90.60	60.00
As per cent of GDP							
Gross fiscal deficit	8.35	8.41	5.90	5.69	4.66	7 39	6.00
Revenue deficit	3.13	3.50	2.64	2.63	2.22	4 30	3.58
Primary deficit	5.42	5.34	2.65	2.41	1.10	3.88	2.19
Budgetary deficit	2.33	2.14	1.11	1.74	0.54	1.14	0.66

Notes: Same as Table 3.
Sources: Same as Table 3

revised estimate. If this trend continues then the anti-inflationary aspect of the budget may also come to question. Although, there is a promise by the finance minister that Reserve Bank will put a ceiling on the level of lending to the central government, it is only hoped that it will be complied with. In 1993-94 with a budgetary deficit of 1.14 per cent, there has been a significant built up of the inflation rate, e g, the year started with around 6 per cent rate of growth of inflation and the year is ending with an estimated 10.0 per cent growth of inflation. In this light, any default in the budgetary deficit target of the 1994-95 budget may prove to be inflationary. We should also remember that government has taken many measures outside the budget which may add to further cost escalation and rate of inflation. However in this base projection an inflation of 9 per cent for future years has been assumed. This itself may seem to be optimistic.

Assumptions behind Two Scenarios

Two alternative scenarios for the future with 1993-94 as base and year 2003-2004 as the terminal year have been attempted. The Base case is very near to a projection which provides minor deviations from an extrapolated trend, based on value judgments. The logic of the assumption of the base parameters has already been explained earlier in this paper. The optimistic case has been developed as a sensitivity case, to assess the impact on the ratio public debt to GDP in India for few hypothetical marginal changes in the central government's fiscal deficit and real interest rate. In the optimistic case the parameters are kept very close to government's own assessment for the future.

The assumptions of Base and the Optimistic runs are given in Table 1.

Results

In the Base case, it is noticed that the public debt as a percentage of GNP will come down from around 57 per cent in 1994-95 to around 53 per cent of GNP at the terminal year. This is indeed a very slow decline. If the slippages in the fiscal deficit accelerates and/or the real interest rates increase faster or there is a further shortfall in the growth of GDP then even this marginal improvement will be jeopardised. Already NCAER has forecast a GDP growth of 4.8 per cent as against 5 per cent growth assumed here for 1994-95 in the base scenario. In terms of the burden of public debt on the economy, it is estimated to go up above 3 times in volume over the decade at current price, in real terms (i e, at constant price) this will mean a more than 100 per cent increase over the decade. Further it will mean an increase in the percentage of interest payment to fiscal deficit from 64 per cent in 1993-94 to 87 per cent in 2003-2004. This suggests that almost whole of the government borrowing will be used only to repay interest (a genuine debt trap criteria).

In the optimistic case, the picture is marginally better. The total debt seems to go down from 57 per cent of GNP to 50.5 per cent in GNP and in terms of ratio gives a rise of less than three times at current price and nearly 70-75 per cent in real terms. Still the burden of the public debt per capita will be more than two times between 1992-93 and year 2003-2004, i e, over a decade.

The difference between the two runs bring out an interesting feature. The key differences in the assumptions used in the two runs are a marginally low fiscal deficit and a lower interest rate in the optimistic case from the Base. The lower real interest rates is made to associate with the optimistic case since there is a general feeling that the real interest rate in India is too high and for this the business and industry are finding difficult to pick up. The result of our simulation shows that any 1 per cent reduction in public debt to GNP ratio over the projected period along with 1 per cent decrease in the real interest rate will result in nearly 1 per cent reduction in the public debt per annum in current price. Therefore, one can infer that a prudent interest rate and an austere fiscal policy will be very much needed to bring down the volume of public debt and its ratio to GNP significantly. Any more slippage in the fiscal deficit will be highly risky.

External Debt

As already mentioned, there is a good deal of debate about the extent of the burden of external debt which India can sustain and whether the present policy changes and developmental scenario are conducive to reaching a sustainable external debt position. It has been already mentioned that the most common indicator of a debt burden in the external sector is the ratio of debt servicing to exports. To address this debt, a similar external sector model has been used (Annexure). The model simulation will provide alternative projections of the above debt service ratios over the next five years under given assumptions. Admittedly any economic forecast for the external sector, given the present uncertain international scenario is much more difficult than one for the domestic sector, as the whole world is undergoing very rapid economic and political changes. Keeping this in mind again two scenarios have been chosen: a 'base case" and "optimistic case". Both these cases are alike in their basic assumptions underlying the two corresponding cases simulated for the domestic public debt analysis. Besides, seven additional assumptions on policy variables pertaining to the external sector have been added (Table 2).

As given in Table 2, an assumption has been made regarding the expected changes in our import elasticity and likely inflow of foreign direct investment.

The optimistic case incorporates very closely Indian government's reform targets like export growth, trade balance as percentage of GNP, projected import elasticity, etc, given in the Eighth Plan document. It also assumes implicitly a gross capital inflow as percentage of GNP almost at the same level as it was between 1984-85 and 1990-91. Besides, it assumes a fulfilment of government's target of a direct foreign investment inflow rising from its low level of $ 800 million per annum in 1994-95 to around $ 2.00 billion at the end of 1997-98 at the present exchange rate. It also makes provision for a repayment schedule to be satisfied for past foreign borrowing as given by the World Bank's latest balance of payments projections. It forecasts perfect

Annexure: Technical Note

Reduced form of the model

$$PD_t * Y_t^{-1} = PD_{t-1} * Y_{t-1}^{-1} + PD_{t-1} * Y_t^{-1} \{(IR_t - \pi_t) - \Delta Y(R) * Y_{t-1}^{-1}(R)\} + \{FD_t - I_t - BD_t\} * Y_t^{-1} \quad (1)$$

$$ED_t * E_t^{-1} = ED_{t-1} * E_{t-1}^{-1} + ED_{t-1} * E_t^{-1} \{(IRE_t * DV_t - \pi_t) - \Delta E(R) * E_{t-1}^{-1}(R)\} + \{CB_t - IE_t - FDI_t - RP + \Delta FER\} E_t^{-1} \quad (2)$$

$$DSR = (IE_t + RP_t) * E_t^{-1} \quad (3)$$

Notations

PD	= Public debt	E	= Exports (goods+nfs) current price
Y	= GNP at current price	E(R)	= Exports real
IR	= Nominal interest rate	IRE	= Nominal interest rates on external debt
π	= Inflation rate		
FD	= Fiscal deficit	DV	= Devaluation index rate
I	= Interest payments	CB	= Current A/c balance
BD	= Budget deficit	IE	= Interest payments
DSR	= Debt service ratio	FDI	= Foreign direct investment
Y(R)	= Real GNF	RP	= Repayment of internal debt
ED	= External Debt	FER	= Foreign exchange reserve

success on the inflation front maintaining inflation at 8 per cent over the projected period and a necessary rupee devaluation to maintain the present real exchange rate. It increases the borrowing terms on external debt from 5.3 per cent as in 1992-93 to around 8 to 9 per cent over the simulated period; this is mainly, because of the possible changing composition of the sources of finance. In the domestic sector this simulation assumes, a central government's fiscal deficit declining from 7.4 per cent in 1993-94 to 5.0 in the terminal year. All these assumptions are very close to the official targets. If all these assumptions are fulfilled then this simulation exercise shows (Table 6) in unequivocal terms that the external debt crisis will be over by 1998-99 after crossing the hump of 1994-95 when the debt servicing ratio will reach as high as 31 2 per cent.

This picture is very gratifying. But there are reservations among many economists, given the present pace of economic reforms and their performance observed over the last three years, on the likely realisation of many of their assumptions and their compatibility. The following ones in this context come under heavy scrutiny: (i) The compatibility or consistency between the assumption of a low import elasticity (to GNP at current price) of 1.3 and an export growth of 15 per cent per annum. The first basic question that comes in one's mind is whether the high 14-15 per cent volume export growth is sustainable in India over a decade Because, although in 1993-94 the export growth is expected to be around 18 to 20 per cent in dollar term, calculated from its trend value it would come to hardly 5 to 7 per cent. Besides from the supply side, the basic question that is raised is whether such a high volume growth of export is possible without being backed by high import growth along with increased inflow of foreign technology. Even the historical level of import elasticity in India when the economy was closed and highly protective was higher than 1.4. The experience of most of the successful developing economies under the export led, open economy development strategy supports the view that a high export growth regime almost always go with high import elasticity. Furthermore, the assumption of a net foreign direct investment inflow of Rs 60 billion reaching by the year 1987-88 is reckoned to be very much optimistic. This is because it means, in terms of dollar, it is around 1.5-2 billion dollars. At the moment, the estimate that has been given in terms of foreign direct investment inflow is around 800 million dollars expected by the end of 1993-94. In terms of approval, it comes to nearly two billion dollars. In the post reform period, indeed the approvals on foreign direct investment has registered an average nearly eight times more than average figure observed over 1985-86 and 1991-92. It is indeed gratifying but at the same time reaching a target as high as a foreign direct investment of nearly two billion dollars by the end of the Eighth Plan or an approval nearly 8-10 billion dollars seems to be very much high side.

Keeping all these into consideration a second alternative has been worked out as a base. There the export growth (goods and non-factor services) has been assumed to decrease to 8 per cent per annum in the light of the growing regionalism and the recessionary conditions in the developed world

The optimistic projection also assumes a targeted reduction in the fiscal deficit to 6.0 per cent in the central budget, This target does not arouse much confidence against the present budgetary experience. If, for example, the fiscal deficit in real life turns out to be higher than targeted, evidently then it will have an aggravating impact on the current account balance of the economy. Thus given a fiscal deficit around 7.0 of GNP in 1997-98, a current account deficit of 2.6 per cent of GNP, seems to be more consistent (against 1.7 per cent assumed in the optimistic run). The inflation rate based on all recent indications has been estimated to rise to 9 per cent per annum The foreign direct inflow (disbursement) has been reduced marginally keeping it around 1 to 1.3 billion dollars by the end of 1997-98. The last one seems still to be very much optimistic especially in the light of recent world bank projections where it has been given a net figure of hardly 151 million dollars in 1992-93 together with a portfolio equity flows of 240 million dollars. On these basis, the base run will give an implicit import elasticity of 1.3 over the next five years and 1.24 thereafter. This import elasticity still seems to be on the low side compared to the experience of other successful developing countries which have opened up and adopted on export growth led. The result of this scenario shows that the debt service ratio again will reach a peak in 1996-97 (36 9 per cent) but subsequently will come down next year and afterwards. However after an interval of few years it shows again a slight upward tendency; beyond year 2000. Thus it gives a verdict that Indian economy, given present trends and expectations may just come out of the impending debt crisis but will need a longer time period for achieving this. Thus this simulation results do not give any scope for complacency; since although, the situation is not as bad as in the case of domestic public debt, but to reduce the adjustment period and to bring down the debt service ratio at an acceptable level, the reform process has to move faster. The export growth by no means should be allowed to come down much below the government target of 13 to 15 per cent, the inflow of foreign direct investment has to be accelerated and the inflation should be checked at all cost.

Concluding Remarks

The above simulation exercise clearly shows that the concern of high public debt burden in India is very genuine. The present economic reform has both its aggravating and ameliorating Influences on the public debt. But given its present pace and slow success, it does not provide a promising picture. According to present assessment public debt as percentage of GNP in India is not likely to show any significant declining trend when almost the whole of government's fiscal deficit (i e, borrowing) will be eaten up by interest payments on the public debt. To avoid such an outcome a serious effort need be made by launching a fast disinvestment programme of public assets, for achieving a significant reduction in the existing public debt. Also in immediate future the government's high interest rate policies and the slow pace of deregulation of interest rates will have to be reviewed and their adverse effect on public debt has to be minimised. Last and not the least it should be recognised that the present fiscal discipline should continue and accelerate in pace maintaining and reviving its growth friendly nature and reducing as much as possible the unproductive revenue expenditure. Of course the present fiscal reform must now percolate and get reflected also in the state budgets.

In the external sector the prognosis is comparatively better. Even admitting many of the observed defaults and shortfalls in the reform measures and their impacts, the prospects of coming out of the so-called debt and balance of payment crisis which surfaced in 1990-91, are bright, although it may turn out to be rather slow, a long correcting process. But to sustain the present climate of economic reform and its actual acceptability, all efforts should be made to speed up the reform process and its implementation to achieve the desired results. This will need primarily by (i) achieving high import and export growths; (ii) increased foreign capital inflow mainly in the form of direct foreign investment which has no debt obligation; (iii) maintaining the real exchange rates; (iv) pursuing prudent interest policies; and (v) a careful mixing of the sources of borrowings. Last of all, an articulate foreign exchange reserve policy needs to be maintained keeping in view the characteristic features of inflows and outflows of portfolio investments from the experience of other countries. The final lesson is that exclusive concentration on only exchange rate or balance of payment policies will not solve India's debt crisis if these policies are not supplemented by appropriate 'supply side' economies.

[Acknowledgement is due to Bhaskar Naidu who helped computerising the model of this paper.]

Teaching Women's Studies to Male Engineers

A Personal Account

Rehana Ghadially

This article examines a decade of teaching a Women's Studies course to a virtually exclusive male audience at an elite engineering institution in Bombay The emphasis here is on student reaction and contribution and how the course content evolved as a result of this. The article also highlights the responses of the women students in class, the highs and lows of such a course for teacher and students and whether teaching Women's Studies is a fruitful exercise in terms of its impact on the students

and the women of India will not attain their full rights by the mere generosity of the men of India They will have to fight for them and force their will on the menfolk before they can succeed (Jawaharlal Nehru, speech at Allahabad, March 31, 1928) (quoted from Jayawardena, 1986, p 73)

'N the early 80s the National Conference on Women's Studies (NCWS) in their review of curricula in different disciplines highlighted he virtual absence of women in the Social Sciences The small beginning that had been nade included the SNDT Women's University's attempt to introduce a paper on 'Sociology of Women' as part of its undergraduate programme. It had also introduced a course on 'Women and Development' at the MPhil evel Bombay University was also planning o introduce a similar course in Sociology Sophia College, Bombay in its "open classroom" programme discussed women's ssues The NCWS noted that the omission of women's concerns from course content in academic institutions was depressing and ecommended the incorporation of these with he general courses (Report of a meeting of experts, 1983) Besides these, two other beginnings not mentioned by the report had been made One in the department of social work at the Tata Institute of Social Sciences which offered an interdisciplinary course titled 'The Situation of Women An Overview' for the first time in the academic year 1983-84[1] and the other a course with a feminist perspective titled 'The Psychology of Sex Differences' (about which more follows) offered for the first time in the Dept of Humanities and Social Sciences (H and SS) at the Indian Institute of Technology (IIT), Bombay in the academic year 1982-83

By the late 80s things had begun to move nd over 100 universities and five centres xpressed special interest in this subject and were seeking University Grants Commission, Indian Council of Social Sciences Research and the Ford Foundation special unds allocated for the subject [Patel 1987] Within the next few years seven universities n the country introduced Women's Studies n the curricula for undergraduates with the aid purpose of changing society's attitude owards women's role and rights. Plans were lso under way for an intensive training of the university college teachers and drafting of a textbook for undergraduates [*The Times of India* 1990] The strategy for the rest of the Seventh Plan period included the development of at least 10 more resource centres over the country According to Patel (1992) Women's Studies is going to be introduced in more than 100 universities of India in the next five years

By way of comparison, by the mid-1980s there were more than 400 programmes of Women's Studies and more than 4,000 courses offered on American campuses In Australia, five universities offered majors in Women's Studies in 1986 but every university offered at least some courses in this discipline [Bulbeck 1991] Historically, the British women's movement has been deeply hostile to and suspicious of institutionalised study Women's Studies has flourished in part-time and non-vocational courses, in adult literacy and access programmes As a result, it has remained on the edges of educational power Those Women's Studies courses that are in higher education are often options within otherwise traditional departments [Humm 1985] In Canada, Women's Studies was almost non-existent in 1970 but during the decade any college department that held even a tenuous claim to relevance had at least one Women's Studies offering in its calendar Many of the early courses were primarily directed towards female students and functioned essentially as consciousness-raising groups but over time the focus began to alter and the concern with process was taken over by an increasing preoccupation with out come or issues of policy [Lightman 1978]

The Course and the Context

As these courses and centres increase in number in India, they will inevitably add a new dimension to the women's movement by bringing new learning and sense of discovery to the college and university campuses In this paper I share some of the teething pro-blems, my own reflection and reaction, reaction and feedback from students, and what one should expect from teaching courses with a feminist perspective to male students especially of physical sciences and engineering disciplines In the academic year 1982-83 I offered an elective course titled 'The Psychology of Sex Differences' in the Humanities and the social sciences department at the Indian Institute of Technology, Bombay in the second semester (two semesters per academic year) of the fifth and final year undergraduate science and engineering students as part of a required H and SS elective The course competed with several other courses from the disciplines of literature, philo-sophy, sociology, psychology and economics By the mid-80s, considerable academic restructuring took place in the institute as a result of which the five-year programme became four years and the H and SS elective became an institute elective which means this particular course was offered in the second semester of the fourth year as an institute elective and it now competed with electives offered by the H and SS as well as the science and engineering departments An undergraduate course at the institute runs approximately for 14 weeks and meets three hours a week, 55-minutes per period In the last two weeks of instruction a formal course evaluation is conducted by the institute, followed by a short study break and exams.

When I started teaching this course I had no formal training in Women's Studies courses The course materialised partly due to my own interest and partly because of the flexibility allowed by institutions like the IITs that give an instructor near total autonomy over the introduction, design, running of the course and final assessment of the students. Autonomy however need not be confused with support Despite the ethos that the Humanities and Social Sciences departments were started to give science and engineering students some input of liberal arts courses these institutions particularly approve and reward the so called service-oriented' or 'relevant' courses such as management, organisational psychology, language and writing skills, etc

The course under varying titles ('Psychology of Sex Roles' 'Psychology of Gender Roles' and soon to become 'Gender Roles and Stereotypes') with varying course content, teaching methods and students assessment techniques, has now been running for a decade The variations reflect experimentation and gradual evolution of the course, availability of resources and literature, the

personal and academic growth of the instructor and sensitivity to student feedback While the predominant emphasis was on 35 minutes lecture followed by 20 minutes of discussion, classroom learning also included at least one or two of the following group/individual exercises, group/individual class presentation, outside speakers, films, distribution of reading material and group/individual assignments Throughout the teaching of these courses a feminist perspective was maintained and such a perspective necessarily acknowledged oppression on the grounds of caste, class, creed as well as gender The number of students enrolling for the course per semester varied anywhere from six to 35 In the past six years women constituted 20 per cent (the overall male to female ratio at the institute is approximately 10 to 1) of the class

My motivation for teaching the course also underwent some change In the beginning I taught the course due to personal interest and inclination that it would force me to develop knowledge and expertise in the area Keeping with the original ethos of the department I wished to sensitise students to contemporary social issues and the course footed such a bill Besides a few years of teaching and living on the campus had made me aware that scientists and engineers are a socially conservative lot and it would be interesting to see how such a course is received by the students Along the way, I had nobler motivation such as getting male students to be sensitive and supportive of younger women who were aspiring to bring about changes in their lives, trying to carve out a new identity for themselves The classroom feedback was to erase some of these nobler ideas from my head Two sets of goals would probably characterise my current motivation and that is the traditional academic one of giving students substantial amount of information and the less traditional one of personal change and a new political understanding While there may be some tendency for receptive students to choose gender studies course and 'non-receptive' students to avoid it, this seems unlikely as classroom experience has shown that students are hardly receptive Besides their reasons for taking the course do not reflect any such receptivity Their motivations include interest in psychology prefer objective exam paper had taken introduction to psychology with you On the other hand they may be 'more receptive than others because neither my declaration on the first day of class nor their knowledge passed through the student grapevine that the course has a feminist bias has driven them away

The first time I taught the course (Psychology of Sex Differences) 14 students—all male—registered from a total of approximately 280 students The topics covered included sex differences/similarities on personality variables such as self esteem achievement need, performance expectancy, attribution and evaluation and cognitive variables such as intelligence and creativity The classic text by Macoby and Jacklin called 'The Psychology of Sex Differences' was followed The main purpose of the course was to highlight that with the exception of a few areas there is little experimental evidence to show that the two sexes differ on personality and cognitive variables and much of the observed difference is the result of social and cultural conditioning rather than biological factors When the formal course evaluation came in, the overwhelming response was that the course was interesting However, I was not quite happy on three major counts Firstly, I wanted to include some component of exclusive women's issues and concerns Secondly, in order to be more comprehensive it was important to teach gender roles from an interdisciplinary perspective Thirdly, I wished to minimise my reliance on western literature Ideally, I wanted to teach a full-fledged women's course such as 'Psychology of Women' or 'Women and Society' But offering such a course filled me with anxiety I was afraid that too many students might take it thinking that it would once and for all answer the question that Freud asked and could not answer viz What does a woman want?" On the other I feared not many students would register driven away that a course with an emphasis on women was not relevant for them

The second time around I made some changes The course content had some emphasis on women's issues, was more interdisciplinary and included some information on India It now included topics such as portrayal of women in the media especially advertisements and commercial Hindi films and school textbooks, the use of sexist language and violence against women especially rape and wife-beating Thirty male and five female students registered The change in course content generated greater participation from the students I found the classroom discussion charged and interesting and decided to maintain a diary of what transpired in class At the end of each class session I would write down verbatim what had happened This diary was maintained for three years, there-after for the next three years I jotted down some general impressions of class happenings This paper is based on a variety of data Besides the diary material and record of general impressions there was course evaluation material student questions and remarks outside the class, ex students visiting the campus and providing feedback

Resistance and Power

The predominant atmosphere of the class was characterised not surprising of course by resistance There are a variety of ways by which students resist and undermine women s issues and concerns There is a reluctance to embrace information by trivialising it, ignoring and denying it, and explaining it away The Indian Constitution guarantees equality, they state, so whatever inequality or discrimination that exists must be either their own doing or their lack of ability In other words if women find themselves in a secondary position in society they are themselves to blame Another way of resisting change was to state that before bringing about any change we must look into the matter very carefully, must give more thought to it Added to this was the dimension that before thinking of change due res-pect must be shown for customs and traditions as they have served an important function in society

Suggestion for any kind of change, say for example, changing sexist language, frequently brought a retort that this would result in loosing support for the women's movement or that it is trivial and the women should pay attention to bigger and more powerful forces such as changing child-rearing practices In their more optimistic mood the students would agree that social change is definitely needed but "Is the time ripe for change?" or "Are we ready for this kind of change?" Still another way to undermine the women's movement was to label it as a western import with its stigma of sexual liberation and family breakdown Indian women—the vast majority of them—are quite happy playing second fiddle to the men and limiting themselves to the domestic sphere The efforts and energy of the women activists are trivialised and students take the position that no matter what one does nothing really ever changes If their efforts are acknowledged their action is perceived as not having produced the needed results Rape figures in the west and dowry deaths in India they state, have not fallen, despite all the efforts of women activists and the government They would quietly ignore any suggestion that these could also be the result of more women coming out and breaking the silence surrounding these taboo subjects Most often resistance is displayed by immediately positing a point of view opposite to the one stated by the instructor and polarising opinions on an issue thereby pre-empting any meaningful discussion For example figures on wife-battering are counteracted by the comment that women also nag their husbands The actual complexity of the situation is simply not grappled with Still another way of resisting change was not to acknowledge gender power inequities altogether and instead pose the gender question or rather the gender relation problem as one of lack of love and understanding and a good dose of both would sort out all gender issues Another powerful technique was to withhold male support for any change that brings benefits to a category of people different from them These young male en-

gineers will neither be supportive nor provide constructive suggestions as to how best to bring about change, equality and justice in society. An infrequent tactic was to deflect attention. Women's issues are important but what is more important are some other national concerns such as corruption, poverty and population.

The fundamental challenge for the students is the thought of having to share power and the vast majority of students are privileged in terms of not just gender but also class, caste and creed. The course in a marginal way addresses to other kinds of power inequities in society besides one based on gender. And for the teacher the best place to set an example is to begin with power relations in the classroom. No matter how much we may deny it, the basic structure of classroom is unequal. The question of reducing the imbalance here should be our immediate concern. And unless we as teachers do it the question of power imbalances being addressed in the wider community will remain a dream. An attempt to maintain a personal relationship with the students characterised by sharing of power created some alienation. They would say an egalitarian society is impossible. Power groups will emerge no matter what. Western nations dominate third world countries, do not they? A hierarchical society is more efficient and Indians by and large understand and are happy in hierarchical relationships. Unless, we are coerced, we might do nothing. As a concession they grant that perhaps gender equality may be possible but class, creed and caste equality is not. A talk about misuse and abuse of power would result in the granting of some cosmetic concessions. Perhaps the most threatening aspect for me to face was the students' feelings that if an individual and/or group has power—whether economic, political or physical—he is justified in using it. One has to help students open their eyes to society, its institutions and their power and gain new perspective and encourage how they can effectively and responsibly change their own lives and society. One has to redefine power as not so much control over others but as existence of choices as having control over these choices in one's life and over one's own destiny. A feminist definition of power is a must for women's studies classes.

Is it Really that Bad?

While this may be the response of the majority of the male students, there are some students who contribute in constructive ways. So much heat is generated partly because participation and discussion is encouraged as this is more effective in generating attitude change. Many times it was obvious to me that they argued for the sake of argument and not for the purpose of defending an ideology. They did not wish that I get away easily with what I said. In the competitive atmosphere of the institution there is an unfortunate tendency among students to turn learning situations into win-lose situations. This prevents meaningful discussion and the much needed attitudinal change Despite their volley of arguments there is a geunine desire on the part of students to understand themselves better and get some insight into how women feel and think though interest in feminism *per se* is secondary. Besides, the responses of the students can be partly understood in terms of the ethos and values of the student sub-culture. In the words of the students themselves this ethos is "sex and success". In the last three years a new elective was introduced titled "Stocks and Shares" and one-third of the fourth year batch of students have been attracted to this single course. The students say, it teaches you to make money and that matters. Pande (1993) in a recent survey found that the engineers prefer to be bureaucrats and on the whole find power and prestige too charming to resist. The students at the institute perceive the pie as finite and there is a race on to get the biggest piece for themselves and in order to win there is nothing wrong in pleasing whatever the powers be. Self-res-pect and integrity are small casualties in the pursuit of success. While the ethos of competition and material success may be exaggerated on IIT campuses, a number of news-paper articles make it clear that a similar ethos exists in other academic sub-cultures and I quote: "Today's collegians do not find it necessary or convenient to go through their activist or socialist phase They are too busy worrying about 'making it' and 'going places'. The preferred place of course being the boardroom". "Today's young admire the wealthy and the successful business person rather than the rebel who fights the system. In fact, most are inclined towards jumping into the system instead of revolting against it".[3] Aggressive, hardworking, and bursting with self-confidence, India's new young go getters are elbowing their way up corporate and professional hierarchies".[4] The educational system with its emphasis on rote learning, its status quo philosophy, has not encouraging self-exploration and self-examination and cultural critique. The atmosphere is one of competitiveness, being objective rational, formula based as opposed to what the course emphasises solidarity, communication, feelings, experience.

Protestations and insensitivity notwithstanding, the bottom line is that these students are intelligent and the learning and debating process in class resulted in students suggesting the possibility of more success if the gender problem is handled from a different perspective. Although, it is a male pers-pective it is worth giving a thought This perspective can be approached in terms of a number of specific contributions that the students made to my own academic growth and rethinking on matters dealt with in class. Firstly, there is the near total emphasis on the negative consequences to the victim that are highlighted in class. If change is to be brought about one will have to show how access to power corrupts, brutalises and dehumanises the powerful, besides just debasing the victim. If the impact only on the victim is highlighted then everyone will want power. This contribution still needs to be incorporated in the course. Secondly, the emphasis of the course is on distorted gender relations on what has gone wrong and the course does not emphasise what constitutes healthy men-women relationships, love and intimacy. This suggestion has been incorporated in a marginal way. Lastly, in order to strike a balance it is important to do justice to the men's role and experience partly (remember it is a gender role and not women's role course). For some years, I had avoided the topic partly because there was no literature available to me and because I was (and still am) convinced that women's problems need and deserve our time, energy and resources. But try convincing this to a male audience and you will know what you are up against. As a sample comment one student noted on the course evaluation form "Be more sympathetic to the men's point of view and try to be less radically feminist. Try to present a more unbiased view of gender equality." Another comment read "Somewhere along the way we deviated from sex roles to women's liberation studies. This was avoidable." Given a largely male audience I could understand that men's concerns were important to them and I defended myself by stating that the men had not started articulating their problems in the same way as women had. As this turned out to be their major concern I did make extra effort to search for material and was eventually able to get enough information to give a few lectures on masculinity, male role and the American men's movement.[5] Some of the literature was coming from psychology definition of masculinity and the nature male experience) and a more issue-based information was coming out from the men's movement. Incorporating this material in the course resulted in the prompt comment by one of the male graduate students in the department and I quote "I hear that of late you have been paying special attention to men's problems too in your class. I would like to say that I feel that this is quite a good thing. Unless we can unearth how both men and women are trapped in their roles, we cannot hope for a better understanding between the sexes."

Highs and Lows

There are positive and negative aspects both for the students and teacher of such a course. On the student side, the positive aspect is the great deal of participation and discussion allowed which by virtue of the course content is not possible in other cours-

es. The course content facilitates introspection and self-exploration, opportunities hardly provided by engineering curriculum. This provides them with an alternative experience based on emotions, subjectivity, communication to existing objectivity, rationality and one answer-based pattern so pervasive in institutions of higher learning. The positive side is best exemplified in their own words which appear in the formal course evaluation. "From this class I have learnt that women are not just sex objects but persons too." "The guest lectures were interesting and perhaps more could be organised."

On the negative side, the student find course material quite threatening. They experience anger, discomfort, guilt and anxiety in the face of gender issues. Despite allegations that feminist courses are soft options, their reaction only reveals how vital and close these issues are to their hearts and lives. Though this was not the intention of the instructor, the male students sometimes felt, especially when issues of violence were discussed that they are being held responsible for the injustices and atrocities committed against women. They complain about feminist bias and some repetitiveness in the course.

The positive aspect for the teacher was the opportunity to raise consciousness—theirs and mine, open students' eyes to existing inequities, the course's potential to reveal to these men some of the apparent contradictions with which they live, the challenge posed by student questions, learning to take control not of them but of myself. Another high is satisfactory class attendance and enthusiasm. On the formal evaluation form 80 per cent of the students rated the teacher as either "good" or "excellent" on "instructor command over the subject" "presentation" and "overall organisation". This was indeed empowering. The students questions on Indian men and women led to a search for material which I finally edited in book form published in 1988. In this class I share more about myself as a person and students relate to me as a person, not just as a professor. This is also a positive for the students. On the negative side dealing with students' emotions and knowing that it interferes with the learning process, the hostility from class members, not having enough women in the class, the fact that students cannot look beyond themselves and their own needs, scrounging for limited literature, emotionally draining as the classroom is turned into a mini battlefield, that verbal facility is more crucial than supporting evidence to win one's point. There is an enormous amount of time and effort required to develop and experiment with the course content. There is a need to re-prioritise the course contents. Science and sexism, feminists critique of technology are issues that need to be addressed. The need to transform the wider institutional context via issues such as sexual harassment, pornography have yet to be addressed. The negative aspect of the course on the teacher can also be gauged by the remarks of the invited speakers to me and I quote "Uphill task ahead of you", "Highly conditioned lot", "argumentative", "deep into myths", "insensitive". Being a single woman compounds the difficulty of teaching such a course. Complaints against men and my perception of gender problems are chalked up to my own frustrations and unfulfilled needs.

The girls as expected are more supportive but unfortunately considerably less vocal. All attempts to encourage them to speak up in class produced meagre results. There are many reasons for this. The course content does not challenge and threaten them in the same way that it does the male students. They are diffident because the class is male-dominated. To quote one woman student "A boy will answer a question somehow, even if he makes a fool of himself. A girl will answer only if she is sure so she often ends up saying "I don't know" This is due to a fear that I will make some shocking gaffe and the whole class will laugh since in any case I am not sure of classes friendship, this is something I don't want to risk." The class merely mimics what happens in the wider culture namely that they have been silenced and will need considerable prodding before they will be willing to speak up especially aspects of their lives close to their heart. There is an unstated dread that the men will not be able to receive and understand some of their personal feelings and experiences. Some state that they simply do not wish to get into an argument with the boys. To quote the same woman student "Another thing one really cannot afford to do is to get into a fight with a boy... The grapevine, among the guys is of really formidable proportions, and before you know it half the institute will know that so and so can't stand such and such a girl." A few women have stated that I am already representing their point of view and I tell them this is every woman's battle and not mine alone. Some of them are too conditioned to want to rethink though some of the issues discussed in class and others function under the myth that they will not be objects of many of the things stated in class especially rape and wife abuse. To quote a woman student, "I have rarely come face to face (on the campus) with the really unpleasant vulgarity which I know exists." These young women to use Gloria Steinem's words "have not yet experienced that marriage is not an equal partnership, that equality of opportunity does not exist in the paid workforce, that having children is no easy matter" [Bulbeck 1991 p 34]. All these justifications do not bypass the fact that there is a need for young educated women to speak up and be heard and it would be particularly interesting to know how women's studies courses are received in all women or majority of women classes. Academic institutions differ in the nature of student enrolment, the kind of atmosphere they provide for change and it will be wise to study and share what other instructors come up with or come up against.

Is Women's Studies Wasted on Science and Engineering Students?

There is some evidence to indicate that gender studies courses do have an impact on the students. Gerald and Jacklin (1988) found that after an introductory gender studies course students regardless of their gender, religion, ethnic class and religion categories, sexism towards women scores were significantly lower compared to controls and significantly lower than their own levels at the beginning of the semester. Brush et al (1978) on the other hand found that as in most courses some students are profoundly affected but they constituted a tiny minority. They go on to say that the programme may create latent changes, not immediately evident, but which manifest themsleves at some time later.

My own experience suggests that there is both an immediate and delayed impact on the students and this is best manifested in the formal course evaluation. Here is a sample of what they have to say; "It has made me re-examine my role as a male. It has helped to become a better human being in my interactions with females." "By challenging male-oriented values, the course made me think hard. It has shown me a different and better way to relate and has left me with no option but to follow that". "The course should be made compulsory for all students, so that every year, 250-300 individuals will have a better approach to women. Isn't it great, because they are likely to pass the tips to others".

One woman student wrote: "The course has made me realise my worth in society as a woman. There are so many things that we know, we read in the papers but never stop to think. That these can affect us. I suppose this course will help me realise my potential as an individual rather than as a woman. I also hope that it has made the boys from my class aware of what injustice is being done to their opposite sex unconsciously and consciously. In a way I think the course has made me more insecure, I was living a comforatable life without thinking of the problems. I have now become aware of them."

It is also heartening to know that this immediate impact is not washed away as evident from a delayed reaction. A good number of students in the class go to the US for post-graduate studies. One has sent a year's subscription of *Ms* magazine. Another sent clippings on feminism from a local Florida newspaper. Still others have come back to say how much the course affected them and how much they have changed as they see western women participate in all walks of life. One bought my edited book to give as a gift to his wife, who was also a student in class. The same woman student is

involved in doing voluntary work at sheltered homes for battered women in the US. The impact of the course is seen in other small ways. On the evaluation form, where it says instructor's name I become Ms instead of Miss. On the same form there is a question which reads "Was the instructor accessible outside the classroom for clearing doubts (1) yes (2) sometimes (3) never (4) I did not try to contact him". The students change the *him* to *her*—something that I do not see on the evaluation forms of other courses that I teach.

Concluding Remarks

By way of conclusion, it is comforting to know that the academic institutions have taken the initiative to provide the means to reduce sexism and take up the challenges faced by the women's movement. As elsewhere, the students most likely to receive this new input will be predominantly women and to that extent we will be accomplishing only a part of the task ahead of us. If conscience is to be raised, they should be raised for everyone. For teachers dealing with an almost exclusive male audience, it is important to learn and highlighted how men can be helped to develop an empathic attitude towards women in general and to respond in positive ways to the challenges thrown by the new women. Women's Studies is about social change and while we focus on hierarchical gender relations, we must also engage in highlighting and abolishing inequities based on class, caste and creed. The task before us is to produce and disseminate the knowledge that facilitates this transformation.

Notes

1 Personal communication Nazneen Fazalbhoy—lecturer Tata Institute of Social Sciences

2 For more negative and defensive student reactions, see Ghadially, R 'Teaching Women's Studies to Men' in Ghadially R (1988) *Women in Indian Society A Reader* Sage New Delhi

3 Atsi Sheth, 'Goodbye Che Guevara Welcome Lee Iacocca'' *The Independent* August 24, 1991

4 Charulata Joshi, 'The Goal Seekers' *The Sunday Times of India* January 17, 1993

5 For details on Indian male socialisation the Indian men's movement manifesto and students' reaction to the men's movement, see Ghadially, R (1991), 'The Joys But Mostly Sorrows of Teaching Women's Studies to Men', *Men's Studies Review*, Vol 8 No 2 (Spring) pp 3-6

References

Brush, L R, A R Gold and M G White (1978) 'The Paradox of Intention and Effect A Women's Studies Course' *Signs* 3 pp 883-970

Bulbeck C (1991) 'The Politics of Teaching Women's Studies', *Australian Feminist Studies* (Autumn) 13, pp 27-40

Gerald, J and C Jacklin (1988) 'Changes in Sexist Attitudes Toward Women During Introductory Women's and Men's Studies Courses' *Sex Roles*, Vol 18, Nos 9/10, pp 611-22

Humm M (1985) 'Women's Studies in Britain Teaching Through the Door Marked 'Boys', *Canadian Women's Studies* Vol 6, No 1

Jayawardena K (1986) *Feminism and Nationalism in the Third World Countries* Zed, London

Lightman, S E (1978) 'Women's Studies for Men and Women' *Canadian Women's Studies* (Autumn/Fall) Vol 1, No 1, pp 32-34

Patel V (1987) Women's Studies A New Discipline', *Indian Express*, July 22

–(1992) 'The Convergence of Two Deceptively Divergent Paths', *Sunday Observer*, July 19.

Pande Vinay (1993) 'Technocrats Choose To be Bureaucrats *The Times of India*, June 6.

Regional Adviser for Social Sciences in Asia and Pacific (1983) Women's Studies and Social Sciences in Asia (India) *Report of a Meeting of Experts* Office of Regional Adviser for Social Sciences in Asia and the Pacific, Bangkok.

The Times of India (1990) 'Seven Universities Introduce Women's Studies', December 5

DISCUSSION

Mainstream Perspective on Nagas

Sajal Nag

THE tribals of north-east India write very little about themselves. A proper comprehension of the situation in north-east India has therefore to be based on the understanding provided by rank outsiders which has its own limitations. As a matter of fact, the available scholarship on north-east India can be divided into four categories—researched, journalistic, administrator's views, and perspectives based on any one of the above. Scholarship does not perhaps suffer due to this but north-east does especially when an insight into the situation in north east India is sought to be provided on the basis of second-hand materials. V R Krishna Iyer's 'Saga of the Nagas' (*EPW*, March 19), which belongs to the last of the above categories, does exactly the same. His essay has been entirely based on a former administrator in the north-east, Murkot Ramunny's recently published book *The World of the Nagas* (Northern Book Centre, New Delhi). Administrators come to north-east India either on punishment posting or on compulsory difficult area posting, as representatives of New Delhi to carry out the policies which they subsequently find fault with.

Iyer's essay is significant because it is highly reflective. A deconstruction of its structure, form and content reveals that for all his sympathies to the Naga cause, he lacks basic empathy. Despite his consistent condemnation of the policies followed by the Indian state *vis a vis* the Nagas, he favours the dominance of India in the Indo-Naga bilateral relationship. Behind his liberal garb, there is a 'mainstreamist' who is scared of secessionist tendencies in Indian polity and advocates "mainstreaming" the peripheral marginal communities to avoid any prospective disintegration of India.

Dominance-Marginality Equation

Throughout the essay Iyer uses expressions like 'handling the Nagas', 'lack of unitive statesmanship with federal liberalism', 'ineptness in the art of persuation', absence of political sagacity and sensitive statesmanship', etc. In other words, for Iyer the initiative always lied with the Indian state—the dominant partner of the two. The Nagas only reacted, therefore the credit as well as the blame in dealing with the Nagas inevitably went to the Indian state. The Naga's resolute struggle was not considered any force at all. Iyer regrets that "if the men with vision in Delhi and Kohima had handled the Naga affair at the historic junction with delicate care and foresight, India-Naga relations could have been a lovely chapter, not a chronicle of intrigues and underground operations". He then goes on to blame the "woodenheaded response of the Assam government" for the deterioration of the situation in the Naga hills. For all his liberal intellectual credentials, Iyer still stops short of blaming the post-colonial Indian state for not respecting the democratic aspirations of a tiny tribal population who desired to seek their destiny outside the hegemonic reach of India. Jai Prakash Narayan advocated that the Nagas should be let free as per their desire so that we have friendly Nagas as our immediate neighbour rather than an unwilling, unhappy people forced to be our partners. But like the Indian state, its dominant intellectuals also scorn the idea.

Mainstream Syndrome

While posing to be a champion of the Naga cause, Iyer discredits the "arrogant Moghuls of North Block" for not being able to "mainstream the Nagas", without qualifying his expression. He does not bother to define the concept of mainstream nor outline its conceptual frontier. For him it is a given. Iyer thus lets the cat out of his bag and allows his subconscious mainstreamist mind to take over. For him "the Nagas are integral to the Indian Union". So perhaps are the Kashmiris, the Sikhs, the Tamils, the Mizos or the Assamese.

If India fails to 'handle' the Nagas, it would be bad precedent—detrimental to the liberal, secular and pluralist image of India which the state and its intellectuals have so carefully developed. It does not matter to them at all whether the Nagas consider themselves

integral to the Indian Union or not To them Nagas do not have a view after all, it were the "foreign missionaries who fostered the idea of independence among the Nagas" The basic problem that generates and perpetuates the crises that modern India confronts is this mainstream mind and its consciousness structure Neither the men who rule from Delhi nor Iyer is free from this syndrome

Foreign Hand

It is amazing how an idea floated by the Indian state in the early 50s that it was the foreign missionaries who instigated the Nagas to seek freedom from India continues to rule the roost despite researchers proving it otherwise The idea was first coined by the Assam government which was accepted by the ministry of external affairs as true' in the absence of any other scapegoats Even Nehru asserted when a memorandum was presented to him by the Naga National Council (NNC), that it was drafted by an outsider, blaming the missionaries by insinuation It was not conceded that the Nagas could write a memorandum themselves Among the ranks of the NNC was a man called T Sakhrie, who had an excellent command over the English language and was a fine orator, who had drafted most of the memoranda submitted by the NNC H K Barpujari, doyen of historians in north east India, while dealing with the issue stated "that the foreign missionaries had a secret hand in these movements, conceived even at responsible quarters, is a misrepresentation of facts no impartial observer can pass a verdict on the subject without a study of the correspondence that passed between the mission and their higher authorities in the US and UK apart from the archival sources available in India Without the material and moral support of the authorities the foreign missionaries were well aware that they could not carry out their main objective namely, proselytisation Therefore they remained steadfastly loyal to the government—British and Indian A perusal of the mission papers in original of the American Baptists has convinced this writer that they hardly dabbled in politics From mission offices repeated denials of their hand in secessionist movement was also issued But neither the state nor the intelligentsia believed either the historical research or the denials from missionaries They had reasons to be unhappy Michael Scott, a British missionary, was invited to mediate between the Indian state and the Nagas and was involved in the Peace Committee But contrary to the expectations of the state, Scott favoured the Naga cause and even attempted to internationalise it He was promptly shown the door The missionaries who replaced the foreign missionaries in Naga hills have been our very own—mostly south Indian men whose conduct should not be suspected Of course there are Naga missionaries who are champions of the Naga cause But if the Nagas have their own Bishop Desmond Tutu, they cannot be blamed "

Falsifying History

Trapped in the straitjacket of colonial anthropology, Iyer tries to introduce the Nagas by using anthropological cliches like 'a fine race 'honest people', 'cultured and gentle with a sense of independence and obliteration , and surely does not fail to add that they are "Christian *but Indian*" Self contradictory and rampant value judgments are allowed to flow characteristically The Nagas are said to be neither "soft stuff" nor "violent people ' At the same time, they are described as head hunters whose society has been torn apart by inter tribal violence Such a society is again described as "close knit' In his attempt to explain away the Naga struggle, Iyer finds long period of insulation to be responsible for generating xenophobic tendencies among the Nagas The recorded history of last seven centuries of the Nagas shows that they had full fledged interaction with the people of the Assam plains The Nagas lived in a place remote from New Delhi but not from Assam valley or Bengal plains As such, they did not live as isolated a life as is believed Again, it was not the Nagas who feared or mistrusted the plainsmen but the other way round In the famous memorandum submitted to the Simon Commission by the Naga Club, the Nagas took pride in the fact that they were a terror to the plainsmen for the raids and head hunting invasions into the Brahmaputra valley The British policy of non-interference was only a rhetoric which was never practised Researches in north-east have already exploded the myth It is high time we stopped exploiting the cliches which are historically incorrect and only provide a rationalisation to some of our own preconceived premises In perpetuation of another myth, Iyer repeats what Nehru had floated in the 1950s that Nagas resisted merger with India as they did not experience the sensation of being a part of the Indian freedom struggle The Nagas fought against the British for as long as a century The movement led by Jadonang-Gaindinliu repeatedly used the name of Gandhi to mobilise their supporters T Aliba Imti, the founding father of the NNC, in his memoirs candidly indicates that he and his colleagues who formed the Naga intelligentsia were aware of the developments in the rest of India Phizo himself was reported to have joined the INA when it entered Imphal through Burma It was the Indian nationalist movement which stubbornly refused to acknowledge the anti colonial struggle of the Nagas as a part of the Indian anti-colonial struggle and not vice versa

It is also a historical fallacy that it was Phizo who united the Nagas Long before Phizo arrived on the scene, the NNC was formed with the avowed objective of unifying the diverse Naga tribes It accordingly had a membership drive in all the Naga tribes and sub-tribes Similarly, it was the NNC which demanded the right to self-determination right from the beginning, not any particular individual The acceptance of the nine-point agreement was only a temporary measure to prepare the Nagas in self-rule But the clever use of words and interpretative manipulation, coupled with the threat to use force, made the Nagas back out from the agreement It was not just Phizo but a large section of NNC members who resented the last clause of the agreement In fact Phizo came into prominence only in the 1950s when the Indian army entered the Naga hills and vindicated the apprehensions of the Nagas. At one time, Phizo was relegated into such insignificance within the NNC that he left the organisation to form a parallel one called Peoples' Independence League whose failure brought him back to the fold on NNC again

Divide and Trivialise

The Indian state tried to counter the Naga struggle by dividing the Nagas by such descriptions as moderate and extremist Nagas Iyer does something similar He uses the description 'Naga Indians' for those who reconciled with statehood The acceptance of Nagaland state was neither the work of any group called Naga Indians (no such category exists) nor the result of the realisation of the futility of waging war against the Indian might It was only a middle path adopted to usher peace in the hills The Nagaland state was only a temporary arrangement, not the destination of the Nagas Too much also should not be read into the participation of the Nagas in the parliamentary elections because the same Nagas had effected a total boycott of the 1952 election Iyer's description of Phizo's announcement of Free Nagaland as "infantile adventurism" betrays his subconscious arrogance so characteristic of the mainstream mind Such trivialisation of the Naga struggle is uncalled for Phizo's struggle has not been in vain as Iyer suggests At least not yet The Nagas have to "look to London, New York and Peking" for a solution to the Naga issue, he says After all, the headquarters of the UN is in New York Similarly, London and Peking can help create international pressure on New Delhi to help the Naga cause

Colonial rule has left behind an indelible imprint on colonial societies Post-colonial societies are perpetually plagued by phenomena like communalism, separatism, secessionism, civil war, military coups, and so on But what we can ill-afford is a colonial mind, especially at a time when, to use Iyer's lines, "nationalities the world over are sensitive to cultural autonomy and demand for self determination by secessionism" The first prerequisite of liberalisation of outlook is the decolonisation of mind Before we declare ourselves a nation, as Iyer has done, we must resolve the tangle, to use Iyer's words again, between 'we' and 'they'

...ted by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038

Regd No M H-By/South-325

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs. 12 00 Vol XXIX No 24 June 11, 1994

ROLE OF ECONOMIC PLANNING IN INDIA IN THE 1990s AND BEYOND

- BJP: COW AS A POLITICAL SYMBOL
- FIFTH PAY COMMISSION: ON THE BEATEN TRACK
- CONCERNS OF INTELLIGENTSIA IN PAKISTAN: CONTENT ANALYSIS OF NEWSPAPERS
- TRAJECTORY OF HINDUTVA
- KARNATAKA: CASE OF KANNAPPA
- ASSESSING GORBACHEV

LESSONS OF THE SUGAR MUDDLE

AGA KHAN RURAL SUPPORT PROGRAMME (INDIA)

The Aga Khan Rural Support Programme (I) is a renowned Rural Development organisation which appreciates the importance of specialised skills, professional management and adaptable technology for improving the quality of rural life. Functioning in three districts of Gujarat, AKRSP (I) seeks to empower rural communities to develop and manage natural resources in a sustainable manner, through a process of organising rural people into viable self sustaining institutions. For the posts described, we encourage women candidates to apply.

EXECUTIVE PROGRAMME COORDINATOR

He/she will be required to coordinate a small team of Programme Executives/Managers with the intent of providing guidance and direction to a complex development programme.

The ideal person should be a Management graduate or a Master of Social Work with about 5-7 years experience in a responsible position in a rural development organisation. He/she will be expected to travel extensively and monitor programme implementation. He/she will also be a key representative of AKRSP (I) at various workshops and symposiums and depute for the Chief Executive

HRD/ TRAINING MANAGER

The primary responsibility will be to clearly define job descriptions, roles and responsibilities of AKRSP (I) staff and subsequently meet the training and development needs of the institution as well as the village organisations supported by it. The job involves a fair degree of drive, creative thinking and sound interpersonal skills A management graduate with about 3 -5 years experience with a corporate body or a voluntary organisation will ideally fit the bill.

ADMINISTRATION AND PERSONNEL MANAGER

The position entails the development of personnel policy guidelines, performance and potential appraisal formats in coordination with the HRD/ Training Manager. Additionally, he/she will also be required to develop appropriate systems for decentralised Programme Managers. AKRSP (I) expects the candidate to have 10 years experience in a similar position. The position calls for extensive travel.

RESEARCH AND MONITORING COORDINATOR

The responsibilities entail development of a systematic reporting, research and monitoring system of a complex Natural Resource Management Programme. The incumbent will be expected to design and execute research projects as well as develop and refine indicators for a monitoring system. He/she should also be instrumental in enabling AKRSP (I) develop an inhouse facility in this highly specialised area

The candidate should have about 3 - 5 years research experience Familiarity with the use of computerised statistical packages would be an added advantage. He/she will be expected to travel extensively.

PROGRAMME COORDINATOR

Based at the District Team Office, he/she will lead a team of development professionals in a district towards supporting integrated natural resource management by village communities. He/She should have strong leadership qualities,be able to achieve targets and work under pressure. The ideal candidate would be a management graduate or a master of social work with 3 years relevant experience. A natural affinity for working in a rural environment will be a prerequisite for the post.

All the above positions, except that of the Programme Coordinator are based at Ahmedabad, and offer a challenging working environment and the opportunity to travel extensively. Apply in strict confidence along with present salary details within 15 days to
The Programme Executive (HRD),
Aga Khan Rural Support Programme (India),
Choice Premises, Swastik Cross Roads,
Navrangpura, Ahmedabad - 380 009

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

ECONOMIC AND POLITICAL WEEKLY
Hitkari House
284 Shahid Bhagatsingh Road Bombay 400 038
Phones 2616072/73 Grams Econweekly
Editor Krishna Raj
Senior Assistant Editor Padma Prakash
Assistant Editor Rustam Singh
Editorial Staff Cleatus Antony Prabha Pillai
Gautam Navlakha (Delhi)
Circulation A S Shetty, B S Sharma
Advertisement Manager S G S Subramanian
Manager K Vijayakumar
EPW RESEARCH FOUNDATION
C 212 Akurli Industrial Estate, Kandivli (East)
Bombay 400 101 Phone 887 3038/3041
Director
S L Shetty

Vol XXIX No 24 June 11, 1994

Economic Planning in 1990s and Beyond

A major task of the Planning Commission in the 1990s and beyond insofar as the public sector is concerned, should be how to avoid duplication of the work which legitimately belongs to the different ministries and recognise the autonomy of the state governments For the private sector, the plan targets have always been only indicative, but the important question now is how indicative planning in a more deregulated environment with hardly any instruments to enforce the indicated targets will fit into overall economic planning **1457**

Assessing Gorbachev

In any assessment of Mikhail Gorbachev, to look for precise categories is to altogether miss the point of the paradox of the man He felt pushed towards the reforms he felt were absolutely essential but he was also held back by the tradition from which he had come and to which, in a profound sense, he still belonged What proved to his undoing was the manner in which he related to Soviet reality He did not understand that he was making ideological appeals to a society that had been in essence completely de-ideologised over the decades **1465**

Sugar Muddle

The government administration at the highest levels has acted in a totally confused manner in dealing with the relatively routine problem of periodic decline in the production of sugar **1438**

Hindutva Agenda

Hindutva as an ideology is the dominant castes response to the emergence of the Indian version of class struggle to the growth of class like formations that have threatened the traditional elite time and again in modern history **1450**

Having been defeated by the SP BSP combination in UP the BJP now sees the need to garner the support of in addition to upper caste Hindus the backward castes and is engaged in a search for political symbols which will enable it to achieve this **1447**

Freedom

The newly emerging business class in Czechoslovakia is trying hard to push back the trade unions claiming total freedom for the owners of enterprises **1449**

Press as Mirror

What does a content analysis of Pakistani newspapers tell us about the dominant concerns of the country's intelligentsia? **1482**

The Bailiff

The position of West Bengal s Left Front government is not unlike that of the bailiff of a bankrupt landlord—lacking control over decision making and yet saddled with the responsibility of managing crises arising from systemic defaults **1440**

Beyond the Pale

The shameful case of Kannappa in Kolar district of Karnataka and the responses it has evoked bring out the hypocrisy of the government machinery and the leadership of all political parties with regard to the social location and rights of dalits **1443**

Business as Usual

Though the problems of determination of central government employees pay are now very different from those 10 years ago in drafting the new Pay Commission s terms of reference the last Commission s terms have been mindlessly copied **1441**

Global Concerns

Multinational enterprises have their own strategies for the highly competitive global market place and are impervious to their consequences for the particular economies they happen to operate in **1437**

LETTERS TO EDITOR

HRD Expenditure

IN the article 'Fiscal Correction and Human Resource Development' (March 26), the authors' conclusion about central government expenditure is not in line with the data. Combination of the realised expenditure of the first two fiscal years of the present government (1991-92 and 1992-93) and the planned expenditure of the last fiscal year (1993-94) shows a 15 per cent real increase of plan and non-plan HRD expenditure (6 per cent compared to 1989-90). This should be put against the background of a real (plan and non-plan) decrease in expenditure of more than 18 per cent, compared to 1990-91. The HRD expenditure increase has resulted in a sharp increase (although from a low level) in the share of HRD expenditure in total expenditure of 41 per cent (29 per cent compared to 1989-90).

The authors' conclusion that "in the case of the central government the reduction in HRD expenditure is mainly on account of stabilisation policies to reduce deficit" is therefore completely wrong. Although the share of HRD expenditure in total (central and state) government expenditure is still rather low (about 20 per cent), with regard to central government expenditure we can only conclude that social expenditure has not been a victim of fiscal correction, and that even the share of HRD expenditure in total expenditure has risen sharply (although from a low level). The moderate decline in the (rather regressive) food subsidies has been more than compensated by the real increase in other social sectors. Although targeting would have been preferable, we cannot conclude that, as a result of structural adjustment, priority for HRD expenditure is less than before structural adjustment. The recently announced budget (1994-95) does not indicate a different trend.

As far as state expenditure (not including the 1993-94 budget) is concerned, the authors' conclusion that HRD is neglected in adjustment is correct. On the one hand, real social expenditure has been (slightly) reduced since the beginning of structural adjustment, on the other the share of revenue social expenditure in total expenditure in the states has fallen by 7 per cent between 1990-91 and 1992-93. The latter cannot be blamed on declining centre-to-states grants, but is a matter of priority setting.

Comparison of per capita social expenditure of states with per capita grants from the centre shows that the so-called progressively ruled states give very little priority to social expenditure, not only per capita (especially Bihar and UP), but as a percentage of grants from the centre as well (especially Orissa). The priority given to the social sectors by even West Bengal is not what could be expected from a 'progressive' government.

PAUL TEUNISSEN

The Hague

Doctored Knowledge

AMRIT SRINIVASAN'S article (December 11, 1993) is so refreshing! It shows the depth of scholarship, so rare among social scientists of our country. She has got together a wide range of information to substantiate her arguments and is clear in her presentation. One outcome of this scholarly work is to call the bluff regarding the Emperor's invisible robes. The Emperors have been paraded naked, showing their deformed ugliness. They have distorted the methodology of social anthropology/sociology/indology to subserve the interests of the colonial rulers. Such 'doctored' knowledge has been avidly 'internalised' by their students from colonial India, thus forming the foundations of the social science studies here. Patrick Geddes, A C Haddon, W H R Rivers, A H Keave, A R Radcliffe-Brown, E E Evans-Prichard and B Malinowski have rightly been mentioned as the 'White Gurus' of the native Indian students who later pioneered academic social science studies. G S Ghurye started in Bombay, L K Ananthakrishna and S C Roy in Calcutta, D N Majumdar in Lucknow and A Ayappan in Madras.

Srinivasan has rightly pointed out that: "When fieldwork was colonial, it was understandable that we, as servants of the raj, acted as modest assistants to the British, sometime even taking their scholarly place, but only in the data collecting, 'art' half of the positive praxis, leaving science to our betters. But today, when fieldwork is post colonial, it is surprising that things are not so different. In fact, if anything this surrogate science has been preached with the zealousness of the new convert only after India gained freedom from British rule." This is a very apt diagnosis of the malady that affects academic activities in social sciences in India. Its significance is much greater, because it offers an explanation that is relevant almost to the entire academic field in India. Knowledge has been systematically distorted to subserve specific vested interests. This unethical approach to knowledge generation has given rise to the formation of 'syndicates' and even 'mafias' in the academia. "If you follow the 'party-line' laid down by the syndicate, you would be properly rewarded. However, if you dare to challenge the Emperor about the robes, the Empire will strike back and totally annihilate you." It is reassuring to those who have been at the receiving end of the academic mafia that there are still scholars of high calibre who refuse to toe the party-line and get ready to pay the price for their 'crimes'.

D BANERJI

New Delhi

Bottom of Class

THE Planning Commission is apparently much exercised about the slow growth of the Indian economy. n its mid-term review of the Eighth Plan, the commission said to be proposing to revise the plan's average growth arget from 5.6 per cent per annum to 4 per cent The Eighth Plan (1992-93 to 1996-97) was finalised in July 992, a full year after the structural adjustment programme egan to be implemented; yet the Planning Commission ind its growth, investment and employment generation goals have apparently been overtaken by the economic eforms.

Apart from the average growth rate in the first three 'ears of the plan being unlikely to be more than 4 per ent per annum, serious sectoral imbalances have emerged in the growth process. The sharpest shortfall is likely be in industry, with the pattern of industrial growth lso diverging significantly from that anticipated in the lan. The plan had anticipated an average growth of 8.2 er cent per annum in the value of gross output of mining nd quarrying, manufacturing and electricity generation, ut in the first three years of the plan the rise in the index f industrial production is unlikely to be more than 3.5 er cent per annum. It is because of the sluggish growth in ianufacturing for four continuous years from 1991-92 iat the pressure on infrastructure sectors such as power as not been felt. Again, within the manufacturing sector, growth of the capital goods industries has been severely fected by reduced demand following the cut in ivestment—and not so much because "the performance f the indigenously manufactured capital goods is nowhere ear the contemporary levels in terms of process chnologies, quality of products, productivity and ost of production", to quote the Eighth Plan's aprehensions. There has been a significant rise in the output f consumer durables, whereas the output of consumer on-durables has suffered a setback. While the Eighth lan emphasises the importance of improving the lucational and health status of the people, for which the lan had earmarked larger resources, actual performance the first three years leaves much to be desired in this spect. However, it is in regard to the crucial goal of generating employment growth of 2.6 to 2 8 per cent, or about 8 to 9 million jobs per annum, that the failure has been most glaring.

When such is the actual performance of the economy, the Planning Commission officials' reported optimism that the private sector will make up for the shortfalls in public sector investment and employment generation is plain dissimulation. The pattern of investment, output and employment generated by the private sector cannot be expected to improve the emerging scenario of rising unemployment and poor social sector development. In its mid-term review of the Eighth Plan, the Planning Commission needs to address the question to what extent the resources appropriated by the private sector oriented pattern of development is crowding out resources, for instance, for rural development and strengthening the social sectors.

It is interesting that even as the Planning Commission is exercised over scaling down the growth target from 5.6 per cent to 4 per cent, the UNDP's *Human Development Report, 1994* should rank India 135th among 173 countries. Differences of opinion on the advisability of constructing a composite 'human development index' to represent levels of socio-economic development notwithstanding, there can be no gainsaying that a country such as India, at its present stage of development, needs to worry about the social aspects of development or, to put it differently, in respect of GDP growth it is the composition of such growth rather than just its size which is really material. The HDI constructed by the UNDP is an unweighted average of life expectancy, literacy and some modified measure of income per capita and gives India a low rank. Actually if some other social indicators are considered as well, India's rank is likely to slip lower still. The issue is not new; but the Planning Commission evidently remains impervious. Its focus continues to be on fractional adjustments of the—not very meaningful—overall GDP growth target. Why the country should rank so low in inter-country comparisons of human development do not concern the commission—even less now, under the regime of economic reform and liberalisation.

PUNJAB

Rebuff to Clergy

THE recent by elections in Punjab were significant on several counts Although these were only by-elections they were the first democratic assembly level elections to be held in the state in many years In the last elections in 1992, only 10 per cent of the electorate had participated the non participation of the rest being apparently due to the Akali boycott of the elections, although it may well have been due to the fact that the militants had supported the boycott

The overwhelming victory of the Congress(I) in the last elections was largely due to this boycott In other words until the present by elections the Congress(I) had not really faced the electorate and tested its popularity for a long time Now that this has happened even though at the micro level the party cannot be said to be very happily placed It has lost the Ajnala seat to Akali Dal (Badal) by 10 314 votes a margin that is large enough to force the party to sit up and think of its prospects in the next assembly elections And whereas it has won in Nakodar the other constituency that went to the polls it could do so only with a slender margin of 5,210 votes Significantly in this constituency which has been a traditional Congress(I) stronghold the party has secured 13 000 more votes than the same Akali Dal (Badal) candidate (Kuldip Singh Wadala) did during last year's Lok Sabha poll Thus the party which has really gained both at Ajnala and Nakodar is the Akali Dal (Badal)

This gain that has accrued to Akali Dal(Badal) is an indication of the possible alignment of political forces in the overall politics of Punjab in the coming period It suggests that in an atmosphere where the militants are no longer in a position to dictate terms to the Akalis the latter are likely to come into their own and pose a challenge to the ruling Congress(I) It also signifies that the Beant Singh government which claims to have put an end to militancy in the state cannot any more arrogate to itself the right to rule the state only on that basis It will now have to pay more attention to the routine tasks expected of a government if it wants to continue in power after the next elections

The victory of Akali Dal (Badal) at Ajnala and, in a different sense, at Nakodar is not any the less significant for Sikh politics in general and Akali politics in particular For the former, it points to a trend among the Sikh masses that has the potential to undermine in the longer run the authority of the Sikh clergy *vis a vis* the Akalis While traditionally Akali politics has never been completely free of the influence of the clergy, the latter had consolidated this influence even further during the recent era of militancy It is true that for a while during this period the clergy was merely playing into the hands of the militants not all of whom had the customary respect for its religious status Overall however it had managed to emerge stronger and found itself in a position to exert itself in the post-militancy era The so called Amritsar declaration made less than a couple of months ago, was the most significant recent attempt on its part to exert its authority While most Akali factions succumbed to this pressure and once again demanded a separate Sikh state Akali Dal (Badal) refused to toe the line and join the unified Akali Dal (Amritsar) By supporting the Akali Dal (Badal) and defeating a rebel Akali candidate who was covertly backed by the unified Akali Dal and could manage only 1 075 votes, the Sikh populace has administered a rebuff to the clergy

The rebuff also extends to other Akali factions now unified under Akali Dal (Amritsar) The meaning of the rebuff in this context is that the Sikh masses prefer moderate politics as against the militant one advocated by the new Dal While these events are only straws in the wind so far as the future of secular and really democratic politics in the state is concerned they indicate a potential within Sikh and Akali politics to bring on line the hitherto derailed politics of Punjab

SUGAR STORY

Working for a Windfall

THE government's lack of sincerity in containing inflation has been exposed by the sugar muddle The events leading up to the fiasco are worth noting First, faced with sharp increases in prices of essential consumption items the government constituted, at the initiative of the civil supplies ministry a 10-member inter-ministerial co ordination committee to monitor prices and availability of 12 essential commodities (sugar included) this January Second, as part of this exercise and the deliberations of the Cabinet Committee on Prices (CCP) headed by the finance minister the food ministry prepared a note predicting severe shortages of sugar and possible sharp increase in its prices in the 1993-94 (October September) season With substantial diversion of cane to gur and khandsari, particularly after the decontrol of molasses, the earlier estimate of production of 107 lakh tonnes in 1993 94 was scaled down to 104 lakh tonnes This compares with the production of 106 lakh tonnes in 1992 93 and 134 lakh tonnes in 1991-92 Further, the carry-over stock at the beginning of the 1993-94 season (October 1, 1993) was only about 9 13 lakh tonnes against 49 02 lakh tonnes two years ago and 31 13 lakh tonnes a year ago The food ministry had modestly placed the gap in supplies in 1993-94 at 11 13 lakh tonnes which was to be filled by imports Third, following this assessment, the cabinet placed sugar imports under open general licence (OGL) on March 15 Immediately there emerged an import cartel of sugar producers under the label of Indian Sugar General Industry Export Import Corporation (ISGIEIC) to regulate imports The effectiveness of the cartel can be judged by the fact that a food ministry official lamented as late as in May that only a paltry 1 70 lakh tonnes of sugar had been contracted for import and that too as required by bulk consumers such as hoteliers and sweetmeat manufacturers

In the meantime the government decided that the State Trading Corporation (STC) should import sugar The STC was expected to undertake imports as per an 'action taken report' of the food ministry, prepared in February this year, on the 45th report of the Public Accounts Committee (PAC) which had passed severe strictures in 1989 on an earlier sugar import scandal This follow up action taken five years after the PAC report emphasised that STC alone should import sugar also, STC was expected to address its import enquiries only to a list of registered sugar dealers in the international market Fourth much before the OGL decision however a few Indian private parties got wind of the government s impending decision to enter the sugar market for import and anticipating a rise in prices once India entered the market quietly resorted to futures trading at the then prevailing low prices of $ 270 to $ 280 per tonne in the international markets

Fifth despite the decision to import sugar the STC (and the MMTC) dithered, ostensibly because the question of payment of subsidy on the sale of imported sugar through the public distribution system (PDS) had not been settled Nothing was done till the third week of May In the meantime, the London quotation for sugar rose to $ 333 per tonne on May 6 because it was known that India was to import sugar Sixth, on May 14 just a few minutes before emplaning for his US visit on the tarmac as it were, the prime minister is reported to have instructed cabinet secretary Zafar Saiffullah to take immediate steps to augment sugar supplies Saiffullah consulted the expenditure secretary and asked the food secretary to order the Food Corporation (FCI) to float tenders for sugar imports This amounted to reversing two major decisions of the food minister, namely, that the FCI would not be involved in sugar imports and that only registered sugar dealers in the international markets would be approached for tendering The FCI apparently floated tenders with other parties as well at relatively low prices of $ 250 to $ 280 per tonne The seventh act of the drama consisted of food minister Kalpnath Rai cancelling the tenders floated by the FCI on the ground that FCI's import of sugar had been adversely commented on by the PAC in 1989 He was supported by commerce minister Pranab Mukherjee

Meanwhile, the price of sugar in the country shot up from about Rs 12 50 per kg to Rs 15 50 per kg on the eve of the by elections to the Lok Sabha and the state assemblies This was only to be expected as the government had

drastically curtailed the release of free sale sugar—to 5 40 lakh tonnes and 4 75 lakh tonnes in April and May (compared to 6 50 lakh tonnes each in April and May 1993) The release in June was 4 90 lakh tonnes against 6 75 lakh tonnes in June 1993 The prime minister now entered the picture for the eighth act and directed that the STC and MMTC import 8 5 lakh tonnes of sugar Reportedly, the day India entered the market the international price of sugar shot up by $ 8-10 per tonne, from $ 343 per tonne to $ 353 per tonne A part of STC's buying is said to have been done at the astronomical price of $ 438 per tonne—from an international trading house, EDF Mann, said to be a company with Indian interests, which had done the initial futures trading The prime minister brought the drama to a close with the ninth and final act by committing the government to footing the subsidy bill on the imported sugar which is estimated to amount to Rs 450 to Rs 500 crore

What has been the outcome of the whole sordid affair? On a rough estimate, on import of 8 50 lakh tonnes of sugar as ordered by the prime minister, the country has lost about $ 100 million in foreign exchange (Rs 314 crore) which has gone into the coffers of the international traders, many of whom are apparently Indians Second, the budget will have to bear an additional subsidy of Rs 450 crore to Rs 500 crore which could have been kept down to Rs 150 crore to Rs 200 crore had the government effected prompt imports Third, the rise of Rs 2 50 to Rs 3 per kg in the open market price of sugar will fetch the industry an additional Rs 800 crore to Rs 1,000 crore in the current sugar season at the cost of the consumer, which a grateful industry will no doubt be prepared to share with those who have been responsible for the windfall

TELECOM POLICY

Limited Vision

THE debate that has followed the introduction of the telecom policy is further indication of the growing disarray at the policy-making levels of government It shows the inability of the state to grasp the significance of the changes that its policies in one sphere bring about in another and its increasing detachment from real issues And because policies are being made to cater not to the overall needs of national development but to immediate and limited purposes, they will either become dysfunctional once these purposes are served or will be so open as to be interpreted any which way by those who have the power to do so

The objective of the new telecom policy introduced last month is purportedly telecommunications for all, which is translated as the availability of telephones on demand, of telecom services at affordable and reasonable prices covering all parts of the country, achieving world standards in the quality of telecom services and ensuring that India emerges as a major manufacturing base and exporter for telecom equipment The development of telecommunications is being given the highest priority because it is a 'vital infrastructure which is technology-intensive Therefore the inflow of technology should be made easy Hence the opening up of the sector to private and foreign investment

The question as to what are affordable telecommunication services in the context of a population with decreasing access to food and health care leave alone education and employment is of course not addressed The government evidently believes the publicity it has generated about modernisation that with telecommunications, health care may be delivered via satellites and radio services, and education through E mail services and all sorts of help at the end of a telephone Telecommunication networks can increase access to services only if the services are already in place and are affordable In the absence of other development, telecom helps commerce and only itself, encouraging an expansion of the service sector

With the new policy the government will make room for private investors to supplement government inputs and allow private and foreign participation in the expansion of the telecom network with tariff and revenue sharing arrangements Until now, only so called value added services had been opened to private investment However, the guidelines for clearing projects are still being formulated In the meanwhile developers will be allowed to undertake pilot projects ostensibly in order to test out new equipment and services There are already several such projects on the anvil which will presumably be cleared on an *ad hoc* basis without recourse to guidelines or any mandatory approval or regulatory structure It would not at all be surprising if the guidelines take a long time in their formulation

Among the norms being set by the ICICI for the department is a mandatory rural urban ratio for private parties and revenue-sharing and tariff regulations But interestingly even before the guidelines have been announced, the critics have hit out at what have been reported to be the requirements For instance, they point out that the profit per line works out to only $ 300 in India whereas it is $ 750 in developed countries This being so, it would hardly be likely that a low profit rural sector will attract investors who will also be hesitant about accepting the requirements On the other hand, many developed country policies have retained basic services in the state sector a fact that appears to have been totally missed by advocates of private sector participation in the economy

The policy is emphatic about the lack of resources blocking the development of services to the rural sector And yet, the Sixth Report of the Standing Committee on Communications of the Tenth Lok Sabha points out that it is unrealistic planning and not paucity of funds which has affected the growth of the network It has also pointed to the lack of proper co-ordination with the state and civic authorities of hold ups due to inability to procure equipment on time and lack of supervision and monitoring of ongoing projects This would seem to indicate a deliberate neglect which is now being projected as due to paucity of funds While there is no doubt a resource crunch, the inefficiency of the telecom network and the delays have their roots elsewhere But nobody wants to know

BODOLAND VIOLENCE

Victims All

THE recent massacres near Kokrajhar in the Bodoland Autonomous Council (BAC) area of Assam in which officially 22 people including women and children were killed and many more injured is not the first of its kind in the area Indeed since the signing of the Bodo Accord and the formation of the BAC last year, tensions which had always been dormant in the area have come into the open In the most serious incident of this kind since then in September October last year, scores of people were killed and thousands had to flee their villages and the camps in which those refugees continue to stay have also come under attack

These incidents are hardly surprising given the inherent tensions in the situation where a large number of migrants have been settled in areas historically inhabited by the Bodo people (the more extreme nationalists among whom claim that the whole region is their historical homeland where everyone else is an encroacher) and which were officially recognised to be so when small segments were designated as tribal belts and blocks The systematic encroachment into these areas of people not merely not belonging to the tribal stock but also gifted with the talents and resources for more advanced methods of agricultural production has been the fundamental factor that has contributed to these tensions The tensions long dormant are now breaking forth in violent forms to the extent that the tribal people themselves have become more conscious of their rights and more apprehensive of the loss of control over their lands given the heightened expectations and all around exacerbation of the economic crisis

And yet none of these factors appear to have been taken into account in the trading of charges that has followed the latest carnage According to chief minister Hiteswar Saikia the killings are the handiwork of forces within the Bodo leadership which are opposed to the Bodo Accord— as he interprets it—and his efforts to implement the accord According to Sansuma Khunggur Bwiswmutiary, the former president of the All Bodo Students' Union (ABSU) and later the chief executive member (CEM) of the BAC, and currently locked in bitter rivalry

with his erstwhile colleague and the present CEM, Premsing Brahma (both Bwiswmutiary and Brahma claim to head the real Bodoland Peoples' Party, BPP, the split in which has been yet another 'achievement' of Hiteswar Saikia), the killings are the handiwork of those "working at the behest of the chief minister", meaning his rivals within the ranks of the Bodo leadership. Neither of these leaders, nor indeed any organised political party or group in the state, wants to acknowledge that behind the so-called 'ethnic violence' lies a history of short-sighted and narrow political, indeed electoral, calculations and plain greed. This is as much true of the current clashes between sections of the Naga and Kuki people in Manipur, Nagaland and parts of Assam as of the massacres in the BAC area.

That the victims in the current violence in the BAC area comprise overwhelmingly, perhaps even solely, the Muslim settlers of erstwhile East Bengal origin, invests the ongoing massacres with another complicating dimension. For, both the perpetrators and victims of the violence are equally the victims of a process over which neither had any control. The settling of the peasants of East Bengal origin in an area where they should never have been settled in the first place was done by colonial administrators as part of a broader economic policy of increasing agricultural production and augmentation of revenue. However, the local gentry, tribal and non-tribal, were merely unequal partners in that enterprise, however bitterly opposed they may be now to what is an accomplished fact, and however genuine the current apprehensions over what the future holds in terms of loss of land and livestock and also the necessity to share political power with the settlers.

Unlike the earlier incidents of violence which were confined to the northern parts of Kokrajhar district which had pockets of non-Bodo concentration, last week's incidents took place in areas in the vicinity of Kokrajhar town itself. Clearly, the components of agrarian tension in the tribal inhabited areas of Assam, present for long in an incendiary mix and exacerbated over the years, are now running unconfined.

The buck-passing between Hiteswar Saikia and Bwiswmutiary once again highlights the haste and arbitrariness with which the Bodo Accord was signed, without a proper consideration of the complex issues involved. Over a year after the accord was signed, the area and the boundary of the BAC continue to be contentious issues and have indeed led to the split in the Bodo leadership. The crucial question of land was not even touched upon in the accord; nor the question of what would happen to the non-Bodo minorities, the most vulnerable of whom, the Muslim peasantry of erstwhile East Bengal stock, have been at the receiving end.

To recognise the culpability of forces internal to the society in the current violence would entail a measure of self-introspection which is beyond the capacity of Hiteswar Saikia and the Bodo leadership both of whom, even while trading charges, have been equal partners in the present tragedy. It is not accidental that while Bwiswmutiary has been harshly critical of the recent success of Hiteswar Saikia in securing a closer 'political' collaboration between the incumbent BAC leadership and the Congress Party in Assam, he was the one who took the initiative towards such collaboration when he was at the helm of the Bodoland agitation and later when he headed the BAC. His quarrel has always been with Hiteswar Saikia and not with the Congress Party; and even with Hiteswar Saikia only to the extent that he felt threatened at the latter's successful attempts at appropriating the Bodo leadership.

Given these crass calculations and the undeniable material interests and apprehensions, especially concerning land, more violence of a possibly more generalised kind, with much less clear demarcation between victims and perpetrators, in the BAC area cannot be ruled out.

KANORIA WORKERS

In Limbo Still

WORKERS' participation in management is a principle which is loudly acclaimed by both the trade union leaders and the government. Yet, when it comes to brass tacks, both the established trade unions and the administration appear to shy away from its implementation.

The latest development around the six-month old stalemate in Kanoria Jute Mill in Howrah in West Bengal is an instance of bureaucratic apathy and political rivalry. Following closure of the mill by the management on November 26 last, the workers took over the factory and started production. But the court, by a ruling, prevented them from selling the goods. Meanwhile, the workers organised under Sangrami Sramik Union (SSU) (unaffiliated to any political party) collected funds, set up community kitchens and paid token salaries to the workers. The CPI(M) trade union organisation, the CITU, immediately started a slander campaign against the workers of Kanoria, accusing them of taking money from industrialists, a lie which was soon nailed by the workers.

Following pressures built by mass support to the Kanoria workers, chief minister Jyoti Basu finally agreed to sit with the Sangrami Sramik Union leaders on February 28, when he assured them of his co-operation in finding an early solution to their problems, including facilitating the sale of the finished goods lying in the factory. Soon after this meeting, the SSU submitted a scheme for running the mill on a co-operative basis to the Board for Industrial and Financial Reconstruction (BIFR). It also accepted the BIFR proposal to run the mill as a joint venture, where the workers' co-operative would hold a 40 per cent ownership, and a private promoter the rest. A private promoter was also located. The BIFR has now appointed the Industrial Finance Corporation of India (IFCI) as the operating agency to negotiate.

Given the slow pace of administrative functioning, the process of reopening the mill is likely to take a long time. The SSU has therefore suggested that the West Bengal government take over the mill on a temporary basis and hand it over to the workers' co-operative so that production can be resumed immediately. But the state government continues to dilly-dally, while the fate of 4,000 workers hangs in the balance. Basu's assurance on February 28 is yet to be followed up.

The ruling Left Front itself seems to be divided on the Kanoria developments. The CITU leadership has been consistently slandering the SSU, since its own union in Kanoria Jute Mill was rejected by the workers after it had failed to take up their cause. The CPI and other Left partners of the Front have unofficially extended their support and sympathy to the Kanoria workers. But, unless the CPI(M), which is the head of the ruling Left Front, shows its political will to expedite the process of settlement through a temporary take-over of the mill by the state government, as suggested by the SSU, no other partner of the Front can make things move. There is strong opposition to any move that might vindicate the six-month long struggle of the Kanoria workers from a section of the CITU leadership, which is still smarting under the sense of humiliation suffered in Kanoria where the workers rejected its union.

In fact, the Kanoria developments as also those in a few other crisis-ridden establishments in West Bengal (where too the workers have spurned their traditional trade union leaders, both from the CPI(M) and Congress, who had failed to make the employers pay the workers their dues, reopen the factories or re-employ the retrenched workers, and threw up their own independent unions which were prepared to adopt militant tactics like taking over of factories and resuming production, as in Kanoria), sent a shiver down the spines of the squeamish, Marxist-turned-Establishment trade unionists who were threatened with the dangerous prospect of displacement from their traditional labour enclaves. Instead of welcoming the Kanoria workers for taking a lead in solving the nagging problem of 'sick' industries and helping them to run their mill, resume production and sell their goods, the West Bengal Left Front government, pressurised by the vested interests of the CITU and the vindictiveness of some of its leaders, chooses to dawdle, on the convenient plea of adhering to legal and administrative procedures. For the CPI(M) in West Bengal, sticking to bourgeois rules and regulations is now more important than protecting the interests of starving workers.

Kotak Mahindra Finance

ONE of the first Indian finance companies to have an independent set-up abroad, Kotak Mahindra Finance (KMF) has established a 100 per cent subsidiary christened Kotak Mahindra International in Mauritius. It is also setting up its first office in Dubai and plans to set up offices in other international finance centres. A leader in the financial services sector, the company has, for the second year in a row, achieved the highest net profit (Rs 42 crore) and market capitalisation (Rs 860 crore) among non-banking finance companies (NBFCs). For the year 1993-94 the company saw a 66 per cent rise in net profit over the previous year on a 51 per cent higher total income. Further, the net profit figure for the last six months of 1993-94 was higher than the profit earned for the entire previous year. The company is a leader in bill discounting and its car finance division, itself a leader among NBFCs, disbursed Rs 100 crore in 1993-94. Its investment banking group, which has a significant presence both in the local and international markets, has handled issues for such stalwarts as Dabur and Godrej Soaps in addition to handling euro-issues for Arvind Mills, Tube Investments of India, Garden Silk Mills and Tata Electric Company. KMF now plans to float a mutual fund for which it has received the necessary permissions. Recently it also entered into a memorandum of understanding with Goldman Sachs, one of the largest investment banks in the world, for investment banking activities.

ICNET

Following the signing of a licence agreement with the Department of Telecommunications (DOT) in January 1994, ICNET has achieved sales of Rs 2.9 crore in just three months. The company's total income for the 12 months ended March 1994 amounted to Rs 3.5 crore while net profit touched Rs 1.3 crore giving a net profit margin of 37 per cent. In addition to its existing eight centres, the company set up another nine centres extending its connectivity to other important cities and registered 1,900 subscribers during this period. Further, it commenced operations from USA and Canada and entered into a partnership with a prominent group in Muscat and expected to generate a revenue of Rs 2.2 crore in foreign exchange in 1994-95. The company now proposes to expand its operations to another 53 cities in addition to opening international connectivity to Great Britain, France, Germany, Switzerland, Sweden, Hong Kong, Singapore, Malaysia, Australia and Japan. In the current year ICNET expects to notch a total income of Rs 12.7 crore from Indian subscribers. Rs 1.5 crore as net contribution from its American operations and Rs 2.2 crore as net contribution from its Gulf operations yielding a net profit after tax of Rs 5.7 crore. Apart from internal generation of funds the company also plans to tap external sources for its future plans.

Haria Exports

Haria Exports which is engaged in the manufacture and export of garments (comprising men's shirts, ladies skirts and shorts) at its two units in Vapi and Kandla, both in Gujarat, was ranked 18th among garment exporters by the Apparel Export Promotion Council for 1992. It is a government recognised export house and the second largest manufacturer of garments in the country under its own umbrella. The company, which has a good marketing network and overseas offices at Hong Kong, Nairobi, Dubai and New York, belongs to the Haria group. The company now plans to expand its garment manufacturing capacity from the existing 9.84 lakh pieces per annum to 14.12 lakh pieces per annum. It also proposes to upgrade its washing facilities in Kandla and set up a showroom-cum-marketing office building in Bombay. For the year 1993-94 the company earned a net profit of Rs 2.5 crore on a net sale of Rs 32.4 crore. To part finance its project the company plans to enter the capital market in August.

Standard Surfactants

One of the leading detergents and chemical manufacturers in the country, Standard Surfactants has completed its expansion programme leading to an increase in the capacity of its two units at Bhopal to 30,000 mtpa each. As part of its expansion plans the company is setting up another unit at Mandideep in Bhopal to manufacture film sulphonation which is a surfactantive agent used mainly in the soap and detergent industry. The plant, estimated to cost Rs 14.3 crore, is expected to commence commercial production in the current financial year and will add to the company's capacity by 12,250 mtpa of LABS or 19,900 mtpa of AOS or a combination thereof. To part finance the new project the company recently entered the capital market with a public issue which was oversubscribed.

Firstohm India

A joint venture between Frist Resistor and Condenser Co (Firstohm) of Taiwan and Rakesh Khanna, Firstohm India (FI) is setting up a 100 per cent export-oriented unit for manufacturing resistors. The EOU which is estimated to cost Rs 7.4 crore will have an installed capacity of 1,650 million resistors per annum and will operate as an offshore manufacturing facility for the Taiwanese company. Firstohm will provide full technical support including training of engineers and will be contributing up to 38 per cent of FI's post-issue equity in addition to supplying the necessary raw material at internationally competitive prices and buying back 100 per cent of the company's production. The international scale plant is being set up at SEEPZ in Bombay and will have four production lines for 1/4 watt carbon film resistors, one line for 1/2 watt carbon film resistors and two lines for 1/4 watt metal film resistors. The first phase of the project has already commenced commercial production and the second phase is expected to go on stream in July this year when the company plans to enter the capital market with its public issue to part finance its project.

World Digital Sound

World Digital Sound (WDS) is setting up the country's first export-oriented unit for manufacturing compact discs at Noida with an installed capacity of 6.6 million discs per annum. For this purpose it has entered into a technical and financial collaboration agreement with Toolex Alpha of Sweden which is part of the renowned Grimaldi Industries AB of Sweden and has an installed capacity of more than 100 compact disc manufacturing plants all over the world. The Swedish company will have a 15 per cent stake in the post-issue equity of the company and will buy-back up to 50 per cent of WDS's production. The project, which is estimated to cost Rs 15.5 crore, is in an advanced stage of completion and is likely to commence production next month. To part finance the project the company plans to tap the capital market shortly with a public issue of 47.9 lakh equity shares of Rs 10 each at par.

Flex Chemicals

Part of the Flex group of companies, Flex Chemicals (FC) has been promoted by Ashok Chaturvedi. After establishing itself over the years in pouch-making activities, the company is now diversifying by setting up a project for the manufacture of printing inks and adhesives. The Rs 18.8 crore project is being set up at Ghaziabad in Uttar Pradesh and will have an installed capacity of 1,620 mtpa FC has entered into technical collaboration agreements with Color Converting Industries of USA for manufacturing inks and with Sunkyong Industries of Korea for the manufacture of adhesives. To part finance its project the company is entering the capital market with a public issue of 17,00,000 equity shares of Rs 10 each at a premium of Rs 50 per share on June 13.

CURRENT STATISTICS

EPW Research Foundation

The current fiscal year has begun to experience some moderation in reserve money growth because of a sharp reduction in net RBI credit to the central government but the banks' deposit and non food advance growth has accelerated There has been a revival of activity in the share markets Exports in dollar terms showed a 12.6 per cent rise in April against 28.9 per cent in April last year while imports grew by 13.5 per cent against a decline of 3.6 per cent last year While agriculture-based commodities and traditional goods continue to dominate exports increase in the share of capital goods in imports is likewise conspicuous

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	May 21 1994	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91
			Variation (Per Cent) Point to Point								
All Commodities	100.0	263.5	0.9	11.1	6.8	2.0	1.8	10.8	7.0	13.6	12.1
Primary Articles	32.3	269.0	1.8	13.8	2.8	4.1	1.8	11.5	3.0	15.3	17.1
Food Articles	17.4	295.5	2.8	7.4	3.9	5.4	2.5	4.4	5.4	20.9	18.9
Non-Food Articles	10.1	286.0	0.4	26.4	0.8	2.1	0.8	24.9	1.4	8.1	19.3
Fuel, Power, Light and Lubricants	10.7	278.0		10.4	17.7		2.4	13.1	15.2	13.2	14.4
Manufactured Products	57.0	257.6	0.6	9.7	7.1	1.3	1.6	9.9	7.9	12.6	8.9
Food Products	10.1	267.2	4.1	12.8	8.2	6.0	5.5	12.3	6.8	10.2	13.2
Food Index (computed)	27.5	285.1	3.3	9.2	5.3	5.6	3.5	7.0	5.8	17.2	16.8

Cost of Living Indices	Latest Month	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1993-94	Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90
		Variation (Per Cent) Point to-Point								
Industrial Workers (1982=100)	267[3]	0.8	9.9	6.1	9.9	6.1	6.1	13.9	13.6	6.6
Urban Non-Man Emp (1984 85=100)	220[1]	0.9	7.3	9.6	7.3	6.8	6.8	13.6	13.4	8.0
Agri Lab (July 60 to June 61=100)	1175[3]	0.8	11.6	0.7	11.6	0.7	0.7	21.9	16.6	1.0

Money and Banking (Rs crore)	May 13, 1994	Over Month	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92
		Variation (Per Cent)					
Money Supply (M3)	453690	5466 (1.2)	20124 (4.6)	17443 (4.8)	65827 (17.9)	49344 (15.5)	51653 (19.4)
Currency with the Public	91961	4779 (5.5)	9763 (11.9)	7880 (11.5)	15159 (22.2)	7175 (11.7)	8050 (15.2)
Deposits with Banks	359669	2470 (0.7)	10829 (3.1)	6637 (2.2)	50112 (16.9)	41741 (16.3)	43392 (20.5)
Net Bank Credit to Govt	214152	2623 (1.2)	10366 (5.1)	11154 (6.3)	27623 (15.7)	17975 (11.4)	18070 (12.9)
Bank Credit to Comml Sector	240593	-1583 (-0.7)	3390 (1.4)	3836 (1.7)	15577 (7.1)	32141 (17.1)	16225 (9.4)
Net foreign exchange assets of the banking sector	58133	3541 (6.5)	4406 (8.2)	1278 (5.1)	25912 (103.8)	3747 (17.7)	21205 (100.4)
Reserve Money (May 13, 94)	147082	4690 (3.3)	8460 (6.1)	11974 (10.8)	26577 (24.0)	11274 (11.3)	11726 (12.4)
Net RBI Credit to Centre (May 13, 94)	98312	-1344 (-1.3)	1529 (1.6)	13694 (14.2)	1334 (1.4)	2175 (2.3)	5904 (6.7)
Scheduled Commercial Banks (May 13 94)							
Deposits	326413	2210 (0.7)	12599 (4.0)	7361 (2.7)	45242 (16.8)	37814 (16.4)	38216 (19.8)
Advances	167701	-1499 (-0.9)	4079 (2.5)	4083 (2.7)	11640 (7.7)	26390 (21.0)	9291 (8.0)
Non-food advances	156191	3805 (2.4)	3476 (2.3)	1971 (1.4)	7476 (5.1)	24317 (20.1)	120922 (8.4)
Investments	142504	3945 (2.8)	10111 (7.6)	-1076 (-1.0)	26737 (25.3)	15460 (17.1)	15031 (20.2)

Index Numbers of Industrial Production (1980 81=100)	Weights	Feb 1994	Average for Fiscal Year So Far 1993-94	Average for Fiscal Year So Far 1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
					Variation (Per Cent) Fiscal Year Averages						
General Index	100.0	240.0	221.9 (3.4)	214.5 (3.3)	1.6	-0.2	8.4	8.6	8.7	7.3	9.1
Mining and Quarrying	11.5	258.0	222.7 (2.8)	216.6 (-0.2)	1.7	0.4	4.5	6.3	7.9	3.8	6.2
Manufacturing	77.1	230.3	212.3 (2.9)	206.3 (3.5)	0.9	-1.8	9.1	0.6	8.7	7.9	9.3
Electricity	11.4	287.1	286.5 (7.0)	267.7 (5.0)	4.9	8.5	7.8	10.8	9.5	7.7	10.3

Capital Market	June 10, 1994	Month Ago	Year Ago	1994 So Far Trough	1994 So Far Peak	1993 Trough	1993 Peak	End of Fiscal Year 1993-94	End of Fiscal Year 1992-93	End of Fiscal Year 1991-92
BSE Sensitive Index	4145	3775	2396	2037	4299	2037	3455	3779	2281	4285
(1978-79=100)	(73.0)		(-23.7)					(65.7)	(-46.8)	(266.9)
National Index	1977	1842	1099	934	2073	934	1659	1830	1021	1968
(1983-84=100)	(79.9)		(20.4)					(79.2)	(-48.1)	(234.1)

Foreign Trade	Apr 1994	Cumulative for Fiscal Year So Far 1994-95	Cumulative for Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90
Exports Rs crore	6237	6237 (12.8)	5528 (39.6)	69547 (30.4)	53351 (21.1)	44042 (35.3)	32553 (17.6)	27681 (36.8)
US $ mn	1988	1988 (12.6)	1766 (28.9)	22173 (20.4)	18421 (3.1)	17866 (-1.5)	18143 (9.1)	16626 (19.0)
Imports Rs crore	6144	6144 (13.8)	5401 (4.4)	72806 (15.7)	62923 (31.5)	47851 (10.8)	43193 (22.0)	35416 (25.4)
US $ mn	1959	1959 (13.5)	1725 (-3.6)	23212 (6.8)	21726 (11.9)	19411 (-19.4)	24073 (13.2)	21272 (9.1)
Balance of Trade Rs crore	91	91	127	-3259	-9,572	-3,809	-10,640	-7,735
US $ mn	29	29	40	-1039	-3,305	-1,545	-5,930	-4,646

Foreign Exchange Reserves	May 27, 1994	Mar 31 1994	Month	Year	Fiscal Year So Far 1994-95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
			Variation Over									
Rs crore	48958	47626	1524	28424	1332	338	27430	5385	10223	-1383	-795	-647
US $ mn	15557	15176	423	8983	381	122	8724	731	3383	-1137	-854	-1386

Foreign Trade

Commodity Composition of Imports and Exports	April-February 1993-94 Rs Cr	April-February 1993-94 US $mn	April-February 1992-93 Rs Cr	April-February 1992-93 US $mn	1992-93 Rs Cr	1992-93 US $mn	1991-92 Rs Cr	1991-92 US $mn	1990-91 Rs Cr	1990-91 US $mn
Imports										
Food and live animals chiefly for food	1405(2.2)	448	1562(2.7)	642	1843(2.9)	636	804(1.7)	326	917(2.1)	511
Pulses	504(0.8)	161	299(0.5)	123	316(0.5)	109	255(0.5)	104	481(1.1)	268
Cashewnuts, raw	431(0.7)	137	298(0.5)	122	360(0.6)	124	267(0.6)	108	134(0.3)	75
Crude materials inedible oil except fuels	3708(5.8)	1182	4482(7.8)	1841	4420(7.0)	1526	3268(6.8)	1326	3363(7.8)	1375
Fertiliser crude	353(0.6)	113	429(0.7)	176	458(0.7)	158	455(1.0)	185	347(0.8)	193
Metalifers ores and metal scrap	1137(1.8)	363	1800(3.1)	739	1792(2.8)	619	1175(2.5)	477	1528(3.5)	852
Mineral fuels, lubricants and related materials	17831(28.0)	5685	16752(29.2)	6881	18532(29.5)	6399	14160(29.6)	5744	11606(26.9)	6468
Petroleum, crude and products	16542(25.9)	5274	15515(27.1)	6373	17153(27.3)	5923	13123(27.4)	5323	10816(25.0)	6028
Animal and vegetable oils, waxes and fats	148(0.2)	47	161(0.3)	66	174(0.3)	60	249(0.5)	101	326(0.8)	182
Chemicals and related products	8388(13.2)	2674	8382(14.6)	3443	8862(14.1)	3060	7526(15.7)	3053	5447(12.6)	3036
Organic chemicals	2573(4.0)	820	1736(3.0)	713	1977(3.1)	683	1361(2.8)	552	1442(3.3)	804
Fertiliser manufactured	1889(3.0)	602	1974(3.4)	811	2020(3.2)	697	1591(3.3)	645	1141(2.6)	636
Manufactured goods chiefly classified by materials	13619(21.4)	4342	11205(19.6)	4603	12349(19.6)	4264	9193(19.2)	3729	8638(20.0)	4814
Pearls, precious/semi-precious stones	7839(12.3)	2499	6273(11.0)	2577	7011(11.1)	2421	4825(10.1)	1957	3738(8.7)	2083
Iron and steel	2189(3.4)	698	1887(3.3)	775	2092(3.3)	722	1741(3.6)	706	1892(4.4)	1055
Non-ferrous metals	1357(2.1)	433	1050(1.8)	431	1118(1.8)	386	839(1.8)	340	1102(2.6)	614
Capital goods	14770(23.2)	4709	11735(20.5)	4820	12926(20.5)	4463	10432(21.8)	4232	10465(24.2)	5833
Machinery except electrical and machine tools	5628(8.8)	1794	4227(7.4)	1736	4866(7.7)	1680	3593(7.5)	1458	3768(8.7)	2100
Transport equipment	2401(3.8)	766	1235(2.2)	507	1336(2.1)	461	915(1.9)	371	1670(3.9)	931
Project goods	3619(5.7)	1154	3320(5.8)	1364	3460(5.5)	1195	3625(7.6)	1471	2551(5.9)	1422
Others	3933(6.2)	1254	2997(5.2)	1231	3814(6.1)	1317	2220(4.6)	900	2431(5.6)	1355
Total	63780(100.0)	20335	57276(100.0)	23527	62923(100.0)	21726	47851(100.0)	19411	43193(100.0)	24073
Exports										
Food and live animals chiefly for food	9611(15.5)	3064	6930(14.7)	2412	7792(14.6)	2690	6861(15.6)	2783	4665(14.3)	2666
Cashew kernels	912(1.5)	290	683(1.4)	238	745(1.4)	257	672(1.5)	272	441(1.4)	252
Oil meal	2066(3.3)	659	1299(2.8)	452	1539(2.9)	531	921(2.1)	374	609(1.9)	348
Marine products	2214(3.6)	706	1556(3.3)	542	1743(3.3)	602	1443(3.3)	585	960(2.9)	549
Beverages and tobacco	125(0.2)	40	151(0.3)	53	158(0.3)	54	102(0.2)	42	70(0.2)	40
Crude materials, inedible oil	3593(5.8)	1146	2392(5.1)	833	2831(5.3)	978	3022(6.9)	1226	2926(9.0)	1672
Iron ore	1166(1.9)	372	969(2.1)	337	1102(2.1)	381	1435(3.3)	582	1049(3.2)	600
Mineral fuels and lubricants	1147(1.8)	366	1241(2.6)	432	1379(2.6)	476	1022(2.3)	415	938(2.9)	536
Animal and vegetable oils, waxes and fats	301(0.5)	96	130(0.3)	45	143(0.3)	49	169(0.4)	69	89(0.3)	51
Chemical and chemical products	5369(8.6)	1712	3738(7.9)	1301	4253(8.0)	1469	4146(9.4)	1682	2722(8.4)	1555
Drugs, pharmaceuticals and fine chemicals	1805(2.9)	575	1396(3.0)	486	1524(2.9)	526	1550(3.5)	629	1014(3.1)	580
Dyes/intermediates	1037(1.7)	331	856(1.8)	298	958(1.8)	331	781(1.8)	317	442(1.4)	253
Plastic and linoleum products	914(1.5)	291	374(0.8)	130	429(0.8)	148	276(0.6)	112	200(0.6)	114
Manufactured products classified chiefly by material	34686(55.8)	11059	27117(57.5)	9439	30516(57.2)	10536	23540(53.4)	9549	17085(52.5)	9764
Leather and mfgs	2386(3.8)	761	2289(4.9)	797	2512(4.7)	867	1984(4.5)	805	2566(7.9)	1467
Leather footwear	1354(2.2)	432	1067(2.3)	371	1181(2.2)	408	1143(2.6)	464	neg	neg
Gems and jewellery	11000(17.7)	3507	7654(16.2)	2664	8839(16.6)	3052	6750(15.3)	2738	5247(16.1)	2999
Rubber mfd products	736(1.2)	235	566(1.2)	197	647(1.2)	223	287(0.7)	117	270(0.8)	154
Primary and semi-finished iron and steel	1190(1.9)	379	404(0.9)	141	431(0.8)	149	226(0.5)	92	189(0.6)	108
Cotton yarn fabrics/madeup	4338(7.0)	1383	3538(7.5)	1231	3929(7.4)	1356	3203(7.3)	1299	2100(6.5)	1200
Manmade yarn, etc	1217(2.0)	388	976(2.1)	340	1059(2.0)	366	821(1.9)	333	407(1.2)	232
RMG cotton incl accessories	5479(8.8)	1747	4544(9.6)	1582	5210(9.8)	1799	3754(8.5)	1523	2642(8.1)	1510
Capital goods	5605(9.0)	1787	4443(9.4)	1546	4985(9.3)	1721	4054(9.2)	1645	3087(9.5)	1764
Manufacture of metals	1956(3.1)	624	1458(3.1)	507	1696(3.2)	586	1194(2.7)	484	819(2.5)	468
Machinery and instruments	1804(2.9)	576	1424(3.0)	496	1572(2.9)	543	1433(3.3)	582	1249(3.6)	714
Transport equipment	1641(2.6)	523	1356(2.9)	472	1519(2.8)	524	1224(2.8)	496	719(2.2)	411
Others	1755(2.8)	560	1047(2.2)	364	1294(2.4)	447	1125(2.6)	457	971(3.0)	555
Electronic goods	879(1.4)	280	561(1.2)	195	612(1.1)	211	654(1.5)	265	417(1.3)	238
Total	62181(100.0)	19825	47190(100.0)	16426	53351(100.0)	18421	44042(100.0)	17865	32553(100.0)	18604

(Figures in brackets are percentages to total)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year (iii) — means not available

SYNTHETICS AND CHEMICALS

Threat from Imports

SYNTHETICS AND CHEMICALS which is engaged in the manufacture of synthetic rubber (SBR) and lattices of the butadiene-styrene type (also known as CR-S rubbers and lattices), styrene and butadiene saw a fall in its profitability in 1992-93. The continued recession in the automobile industry affected offtake and the company's net sales fell by 2 per cent over the previous year. The government's liberal import policy of allowing duty-free import of SBR against advance licences to exporters of tyres added to the company's woes. Production was also lower at 33,371 mt (36,098 mt) of rubber and 522 mt (560 mt) of styrenated phenol while sale in volume terms fell from 35,320 mt of rubber and 64 mt of styrenated phenol in 1991-92 to 31,606 mt and 60 mt, respectively. Increase in raw material cost and other operating expenses led to a 9 per cent fall in operating profit. Interest charges rose by 3.3 per cent while depreciation provision was higher by 18.4 per cent. However, the company managed to show a higher net profit mainly due to a higher non-operating profit and a zero tax provision in 1992-93.

The company's alcohol distillery was commissioned in December 1993 and the unit's production was reportedly well received in the market. Further, the company is also exploring the possibility of exports. Its expansion project which envisaged increasing its SBR capacity from the present 41,000 mtpa to 70,000 mtpa was expected to commence commercial production in the first half of 1994. To part finance the project the company entered the capital market in late 1993 with a rights issue of equity shares in the ratio of five equity shares for every four held at a premium of Rs 25 per share. With this the company's equity capital has increased from Rs 11.2 crore to Rs 25.2 crore.

The customs duty reliefs received by the company in the 1993-94 budget has been passed on to the consumers. Meanwhile, representations made by the company to the authorities against the liberal import policy led to a government notification under which only 9 kgs of SBR can be imported duty-free against the export of 100 kgs of tyres. However, as the notification came only in June 1993 and as some time is expected to elapse before the SBR already imported is absorbed, the company's performance in the first half of 1993-94 was adversely affected. Thus, while net sales fell by 50 per cent to Rs 40.8 crore, the company suffered a net loss of Rs 3.7 crore as against a net profit of Rs 5 crore in the corresponding period last year.

KANORIA CHEMICALS

Modernisation Yields Results

Incorporated in 1960, Kanoria Chemicals is engaged in the manufacture of caustic soda, chlorine, chlorine products and other chemicals, jute goods, cloth and yarn. Its two chemical divisions are situated at Renukoot in Uttar Pradesh and Ankleshwar in Gujarat while its synthetics division which was taken over from the erstwhile Anil Synthetics is situated in Ahmedabad. For 1992-93 the company's improved performance has brought it back into the black with net sales rising by 16.8 per cent over the previous year and net profit touching Rs 4.2 crore as against a net loss of Rs 3 crore last year. Operating profit rose by 8.8 per cent while gross profit rose by more than 250 per cent. The rise in gross profit, however, was mainly due to a lower non-operating loss in 1992-93 as against a non-operating loss of Rs 7.3 crore last year (mainly due to a one-time charge of prior years' electricity liability).

The modernisation programme carried out last year at its caustic soda plant yielded good results with reduced consumption of power. Production of caustic soda was higher by 9 per cent at 41,005 mt while that of benzene hexa chloride and stable bleaching powder was higher by 11.3 per cent and 15.9 per cent at 18,043 mt and 10,914 mt, respectively. Sale of caustic soda rose by 7.2 per cent in volume terms to 39,526 mt while that of stable bleaching powder rose by 19.5 per cent to 10,632 mt. Sale of lindane also went up with the increase in production volume and consistency in production of high quality material. However, sale of benzene hexa chloride was lower at 16,868 mt as against 17,036 mt sold last year. The year saw a lower production and sale of pentaerythritol, sodium formate, acetaldehyde and formaldehyde at the Ankleshwar division, which is being strengthened through backward and forward integration by the addition of new product lines. The capacity expansion of the formaldehyde plant to 33,000 mtpa was commissioned only in February 1993 while the expansion of the acetaldehyde plant's capacity to 5,500 mtpa was commissioned in April. The effects of the expanded capacity will be visible only in 1993-94. Production of cloth at the company's textile division was lower at 50.5 lakh metres (56.3 lakh metres) and the difficult phase obtained in the textile industry led to a fall in sale to 49.6 lakh metres (55 lakh metres). The unrestrained raw cotton prices coupled with the sharp increase in costs led to f pressure on margins. Production and sale of yarn on the other hand was higher at 6.2 lakh kgs (5 lakh kgs) and 6.4 lakh kgs (4.9 lakh kgs), respectively. The company's exports were higher by 28 per cent over the previous year at Rs 23.8 crore and it expects exports to rise significantly in 1993-94 due to the expanded capacity.

Encouraged by the good results obtained from the modernisation at the caustic soda plant the company has taken up another modernisation programme to further streamline production and conserve energy at various sections in the Renukoot division. Further it also plans to expand production capacity of lindane to 660 mtpa. Meanwhile the 150 lakh litres per annum distillery project at Ankleshwar is expected to be commissioned in the latter half of 1993-94. The company planned to finance its long-term working capital requirements and normal capital expenditure through a rights issue of 41,10,500 equity shares at a premium of Rs 15 per share in the ratio of two equity shares for every one held.

The company's four subsidiaries, namely, Aetka, Pipri, Kanoria Agro Products and Vidun Dealers posted higher net profits for 1992-93. Aetka, the largest among them and a wholly-owned subsidiary which has modernised its jute mill and diversified into new products saw a rise in its exports to Rs 23.8 crore (Rs 18.6 crore) while turnover rose to Rs 68.9 crore (Rs 56.3 crore). The subsidiary has, meanwhile, acquired a textile unit under a manufacturing agreement and is modernising the same to make it export-oriented.

For the 12 months ended March 1994 the company has proposed a dividend of 25 per cent following a more than 60 per cent rise in net profit. The company expects its financial performance to improve further as it has invested up to Rs 50 crore over the last two years by way of capital expenditure. It is also setting up a captive coal-based power plant at Renukoot in addition to proposing to further expand the capacity of its pesticide division along with formulations. To finance the power project and its expansion plans the company plans to raise capital through a Euro-issue or preferential allotment to foreign institutional investors (FIIs) and mutual funds to the extent of Rs 100 crore. It also plans to offer preferential warrants to the promoters.

MODI ALKALIES

Higher Sales

Modi Alkalies and Chemicals which is engaged in the manufacture of caustic soda, liquid chlorine, hydrochloric acid (100 per cent), stable bleaching powder, etc, has been promoted by the house of Modis (including

(Rs la

Financial Indicators	Synth and Chem March 1993	Synth and Chem March 1992	Kanoria Chemicals March 1993	Kanoria Chemicals March 1992	Modi Alkalies March 1993	Modi Alkalies March 1992	Roche Products March 1993	Roche Products March 1992	Dr Beck and Co March 1993	Dr Beck and Co March 1992
Income/appropriations										
1 Net sales	16320	16621	12159	10408	8229	6730	7110	5804	4173	4141
2 Value of production	16864	16970	12187	10601	8298	6709	7277	5772	3859	4223
3 *Total income*	17275	17266	12511	10895	8397	6851	7345	5824	4303	5195
4 Raw materials/stores and spares consumed	10288	10028	4252	3968	1405	999	4386	3605	2449	3271
5 Other manufacturing expenses	1741	2085	3737	2867	3597	3168	195	157	283	276
6 Remuneration to employees	1252	1173	1049	970	305	210	1332	1154	281	250
7 Other expenses	1945	1726	1610	1377	1295	874	705	561	808	741
8 *Operating profit*	2049	2254	1863	1713	1795	1600	727	347	482	657
9 Interest	692	670	785	688	724	469	244	181	307	273
10 *Gross profit*	1538	1621	1051	295	1316	680	477	163	175	383
11 Depreciation	437	369	635	598	588	497	104	108	92	89
12 *Profit before tax*	1096	1252	416	-303	728	183	373	55	83	294
13 Tax provision	0	230	0	0	0	0	217	36	45	90
14 *Profit after tax*	1096	1022	416	-303	728	183	156	19	38	204
15 Dividends	280	280	157	81	179	179	48	24	0	116
16 Retained profit	816	742	259	-384	549	4	108	-5	38	88
Liabilities/assets										
17 Paid-up capital	1118	1118	822	404	1791	1791	481	481	579	579
18 Reserves and surplus	4945	4762	7565	7294	630	82	725	617	1639	1602
19 Long term loans	10732	6435	5792	3820	3288	4084	495	441	218	286
20 Short term loans	2684	2377	376	697	1448	901	987	796	667	855
21 Of which bank borrowings	2554	2182	0	0	546	473	969	771	133	340
22 Gross fixed assets	25623	21162	16924	14014	8280	8631	1845	1781	1707	1662
23 Accumulated depreciation	14220	14496	4738	3710	2987	2948	1002	943	904	813
24 Inventories	4257	3605	2086	1739	795	651	1593	1097	1198	1648
25 Total assets/liabilities	24629	19694	17285	15765	8996	7885	3951	3291	3557	3908
Miscellaneous items										
26 Excise duty	3015	2839	1197	1078	964	833	0	0	746	485
27 Gross value added	3554	3447	2738	1184	2580	878	2044	1490	774	923
28 Total foreign exchange income	0	0	2375	1860	1110	871	58	29	1047	1576
29 Total foreign exchange outgo	5943	3759	345	235	138	50	633	347	540	757
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	66.3	84.4	70.3	66.0	91.5	85.4	180.0	176.4	117 3	106.0
31 Sales to total net assets (%)	83.8	113 1	83 5	85.2	115 0	98.1	264 5	248 6	134 5	124.7
32 Gross value added to gross fixed assets (%)	13.9	16.3	16 2	8 4	31 2	10.2	110.8	83 7	45 3	55 5
33 Return on investment (gross profit to total assets) (%)	6.2	8.2	6.1	1 9	14 6	8.6	12 1	5 0	4 9	9 8
34 Gross profit to sales (gross margin) (%)	9.4	9.8	8 6	2.8	16 0	10 1	6 7	2.8	4 2	9.2
35 Operating profit to sales (%)	12.6	13.6	15 3	16 5	21 8	23 8	10.2	6.0	11.6	15.9
36 Profit before tax to sales (%)	6.7	7.5	3.4	-2.9	8.8	2.7	5.2	0 9	2 0	7 1
37 Tax provision to profit before tax (%)	0.0	18 4	0.0	0 0	0.0	0 0	58 2	65.5	54 2	30.6
38 Profit after tax to net worth (return on equity) (%)	18.1	17.4	5 0	-3 9	30 1	9 8	12 9	1 7	1 7	9 4
39 Dividend (%)	25.0	25.0	20 0	20.0	10.0	10 0	10 0	5.0	0.0	20.0
40 Earning per share (Rs)	9.80	9.14	5 06	-7.50	4 06	1 02	3 24	0 40	0 66	3.52
41 Book value per share (Rs)	40.83	35 49	35 92	45.77	13.18	10 11	25 07	22 83	38.31	37.67
42 P/E ratio (based on latest and corresponding last year's price)	3.6	6.9	12.8	-11.5	4 4	27 4	149 5	240 5	76.2	12.1
43 Debt-equity ratio (adjusted for revaluation) (%)	235.1	162.2	196.1	206.6	139.3	225.5	41 0	40.2	9 8	13 1
44 Short term bank borrowings to inventories (%)	60.0	60.5	0.0	0 0	68 7	72 7	60 8	70.3	11.1	20.6
45 Sundry creditors to sundry debtors (%)	46.0	38.3	143.2	177.1	39 5	71 5	91 3	89 9	44 0	48 7
46 Total remuneration to employees to gross value added (%)	35.2	34.0	38 3	81 9	11.8	23 9	65 2	77 4	36 3	27 1
47 Total remuneration to employees to value of production (%)	7.4	6 9	8 6	9 2	3.7	3 1	18 3	20 0	7 3	5 9
48 Gross fixed assets formation (%)	25.0	7.5	35 6	196 2	-4 1	44 3	3.6	-0 6	2 7	4 0
49 Growth in inventories (%)	18.1	30.0	20.0	12.8	22.1	5 9	45.2	4 0	-27 3	-1 1

Modi Industries, Modi Rubber, Modi Spinning and Weaving Mills and Modipon). While the company's net sales rose by 22.3 per cent over the previous year, operating profit rose by 12.2 per cent and gross profit rose by 93.5 per cent despite a 54.4 per cent rise in interest charges following a sharp increase in short-term loans. The rise in gross profit was mainly due to a non-operating profit in 1992-93 as against a loss of Rs 4.5 crore (mainly comprising arrears of depreciation) in the previous year. Further, a less than proportionate rise in depreciation charges led to a four-fold increase in net profit. Despite the sharp rise in profitability the company did not raise the dividend rate but maintained it at 10 per cent.

Production at the company's plant at Alwar in Rajasthan was higher at 59,781 mt (58,185 mt) of caustic soda (116 per cent capacity utilisation), 40,751 mt (37,235 mt) of liquid chlorine (137 per cent capacity utilisation) and 10,083 mt (9,753 mt) of stable bleaching powder. With the company's exports rising by 27 per cent over the previous year, it has maintained its position as the largest exporter of caustic soda flakes in the country. In addition it has also started exporting TCE and it expects a substantial increase in such exports in the coming years. The company has taken up Total Quality Management (TQM) which is reportedly progressing well. It is also expected to receive ISO 9002 certification shortly.

Meanwhile the company's energy saving project was successfully commissioned as was its project for expansion of stable bleaching powder which was completed ahead of schedule and without any cost over-run. The caustic soda plant expansion by membrane cell technology which is in progress is expected to be commissioned by July 1994. The project which is being set up in technical collaboration with Asahi Chemicals of Japan will reduce energy consumption by 20 per cent as compared to the mercury cell technology. To part finance its expansion programmes the company entered the capital market with a rights issue consisting of 44,78,518 equity shares along with an equal number of detachable warrants.

The company earned a net profit of Rs 1.6 crore on net sales of Rs 37.1 crore for the six months ended September 1993.

ROCHE PRODUCTS

Exit Roche

Until recently a subsidiary of F Hoffmann-La Roche and Co (Roche), Roche Products improved its performance in 1992-93. The company is engaged in the manufacture of a wide spectrum of bulk drugs and specialities at its pharmaceuticals division in Bombay and fine chemicals at its works in Thane. While the company's net sales rose by 22 5 per cent over the previous year, a proportionately lower increase in operating expenses led to a two-fold increase in operating profit. Depreciation expenses were lower and despite a relatively sharp increase in interest charges and tax provision, net profit soared by more than 700 per cent over 1991-92. Despite the deceptive increase in profits, profit margins continue to be low with net profit margin at a mere 2.2 per cent. The rise in net sales and profits was mainly due to the timely price revisions approved by the government at fairly regular intervals towards compensation for the rising cost of raw/packing materials and other inputs. The erratic and inadequate availability of vitamin C, a major raw material for a number of the company's formulations, also affected operations and sales. Exports rose two-fold to Rs 58 lakh and the company raised the dividend rate to 10 per cent.

Following the consistent problems faced at the vitamin A plant which was installed 30 years ago, the company shut down stages 1 to 9 of production from April 1993 in order to carry out the necessary maintenance work which was expected to be completed in six to eight months. During the period of shut-down, it planned to maintain and even increase the production of vitamin A to the maximum capacity of last stage from imported acetrene for which it has received government approval. The final capacity after debottlenecking of specific stages is expected to reach nearly 90 mmu from the basic stage in addition to 40 mmu from imported acetrene. Effective from March 1993 the company initiated the phased take-over of distribution of Voltas' pharmaceutical products throughout the country.

Meanwhile, Roche, the Swiss multinational, which diluted its holding in the company from 89 per cent to 74 per cent in 1984, finally decided to end its 35-year association with the company by divesting its shareholding in favour of the textile tycoon, Ajay Piramal.

For the first six months of 1993-94 the company suffered a net loss of Rs 1.6 crore on a net sale of Rs 34.3 crore as against a net profit of Rs 55 lakh on a net sale of Rs 33.3 crore in the corresponding period last year.

DR BECK AND CO

Fall in Exports

Dr Beck and Co is engaged in the production of wire enamels and impregnating varnishes and synthetic resins at its works in Pimpri (Pune) and Ankleshwar (Gujarat). The recessionary trends in the domestic market, intense competition, liberalised imports and rising costs of inputs adversely affected the working of Dr Beck and Co in 1992-93. Though the company managed to maintain net sales at the previous year's level mainly through its marketing efforts and constant reviewing of its product mix, profitability fell drastically. While operating profit fell by 26.6 per cent over the previous year, a sharp rise in interest charges led to a 54 per cent fall in gross profit and though tax provision was lower by 50 per cent, net profit plummeted by more than 80 per cent. The rise in interest charges was despite the company's low percentage of debt to equity (9.8 per cent) and the fall in term loans over the previous year. After receiving the Top Export Award for its export performance in 1991-92, the company's export performance fell drastically in the very next year. Export earning which accounted for up to 37 per cent of net sales last year fell by 34 per cent and accounted for only 24 per cent of net sales in 1992-93, mainly due to the uncertainties in the erstwhile Soviet Union and the resulting imbalance in bilateral trade. Despite declaring a 20 per cent dividend last year the fall in profitability this year forced the company to skip dividend. A reduction in the percentage of imported raw material to total raw material consumed from 72 per cent last year to 52 per cent proved to be the only silver lining in its performance in 1992-93. Even the company's paints project at Satara was adversely affected due to shortage of funds.

Meanwhile, for the first six months of 1993-94 the company earned a net profit of Rs 20 lakh on a turnover of Rs 19.3 crore as against a net loss of Rs 1 crore on a net sale of Rs 15 8 crore in the corresponding period last year.

JINDAL PHOTO FILMS

Higher Profits

Jindal Photo Films is the largest player in the photographic goods business in the country and manufactures a wide range of products including colour paper, colour films marketed under the well known brand names Fuji and Super Plus, medical X-ray films, cine colour positives, graphic art films, industrial X-ray films and black and white photo paper. The company has a well established distribution network comprising over a hundred dealers throughout the country and has a technical and marketing tie-up with Fuji Photo Film Co of Japan, a Fortune 500 company.

For the year ended March 31, 1994 the company declared a total dividend of 40 per cent against a dividend of 30 per cent paid last year. Net sales for the period rose by 19.7 per cent over the previous year to Rs 262.4 crore while net profit shot up by 137 per cent to Rs 24.2 crore over the same period. Dadra, where the company's unit is located has been declared a backward area under the eighth schedule of the Income Tax Act and with the amendment of Section 80-IA of the Act through the Finance Act of 1994, the unit will enjoy complete tax holiday for an initial period of five years and will be allowed a normal deduction of 30 per cent for an additional period of five years thereafter.

MNEs Are Adjusting Their Sights

D N Ghosh

The MNEs have their own strategies for the highly competitive global market place and are impervious to the consequences of these strategies for the specific economies they happen to operate in. These consequences could be unpalatable for employment and for domestic industry and services.

LOW-WAGE developing countries have attracted many Multi-National Enterprises (MNEs) for the location of their production facilities. Technology is changing so dramatically that the low cost of labour is not necessarily an advantage; high-wage skilled input can add to the cost-effectiveness of many a technology-intensive industry. This is the fall-out of the new flexible production technology that relies on a highly trained and motivated labour force, continuous innovation and just-in-time delivery of components, with a flawless network of transport and communication. In many industries the share of low-skilled labour in production cost has been rapidly falling—from around 25 per cent in the 1970s to perhaps 5 per cent or 10 per cent today. This is the conclusion of a study by Charles Oman for the OECD Development Centre. The study also highlights another critical factor which threatens to take low-wage or even semi-skilled jobs away from low-wage developing countries. Increasingly there is the important tendency to be as close to the customers as possible and this is bringing about movements within regions rather than across regions. In Europe operations are likely to move away from Germany to Portugal or eastern Europe rather than to Latin America or Asia. Production for the North American market is more likely to move to the low-wage areas in the US and to Mexico. The low-wage economies, even if they are uninhibited in their outward orientation policies, can have no assurance of any permanent benefits.

But the reform programme is not that unmindful of efficiency and productivity. Privatise the state-owned enterprises and the problem will solve itself. There will be pain initially but in the long run it will sort itself out. Will it? The struggling economies can hardly be effective in their protest, for the MNEs have to listen to the market and not to tales of woe. But then refer to the recent findings of a few first-world research institutions. A joint study by six European institutes—Cambridge Econometrics (UK), Ifo institut fur Wirtschaftforschung (Germany), BIPE Conseil (France), Prometeia (Italy), NEI (Netherlands) and Wifo of Austria—forecasts that, in the period between 1992 and 1998, 8,00,000 jobs will be lost in 120 companies in the European Union and European Free Trade Union. These companies employ more than 3.5 million people and have annual sales of more than $ 464 billion. The expected job losses are in France (2,90,000), Italy (1,80,000) and Germany (1,40,000). The main industries concerned are telecommunications (2,68,000), energy (2,50,000) and transport (77,000). The estimates are based on the experience of five British privatised industries—steel, gas, airways, telecom and electricity. The public undertakings in these five industries shed more than 3,00,000 jobs in the 1980s. The study further predicts that if restructuring is specially severe, 1.1 million jobs could be lost. Privatisation, the study avers, is bound to become a big political issue in Europe.

For the highly developed economies a small upward movement in the unemployment rate becomes a matter of serious political and economic concern, cutting across political and academic affiliations. For the struggling economies undergoing the reform therapy, this is a pain and a burden they must learn to bear. When you join the order of the Jesuits, you must accept its method: the argument and dialogue are predetermined; if you wish to have the solace of getting the right answer, you must adjust to the right method. For the MNEs, the prime movers of the reform process, the two policy prescriptions of globalisation and privatisation go hand in hand. They cannot remain content with wholly-owned subsidiaries or their affiliates; as they are driven by competitive pressures to augment their assets and fortify entry barriers, their strategy to secure control over state undertakings, either directly or indirectly, through association with local industry and business does make sense.

In some of the key technology-intensive and technology-driven industries, the process of opening up and globalisation are inducing many MNEs to make their entry or to reactivate units which happen to be here. The benefits that are by and large accruing to the economy in terms of efficiency and productivity are undeniable. The MNEs have, however, their own strategies in the highly competitive global market place and the ruthless world of competition cannot but make them impervious to the consequences of their strategies for the economies they operate in. More often than not, these consequences could be unpalatable and unacceptable, not only in terms of employment but their impact on the ordering of domestic industry and services. We have to guard against complacent policy stances which advocate growth at any cost, regardless of the consequences of the strategies of the global MNEs. Mature economies have resources to ride out the storm but for the developing economies any minor disturbance has the potential of developing into a crisis.

Efficiency, productivity and employment are objectives to be simultaneously pursued. The gamut of current reform measures cannot ensure that; these have to be combined with a strong set of state interventionist measures. The countries which were swept off by the euphoria of reform are rethinking their strategies. That shift in focus appears vital for the survival of those polities; otherwise, globalisation and privatisation, in combination, would be a lethal medicine.

NEW DELHI

Lessons of the Sugar Muddle

BM

The government administration, at the highest levels, has acted in a totally confused manner in dealing with a relatively routine problem: the periodic decline in the production of sugar. The worst performance has been that of the much-vaunted PMO which has made a habit of interfering in the day-to-day functioning of government ministries and departments and then disclaiming all responsibility when things go wrong.

THE spurt in sugar prices has put the government in a spot. The cycle of bumper production of sugarcane and factory sugar followed by a relative decline is a familiar phenomenon. This naturally poses problems as regards both supplies and prices of factory sugar, in particular in urban areas. Never before, however, has the government been found to be so amiss in handling these problems which should ordinarily be relatively easy to manage. There is utter confusion and the internal wranglings and conflicts in the government are of a kind and scale never witnessed before. The result is that what might have passed for a muddle has become yet another scam with large administrative and political dimensions. The prime minister, however, continues to act in his characteristic evasive and dithering way. He has thus opened himself and the coterie over which he presides in this matter too to questions of competence as also of integrity. The much-advertised cohesion in the government, with Narasimha Rao firmly in the saddle, has been found in this matter too to be a myth which the managed media has lately been trying so sedulously to propagate.

Narasimha Rao has promised to look into the files to find out what went wrong and fix responsibility. But he will take his own time to do this. There is no question of anything coming for several months from such a bureaucratic probe, certainly not before the state assembly elections due to take place a few months hence. The only considerations that weighs with Rao are of a short-term political-electoral nature. So far as 'damage control' measures are concerned, the only way Rao finds open to him is to arrange import of sugar in a hurry at prices which will give hefty profits to the international sugar cartel as well as sugar traders and producers. Whatever the cost in foreign exchange, which is supposed to be so plentiful that there is no hesitation in the government in squandering it, and whatever the subsidy from the exchequer which will be involved in its sale of the imported sugar in the domestic market, imports of sugar is still being given top priority. It is a pity that the opposition parties, including the left parties, have also been persuaded to clamour for instant imports to give relief to the 'consumer' and their only criticism of the government is that it delayed the imports and is now importing sugar at prices which have meanwhile spurted in the world market. The point that they miss is that the prices of sugar in the world market were jacked up by the international sugar cartel as soon as the government of India decided to go for imports rather than judiciously manage available supplies of domestic sugar and regulate its consumption and prices in the domestic market.

ROUTINE SITUATION

The fact, after all, is that sugar production in India touched a peak of 134 lakh tonnes in 1991-92. The latest official estimate is that production was 98 lakh tonnes in 1993-94. This estimate has been arrived after a series of downward revisions which may actually need to be questioned. The carry-forward stock of sugar is estimated to have come down from 40 lakh tonnes at the close of 1991-92 to 17 lakh tonnes at the start of the 1993-94 sugar year in October 1993. There has been large-scale diversion of sugarcane to khandsari and gur even while sugarcane producers have enjoyed a price bonanza. The pressure on the price of factory sugar, therefore, should not be seen in these conditions as too difficult to manage nor should it have led to a panicky reaction in the government of going in for large-scale imports at fancy prices. The policy for the past many years has been to cope with the sugar cycle through the system of dual pricing. A part—to start with two-thirds and in recent years of good production one-third—of available supplies is sold through the public distribution system at fixed prices. The rest is allowed to be sold in the open market to fetch market-determined prices. This arrangement has worked well over the years without the exchequer having to subsidise the consumption of sugar or large-scale imports having to be effected. Industry has been in a position to supply levy sugar a[t] prices based on the statutory price fixed b[y] the central government for sugarcane. True the state governments fixed cane prices a[t] higher levels, but the industry could recove[r] these higher prices from the sale of sugar i[n] the open market. It is ironic that under th[e] so-called market-oriented liberalisation polic[y] and notwithstanding the commitment t[o] eliminate subsidies, the government has lande[d] itself in a situation where it has to import nearl[y] a million tonnes of sugar through public agencies in addition to whatever is imported on privat[e] account, and bear a subsidy of as much R[s] 500 crore on the imports if they are sol[d] through the public distribution system. Thos[e] **who are making the delay in arranging imports as the principal issue of criticism of the government's sugar policy are taking a** narrow view in the name of the consumer, essentially the urban middle class consumer.

To start with, however, sugar producers and traders were allowed as early as in the middle of March this year to effect duty-free import of sugar under Open General Licence for sale in the open market. This was done when the price of sugar in the open market had just begun to rise. The imports were supposed to augment supplies in the open market and bring about a balance between demand and supply and thus protect the consumer. What the government failed to reckon with, under the spell of its so-called market-oriented policies, was that the imports were bound to be so arranged and releases in the open market so managed that they would only enhance the profits of the sugar producers and traders without giving any relief to the consumer. The imported sugar only swelled the stocks with the sugar producers and traders and gave a boost to their profits. Import of sugar by public agencies to feed the public distribution system should have been considered as the only relevant measure to discipline the sugar market. But the international sugar cartel had in the meanwhile also jacked up prices and so import of sugar by the public agencies had to be at inflated prices, necessitating a large subsidy if the imported sugar was to be sold through the public distribution system. It is pointless to criticise food minister Kalpnath Rai for standing in the way of "timely" import of sugar by the public agencies. He has advanced very good reasons for not allowing the Food Corporation of India to dabble in imports of sugar. To begin with, the official policy was to effect imports through producers and traders. Subsequently, when the government decided in favour of import by public agencies, the STC was obviously the more competent agency than the FCI for the job. The STC first hesitated because the question of the subsidy on the

sale of the imported sugar had not been clarified; subsequently it found it necessary to go for dubious arrangements to import in a y sugar already on the way to India on private account. The way the sugar imports have been handled shows that notwithstanding the official hang-up with private business as being 'efficient', the government finally has found it necessary to dragoon STC into the job. Evidently, the STC is not able to make profits by exploiting shortages in the market in the manner of industry and trade after throwing some crumbs to corrupt bureaucrats and politicians.

SQUANDERING FOREIGN EXCHANGE

The sugar muddle has also highlighted the fact that the government is now ready generously, indeed recklessly, to spend foreign exchange reserves to meet the current consumption needs of the more articulate sections of population, especially the urban middle class, for purely populist reasons. It has been assiduously 'sterilising' the inflow of foreign currencies in various forms and under a variety of arrangements and has not found it possible to invest them in the creation of new assets and growth of the economy. For investment and growth, reliance has been placed entirely on foreign private direct investment and the government has gone out of its way to facilitate such investment. Indian enterprise in both the public and private sectors has been discouraged from mobilising resources, domestic and foreign, for stepping up investment. This is considered inflationary, whereas spending exchange reserves on current consumption is preferred as anti-inflationary.

Often it is even argued by political leaders and administrators that a level playing field for domestic industry is not feasible if the flow of foreign capital has to be kept up. This, of course, makes a mockery of the principle of competition which is supposed to the very basis of efficient operation of economic agencies, foreign as well as local, in the market. If indeed the purpose of market-oriented liberalisation is to increase competition, there is obviously little justification for offering more favourable terms for foreign capital than are available to Indian capital. The objective of bringing Indian industry up to global standards has in this process been discarded and official policy is now frankly concerned only with creating conditions for attracting foreign capital, as a substitute for rather than as an additive to domestic resources, for development. Foreign capital is being relied upon to displace public sector industrial and commercial enterprise and occupy the commanding heights of the economy under state protection and with state assistance and without having to face competition from Indian enterprise, in the public and private sectors. In the case of the consumer goods sector as well the same policy is gaining ascendancy and will come to prevail sooner rather than later. The preference for import of sugar to manage supplies and prices is not at all surprising in this context.

The sugar muddle is not a case of malfunctioning of the government and its administrative machinery. Whatever has transpired in the regulation of supplies and prices of sugar has been directly influenced by concerned interest groups. Ministers have taken positions without a semblance of a coherent and collective view of the issues at stake. If the food minister, Kalpnath Rai, has been eager to promote the interests of the sugar industry and the agriculture minister, Balram Jhakhar, those of cane growers, Manmohan Singh has been concerned with the burden of subsidy on the sale of imported sugar under the public distribution system. Commerce minister, Pranab Mukherjee, was reluctant to undertake imports without clear directives as to the sale of imported sugar in the domestic market. The upshot has been dithering by ministers and senior bureaucrats out of which foreign suppliers and local traders have extracted large profits. Even the legitimate interests of cane growers and the sugar industry have gone by default, let alone those of consumers at large. It is still a matter of argument within the government whether the sugar imported by STC will go into the public distribution system or a large part of it will be attempted to be pushed into the open market to minimise the subsidy.

The institutional set-up of the governance has been visibly strained in what should have been a relatively simple matter of efficient management of the supplies and prices in the face of a drop in the production of factory sugar, even though there was no large shortfall in the production of sugarcane. The dual pricing system was, in these conditions, an efficient arrangement for keeping the sugar market relatively calm and under meaningful social control. Judicious regulation of sugar releases for the public distribution system and for sale in the open market could have kept prices of sugar under check and obviated the need for imports. But the government administration, at the highest levels, has acted in a confused manner. The worst performance has been that of the much touted PMO which has made a habit of interfering in the day-to-day functioning of ministries and departments and then disclaim all responsibility when things go wrong. The row over the move by a bunch of senior bureaucrats, in which the hand of the PMO has been widely and rightly discerned, to involve the Food Corporation of India in the import of sugar bypassing the minister-in-charge, which Kalpnath Rai scotched is a matter of public concern and needs to be thoroughly probed. The admission that the prime minister had called for the import of sugar just before his departure for the US and the subsequent denial by the PMO of involvement in dragging the FCI into the arrangements for effecting the imports have emphasised the casual manner of functioning of the prime minister and his office.

WEST BENGAL

Bankrupt Landlord's Bailiff

Ajit Roy

The perceived correlation between Jyoti Basu's summer vacations abroad and convulsions in West Bengal may perhaps be viewed as an objective testimony to the chief minister's crisis-management talents. Be that as it may, the distinguishing features of this season's eruptions are their multiplicity and the clearly exposed roots of some of the issues in the existing socio-political structure.

WEST BENGAL chief minister Jyoti Basu's recent trip to North Korea and China has been marked by the usual phenomenon. His by now fairly regular summer vacations abroad are generally followed by serious turmoils in his domain. This perceived correlation between his absence from and convulsions in the state may perhaps be viewed as an objective testimony to his crisis-management talents. Be that as it may, the distinguishing features of this season's eruptions are their multiplicity and the clearly exposed roots of some of the issues in the existing socio-political structure itself.

Two of the more dramatic turns of events concerned the working class, supposed to be a special concern of the CPI(M). On May 9, Texmaco, a large steel-fabricating enterprise owned by the Birlas and having a good rapport with the CPI(M)'s CITU-led union, came out with the announcement that its wagon-making unit employing about 3,000 workers would suspend operation from May 15, while two other divisions employing around 1,000 workers would be closed down from June 1. All this, because the government of India's Railway Board had placed no orders with the company even though its budget for the year had made provisions for making 18,000 wagons. The spokesperson for the management further said that it had failed to pay the previous month's wages to the workers. He paid a tribute of sorts to the trade union leaders for their considerate conduct. "I am grateful", he was reported to have said, "to the trade union leaders who have maintained peace and tranquillity. The workers could have run riot. This will lead to industrial havoc and vitiate the entire industrial atmosphere of West Bengal and severely damage its prospects of attracting investments."

While holding the 'political conspiracy' of the central government responsible for the factory's crisis and at the same time blaming the management for the illegal suspension of work, the CPI(M)-controlled union spokesperson also ended by conceding that the management had "difficulties too".

The seriousness of this development arises from the fact that the eight wagon-making units of this state give direct employment to about 50,000 workers. It needs to be mentioned here that it was the crisis of this industry in the mid-60s that had set off the sharp decline of industrial activity in West Bengal, from the repercussions of which the state has never fully recovered.

While the leaders of the CITU union proposed a gradual build-up of the movement to lead to a strike in the wagon industry, its leaders made it a point to declare that they had no immediate plan for launching a rail-roko agitation to realise their demand.

'Rail roko' being a very sensitive issue for the 'law and order' functions of the Left Front government, a threat to resort to this action led to a more drastic denouement at another spot in the state. The next day, that is, on May 10, the independent Shramik Sangram Samity (SSS) of the Kanoria Jute Mill workers had to pay the penalty for its indifference to this sensitive issue for the Left Front government. The SSS leaders had been on hunger strike since May 3 as a run up to the contingency of rail roko for realising their demand for the reopening of their closed mill. As the D-Day was nearing, in a surprise move the state police swooped down upon the SSS leaders at the dead of night. Facing resistance, the police resorted to lathi-charge and firing of teargas shells Along with the fasting union leaders, dozens of workers were also arrested, the union booths were demolished and prohibitory orders issued banning assembly in the area

This deepened the crisis Not only was the police action condemned by the large segment of Left opinion which had rallied in support of the Kanoria workers from the beginning of the struggle, it also revealed serious rifts within the Left Front. Though Jyoti Basu was reported to have justified it from the North Korean capital, spokespersons for the CPI's AITUC, Forward Bloc's TUCC and RSP's UTCC criticised the police action as a gross violation of the Left Front's declared policy of non-interference with peaceful trade union struggles

As the arrested SSS leaders continued their fast in spite of their confinement in hospital under police custody, the government seemed to be at a loss about its next step. Ultimately, after some parleys its emissaries were able to arrive at some vague compromise. The union demanded a loan of Rs 70 lakh for running kitchens for the unemployed workers and their families till they succeeded in reopening the mill. Whether the state government agreed to the proposal is not clear, but it promised to co-operate with the union in moving the high court for securing the release of the finished products within the mill for sale and using the proceeds to meet the workers' claims.

The state government's constraints should not be under-estimated. Its rather straitened circumstances apart, it could not set a precedent of cash loans likely to spark off similar movements in dozens of factories in the jute, engineering and other industries in about the same situation as Kanoria. Neither is it in a position to browbeat nor vigorously repress the Kanoria workers

While these two developments were but the manifestations of deep crisis of the state's two leading industries—jute textiles and engineering—the decay of the state's infrastructure in some areas was brought home, when the lawyers practising at the police courts of Howrah and Alipore, the first being the twin city and the second virtually a part of the state capital, started boycott of the courts and even the high court advocates abstained from work for a day in sympathy. The lawyers were demanding safer accommodation for the courts as the present dilapidated structures were condemned as unsafe. Ultimately the agitations were withdrawn when the government promised some substitute accommodation for the present and a time-bound programme of construction.

This period also witnessed a minor disturbance in the Jadavpur University (JU), in south-east Calcutta, centring around a dispute between a section of students and the teachers. Then there is the annual visitation of gastroenteritis in the metropolis.

The engineering students of JU declared an indefinite fast while the teachers protested the alleged victimisation of one of their colleagues. There was also a minor clash between supporters of the two camps within the campus. While one is not fully informed about the JU affairs, the minor epidemic in Calcutta may certainly be held as a product of the poor condition of the city's water supply system, in which the old and leaking water mains and sewer run side by side, leading to inter-flow of the two streams on occasions. The perennial resource scarcity of the Calcutta Municipal Corporation precludes any radical solution of the problem.

The basic factors giving rise to popular discontent and unrest may not always be due to direct or deliberate defaults of the state government. They may often be the results of national policies, more particularly inequitable or injudicious use or misuse of the extremely scarce resources of this poor country and class policies of the ruling circles. The state government, under the present dispensation, lacking as it does any control over basic decision-making, is, however, saddled with the responsibility of managing crises arising for systemic defaults, including on occasion pacification of irate subjects. This is similar to the role of a bailiff of a bankrupt but prodigal landlord, who however has to manage the estate of an absentee landlord!

Fifth Pay Commission: On the Beaten Track

K P Joseph

Not much thinking has apparently gone into drafting the terms of reference of the new Pay Commission. Though the problems of pay determination now are rather different from those faced by the government ten years ago, what has been done is to blindly copy the wording of the last Pay Commission's terms of reference.

THE Fifth Central Pay Commission was appointed by the government of India on April 9, mainly to consider the revision of the pay and allowances and the pension of central government employees. It is customary in the central government to have Pay Commissions at intervals of approximately 10 years.

The timing and terms of reference of the present Pay Commission would seem to be rather odd. Central government employees are now fully compensated for the increase in the cost of living by half-yearly increases in dearness allowance. The total expenditure on salaries of central government employees other than those in the defence forces this year is estimated in the budget to be Rs 6,760 crore and the dearness allowance Rs 8,700 crore. It cannot be argued that the central government employees suffer much hardship because of higher cost of living. But it will be evident to anyone who has looked at this year's budget documents that the central government is entering a period of serious financial difficulties. The fiscal deficit this year is estimated to be Rs 54,915 crore; the payment of interest on debt (expenditure over which parliament has no control as it is a 'charged' item under the Constitution) is the astronomical figure of Rs 46,000 crore—twice the entire defence budget. It is perhaps not necessary to cite figures to show how non-plan expenditure is edging out plan expenditure, as most people are aware of this alarming trend and government is constantly apologetic but helpless about it. Only a few years ago both the fiscal deficit as well as the interest on debt were well below Rs 10,000 crore. The expectations of the central government employees from the Pay Commission are bound to be great and there is no doubt that the recommendations will add to the financial burden of government, which is almost unbearable now.

Not much intelligent thinking has apparently gone into the drafting of the terms of reference of the new Pay Commission, which is the work of the expenditure department of the finance ministry. In government precedent matters a lot. What has been done is to blindly copy the wording of the terms of reference of the Fourth Pay Commission. Due to the possible shrinking of the public sector because of disinvestment and the economic reforms policy and the increasing demands of state government employees for pay parity with their colleagues in the central government, the problems in pay determination now would be rather different from those faced by the government ten years ago. There is no sign that the finance ministry was aware of this, when drafting the terms of reference.

There has been no effort so far to evolve even the rudiments of a national wage policy in India nor any systematic effort to study the wage problem. A quotation from the Report of the Fourth Pay Commission (1986) will help us to understand the extent of the vacuum that exists in this field:

> We thought of having advice of some of the professional institutions on wage and salary matters. We wanted to know if any study had been undertaken on salaries and wages of employees in general and on problems of pay of central government employees in particular. But no such studies were available.

The literature available to the Fourth Pay Commission about what other countries were doing about pay determination was so scanty that it had to take the assistance of the ministry of external affairs to obtain material from abroad. Information was received from 10 countries, including Britain, the US, Pakistan, Russia and Nigeria. A reading of the report, however, shows that only information received from Britain was used and that much of it was only of historical interest (like the report of the Tomlin Commission of 1931) and had no practical application or relevance in Indian conditions. Parts of the report that discuss the abstract principles of pay determination border on the naive, like the following passage:

> As is well known, next to rainfall, the most important factor contributing to the happiness of people in our country is efficient administration. And that cannot be secured without a satisfactory pay system.

The Fourth Pay Commission was of the view that the more money the government pays to its employees, the harder will they work. Its recommendations for higher pay and allowances were completely accepted by the government but nobody has claimed that productivity in government has improved as a result.

The Fourth Pay Commission tried to make up for the lack of data and information available to it by inviting interested organisations to submit memorandum containing their views on matters covered by the terms of reference. The commission received 8,500 memoranda. To supplement this effort, the commission later issued a questionnaire to more than 2,400 organisations and individuals. The questionnaire contained 124 main and over 70 subsidiary questions calling for information on a bewildering range of points. To say the least, it is a bizarre document. A few examples chosen at random will help to convey its flavour:

(1) What is your assessment of the state of the national economy?

(2) What is your assessment of the resources of the central government?

(3) Can you suggest a practical and reliable method for assessing the government's capacity to pay its employees?

The Fifth Pay Commission has already issued invitations for submission of memoranda which have to cover each item in the terms of reference separately, on computer floppy or in seven copies.

There is every possibility that, as in the invitation for memoranda, the Fifth Pay Commission may try to do what the Fourth Pay Commission did and issue a long questionnaire. It is to be earnestly hoped that the questionnaire will be a much shorter and less rambling document meant to elicit relevant information. One can easily imagine the mountains of unnecessary paper that will pile up in Delhi if the Fifth Pay Commission also goes in for a questionnaire of the old type.

It is to be doubted if study of ways to improve the efficiency of government is a legitimate task of a Pay Commission, as the terms of reference would suggest. The recommendations of the last Pay Commission about increasing pay and allowances of the employees were not only accepted and implemented in full but some additional concessions were also given, according to the annual report of the finance ministry covering the period. The last Pay Commission itself said at the end of chapter 7 of its report that pay increases have "to be fair from the point of employees as well as the people they serve". While considering the recommendations of the last Pay Commission, the government of India completely ignored this and did not implement important recommendations like the following:

(1) Reducing proliferation of posts at the senior level like Director General of

Police and other departmental heads created for "the benefit of an employee or class of employees" or to relieve "stagnation".

(2) Reduction of surplus personnel in all departments.

(3) Dealing with the increasing lack of integrity among government employees.

(4) Review of the scheme of bonus payments in government departments.

(5) Review of the working hours.

Due to the failure of the government to take measures to deal with any of these important recommendations, the position has deteriorated alarmingly in each of the areas mentioned above.

A single instance of proliferation of posts at senior levels directly under the ministry of finance, which figures in its annual report placed before parliament, will help us to understand how serious is the problem. There are over 300 posts of the rank of Commissioner of Income Tax and above under the Board of Direct Taxes. The corresponding number of posts in the Board of Indirect Taxes is only about 130. The Board of Direct Taxes collects only 13 per cent of the total revenue according to this year's budget; the Board of Indirect Taxes collects 36 per cent. The number of Income Tax Commissioners for assessment is over 100 and the number of Income Tax Commissioners (Appeal) over 140. According to a recent newspaper report the Board of Direct Taxes itself admits that tax evasion would be around Rs 30,000 crore.

All over the country in almost every department of government, both central and state, a similar cancerous growth in the number of departmental heads can be seen. Neither this nor the other four issues raised by the last Pay Commission and mentioned earlier can be solved in a short time. But it is unfortunate that nothing has been done by the government to examine them or find solutions.

It is but natural that these very issues will find a place in the report of the Fifth Pay Commission also as these are the root causes for the growing inefficiency in government and the alarming increase in non-plan expenditure. Instead of turning a blind eye to all this, it will be far better for the finance ministry to set up a cell to consider these matters now and suggest a workable timetable to solve them to a substantial degree. They should not find a place in the report of the Fifth Pay Commission. The taxpayer has a right to insist on value for money, which he is certainly not getting on the additional financial burden due to the implementation of the last Pay Commission's recommendations.

At the time of independence there was wide disparity between the pay scales in the central and state governments. This disparity increased when the public sector grew in size and many of the public sector units increased salaries in spite of occasional instructions to the contrary from government. But in recent years the unions in the central and state governments and the public sector have succeeded in levelling down the differences in the rates of salary. The implementation of the recommendations of the last Pay Commission's report itself gave rise to a series of strikes and agitations in some states for higher salary.

In an extreme case like that of Kerala, the Congress Party itself promised in its election manifesto in 1991 that, if it won, pay parity with central government employees will be given in the state government. This was done at a time when the employees of Kerala government enjoyed perks not available to central government employees. Congress won the election. To pay the higher rates, the state government pleaded before the Finance Commission recently that the central government should meet the additional cost for giving pay parity. There are constant agitations going on all over the country because of the difference in salary rates between governments.

To find a practical solution to this difficult problem the chief minister of Karnataka wrote to the prime minister, while the work of the Fourth Central Pay Commission was in progress, suggesting a meeting of all chief ministers to find a common formula for pay determination. Unfortunately the government of India turned down this reasonable suggestion saying that each government was competent to prescribe the pay scales and allowances of its employees. This was very short-sighted; much loss of working hours could have been avoided if some rough understanding was arrived at between the various governments and the unions. It will be sensible for the government of India to have another look at the letter of the chief minister of Karnataka to the prime minister and come to some general understanding about salary rates. This has to be done early enough so that the Fifth Pay Commission can make use of it in framing its recommendations.

India is the only big country in Asia that has a five-day week for government employees. With the inadequate public transport in our cities and the large number of women employees who have to attend to their children and their problems, it is inevitable that working hours cannot be rigidly insisted on in India as in the developed countries. A study conducted by academics in Maharashtra some time ago showed that productivity has declined as a result of the introduction of the five-day week in the Maharashtra government. The central government has not conducted any studies. To a question in parliament, the government reply was that there is no proposal to reconsider the decision about five-day week as there is no demand from the employees! Working hours are certainly linked to the rates of remuneration and have to be agreed upon between employer and employee in such a way that the interests of the taxpayer do not suffer and that he does not have to pay more for less work.

Other than those who actually deal with the immense load of work that results from the implementation of the recommendations of a Pay Commission, nobody can have any idea of how laborious it is. Some of this is due to giving retrospective effect to the benefits, necessitating extensive recalculations. Another reason is that the existing regulations about salary and allied matters are extremely complicated. The most important of these is a manual called 'Fundamental Rules', which came into force not long after the first world war and which was designed by the Englishman to effect the maximum economies during a time of financial difficulties. Some of the rules like Fundamental Rule 22 are so complicated that it has become something of a science in government offices to interpret them. These rules can be simplified very considerably and without much effort. The way increment or efficiency bar is operated is also cumbersome. Making necessary changes in all this together with the avoidance of retrospective effect for benefits given by the Pay Commission to the extent possible would be an immense saving of labour and money in government.

But has the finance ministry the necessary skills and the will to undertake these unusual tasks? Postponing decisions on these issues would be a sure recipe for bigger budget deficits, less productivity and an invitation to all state government employees to take to the warpath.

KARNATAKA

Burdens of Interpretation

The case of Kannappa

Sudha Sitaraman

The shameful incident in Kolar district of Karnataka of forcing a dalit to eat his own excreta, as a punishment for his alleged offence of verbally abusing an upper caste political leader, and the responses it has aroused reveals the hypocrisy of the state, the police, the political leadership of all parties with regard to the social location and the rights of dalits.

HARATI, a small village in Kolar district, of Karnataka, hitherto remote topographically has become the site of a major political ...ion in the last couple of months. There are several reasons for this. The shameful incident of forcing a dalit, Kannappa, to eat his own excreta took place in this village thus upsetting the complacent notions of absence of human rights violations, except as being 'aberrations to the rule', as 'reactive' or as being 'mishaps' in the country. That there prevails a high dalit consciousness in the district turned out to be a myth. Soon after the incident was reported in the press Dalit Sangharsha Samiti (DSS) issued a press statement denying the very occurrence of the incident. Adding to all this was the total inertia of the opposition parties to make this ... issue, as is customary, in spite of this being an election year, after an initial murmur created by Janata Dal.

In the last few months there also emerged many versions of the incident. The various versions of the incident are directly proportional to the number of people who have deliberated on it. Where does one stand on the question of Harati? A provocative question, but an interesting one against the wide background of versions. Apart from the press which gave wide coverage to the incident there were nearly 10 statutory and non-statutory bodies that sent fact-finding teams to look into the truth value of the ...ident, all of whom came up with different ...ions or interpretations on the incident. One of the effects of these has been a discovery that there is no one point of view, no vantage, no perspective available like an Archemedian principle. So ideologically saturated is Harati that any one who comes to deal with it, even superficially, has to take a position and defend an interest. The general imagery used to represent the incident especially by the press and to some extent other organisations has been 'conflicting reports on Kolar incident'.

Concern over the very occurrence of the incident became almost chronic when DSS, ... district, stated that the incident could not have taken place and the dalits were being used as pawns by vested interests. The logic given in support of this argument was that as the district was known for its high level of dalit consciousness, the incident could not have occurred.

Kannappa, the victim of the incident had a different story to tell. He is a landless dalit from Kotiganahalli, Kolar district. Narrating the incident Kannappa stated that he came to Harati on the night of January 28, 1994 to buy coarse rice from a shop. He encountered Venkatarame Gowda, a defeated Congress leader from Harati. Venkatarame Gowda asked him to announce the advancement of Deepotsava, a local festival. He said that the Congress wanted the festival on January 29 instead of January 30. The local festival called Deepotsava, customarily held on a particular day was to be announced to the public through the tom-tom. The Deepotsava was scheduled to be held on January 30, 1994 (Sunday) on general consensus between both the parties in the village. Venkatarame Gowda had gone to Kotiganahalli earlier and paid an advance of Rs 20 to Kannappa to do the tom-toming. But on January 28 evening, he had changed his mind. Kannappa could not accept the sudden demand as he had promised to work for somebody the next day, and he refused to comply with the orders. Then Venkatarame Gowda demanded the return of the advance money. Kannappa said he did not have any money and as agreed he would do the job of tom-toming only the next day. Infuriated Venkatarame Gowda dragged Kannappa towards his house which was just 50 feet away, tied him to a pole and kicked him on the stomach. Others, such as Ch...pati, Venkatarame Gowda's brother, Muniswamy, Chikka Venkataramanappa, Rukminamma (Venkatarame Gowda's wife) and Sharadamma beat him. Out of fear Kannappa defecated on the spot. This made Venkatarame Gowda and members of his family more angry and they could not bear a dalit defecating and polluting their premises. Gowda's wife took a broom-stick to transfer all the excreta on to Kannappa's head and body. Gowda forced the stick dipped in the excreta into Kannappa's mouth.

Venkatarame Gowda, on the other hand, when asked about the incident, said that Kannappa came to Harati on the night of the mishap and being drunk was heard to have abused him using foul language. Having come to know of this through neighbours he personally went to meet Kannappa to ask him not to indulge in such misconduct. Having failed to convince Kannappa, he took him home to give him a piece of onion and buttermilk to mitigate the effect of the alcohol.

D M Sirsikar who was on duty in SNR Hospital, Kolar on the night of the mishap has recorded the details given to him by Kannappa about the incident when he came to the doctor for medical aid in the early hours of January 29. The details as recorded in the accident register read that Kannappa came in the early hours and complained that he was tied up and beaten up by Venkatarame Gowda who at the same time poured 'payasam' (a sweet dish prepared generally on auspicious occasions) on his head and put excreta into his mouth. Recording this incident the doctor writes that he located 12 injuries on the body of Kannappa and that a foul smell emanating from his mouth. There were also marks on his body which suggested that he could have been tied up.

The superintendent of police narrating the incident stated that on being informd by Nagarajaiah and Hanumappa he came to know that Kannappa came to Harati and abused Venkatarame Gowda standing in front of the temple of Sri Ram. Venkatarame Gowda and others pleaded with Kannappa not to indulge in such behaviour. When Kannappa could not stop himself from doing this, Venkatarame Gowda gave him an onion and buttermilk. The police officer also states that Kannappa was not made to eat excreta. Sub-inspector Umesh of the Kolar rural police station was suspended for not procuring the medical certificate in time. Yet, without the certificate the police came to the conclusion that the incident did not occur.

Legislature Committee Report

The legislature committee on the welfare of SC/ST tabled its report in the legislature on March 28. The committee found that political animosity between rival parties was largely responsible for concoction of the event. A few "miscreants" like D Rajendra ("a brahmin"), Hanumappa and Dasappa ("vokkaligas") of Harati village as also Varadappa and Seenappa of Kotiganahalli have indulged in the exercise with the sole intention of maligning Venkatarame Gowda's name. Taking into consideration the prime piece of evidence that is available, the committee said that "according to the statement given by the doctor and the medical certificate and also report of the laboratory, there is no proof regarding Kannappa being made to eat stools. But the injuries seen on the body of Kannappa might have been caused on account of beating... Also in the medical certificate the statement that Venkatarame

Gowda had poured 'payasam' on the head of Kannappa is unbelievable".

It is here worthwhile to take into consideration the ways in which influential segments of the intelligentsia have responded in to the incident. During the debate on the floor of the house on February 8, the chief minister of Karnataka, Veerappa Moily, categorically said that the incident never really happened. He said "there is no question of hushing up the case of shielding anybody. If it is done it will amount to a grave sin. I and my government do not want to bear this sin." He is reported to have added that, if there was an "iota of doubt which could prove that he was backtracking on the issue or forcing the police to get a concocted report he would not sit in his chair".

Given the umpteen versions, the precise sequence of events within which the incident is to be placed both in terms of objective conditions of possibility as well as individual biographies has been contested. The official version of the event is challenged by alternative interpretations. Moreover, the so-called official version given to us either by the police or by the chief minister and finally by the legislature committee do not tally. In the process, Kannappa's statement with regard to the incident has been completely ignored. It is our contention that the meaning attached gets differently constituted in the process. The important point is that this incident throws light on not only questions of truth and falsity but also on alternative interpretations as constituting the meaning of the incident for people in different social positions.

The task of fixing either the authentic understanding of the incident or its origin is not an easy one. It must not be forgotten that the victim is a dalit and also a landless labourer, and Venkatarame Gowda, the prime accused in this case, a defeated Congress leader. He is also the taluk president of Congress and by virtue of the position, he is close to Nissar Ahamed, a minister in Moily's cabinet. Though he is a middle peasant, because of his caste (vokkaliga) and proximity to the political leadership, Venkatarame Gowda wields a lot of power, not only in Harati but in the surrounding villages also. But surprisingly he lost in the recent panchayat elections to the Janata Dal. Beating up people (including a forest guard) is nothing new to Venkatarame Gowda. In an another case pending enquiry Venkatarame Gowda is supposed to have misappropriated funds in a local private bank and was subsequently dismissed from service. He and his henchmen have occupied a building of the local high school. Despite a court order they have not vacated it.

Going further, the 14 members who constitute the legislature committee are either from the SC/ST or minority communities. Adding legitimacy to all this is the fact that the police officers starting from the rank of superintendent of police to the lowest involved in the investigation of this case are all dalits. D M Sirsikar too is a dalit.

A thorough reading of the 39-page legislature committee report revealed many glaring inconsistencies, false findings and irrelevant recommendations. The sort of coverage given by the legislature committee has gone a long way in covering up the incident. It became clear how a potent complex of state bureaucrats, the police and politicians have long determined the economy of human rights policy in the country.

In considering the refractions of the events in Harati through the prism of legislature committee, it is useful to bear in mind some relevant issues. There have been cases of at least three murders, one rape, one lock-up death, and an attack on the life of a local MLA in the last six months in the district. In all these cases the Congress(I) and Janata Dal were/are involved either as victims or the accused. There has been a balance of power and a bargain struck between each other not to press any case. The superintendent of police, in the case of the assault on the MLA, in his letter to the home ministry quoting the MLA, states that when there was an attempt on his life, the sub-inspector of the concerned police station remained a silent spectator. Concerned sources also state that no action has been taken in all these cases since it is an election year.

The record of retribution is also interesting for, it is based on the views expressed by two individuals Hanumappa and Nagarajaiah on the incident. But then, Kannappa has time and again tried to say that neither was he drunk nor could be afford to get drunk even occasionally. Kannappa himself has consistently declared that he was assaulted and was forced to eat excreta as recorded by the statutory and non-statutory bodies. This has been confirmed by the wound certificate

issued by the medical authority. The medical report given by D M Sirsikar too does not mention consumption of alcohol. In spite of available evidences this concoction by the police—of Kannappa 'being drunk' and 'of using abusive language', against Venkatarame Gowda, has in due course become a master discourse that is relied upon heavily by the legislature committee and others.

The 'drunken state' and the 'use of obscene language' has also become a metaphor so to say in the report. For, public exhibition of hatred, the drunken state, the foul language, towards individuals above oneself in the ladder of hierarchy is a kind of dramatised behaviour that supposedly stands for the 'primitive' and the 'uncultured'. It is this aspect of Kannappa's behaviour that is furthest removed from the supposedly 'restrained', 'civilised' gesture of Venkatarame Gowda, throughout the report. The logic then is far too simple. In his drunken state it is too easy for Kannappa, the primitive, to get out of control; drunkenness and obscene language may imitate counter violence on the part of Venkatarame Gowda who tied him up as he was provoked to indulge in this sort of behaviour. Added to this, in response to the debate on the floor of the house, Byre Gowda, an MLA of the Congress Party said that "the provocation came from Kannappa himself when he, under the influence of alcohol, abused the village leaders in filthy language". This assault on Kannappa then is to be expected from a powerful block political leader of the Congress Party, for he was by Kannappa thus leading to his victimisation.

The most striking feature of the committee's report is perhaps the reduction of the incident to the responses given by the bureaucratic officials of the state and the police without taking due cognisance of the victim's statements. In page three of the report the committee states that its "understanding of the incident is based on the accounts given by the district collector, the police and the important individuals of the place". This source, that we need pursue further, provides very few clues regarding the veracity of the incident. Based on such enquiry it is natural that the committee recommends that care should be taken to maintain public peace in the troubled area and bring it back under the control of law and order. "Therefore, for reasons of social betterment, proper action should be taken against those involved in fabricating this story..." 'Proper action' is a wonderful concept with a virtuous ring that can validate any open-ended use of violence and harassment. The least of which could be a registration of a TADA case on the 'miscreants' who instigated Kannappa.

It will not be out of place here to discuss certain general details regarding the event, Deepotsava, over which there was a dispute. The village god, the dalits claimed, does not now enter their 'keri' (yard) as used to be the tradition earlier. They now demanded that the car carrying the idol should be brought to their keri. The argument of the priest and other elite has been that the idol of Gopalaswamy could be taken anywhere but not that of Sri Ram. A meeting was held on the night of January 28 to discuss not only the route of the procession but also to decide whether they should have the Deepotsava on the Saturday or Sunday.

On January 31, the police went to the village and brought all the witnesses to the forest guest house, an inaccessible place which is 7 km away from Kolar. They were 'interrogated' in the presence of the accused and the other Congress politicians. Statements denying knowledge about the crime were recorded and witnesses were forced to sign on the documents. Meanwhile, the accused who were let off after a few hours of detention brought a statement from about 50 villagers which negates the very occurrence of the incident. Based on these, the police claim that it was discovered to be a false case. They also claim that the accused were not even detained as there was no prima facie evidence. The police officials also said that they were going to take action against those who 'instigated' Kannappa. Ultimately, the police secured a wound certificate from the hospital and conveniently took from it parts which they considered relevant, i e, those parts which speak about abrasions but not about human excreta being forced into Kannappa's mouth. Regarding the injuries on Kannappa's body the police say that "he might have got those abrasions after falling down in a drunken state".

Oppression by Other Means

While on the one hand the legislature committee's version of the event is challenged by the victim, the other witnesses and the official documents, on the other it states that the incident or what it calls a concoction/fabrication was the result of 'political animosity' in Harati. Written with such vagueness it becomes difficult to retrace the exact details. As a consequence neither the event nor the political process in Harati are characterised. Between them the activities of inquiry have almost lost consideration for the predicament of which the event was a symptom. By using blanket phrase of 'political animosity', the committee sought to give the event a cause and the cause a name thereby diverting our attention from substantive issues by creating a sensibility and frame of mind that favours and allows for greater freedom of action by the state. It also becomes obvious that any further investigation would be characterised advantageous to the interests of certain categories.

Reducing the incident to peace and order issue, proceeds by glossing over and even omitting significant areas of people's experiences and activities. As a consequence the reduction of the antecedents of the event is complete and the report reads "Nothing worthy of record and action occurred in Harati". This is placed on record to guide further governmental action. The point is that this exercise has deeper implications. It not only describes the non-occurrence of the incident but also promotes the government as a neutral power and an agency that gathers information without the use of physical force but moral authority through committees. This may even be inferred from a glance of certain other features that recur over and over again in the report. For instance, while talking to the victim one of the committee members is reported to have questioned the reasons for Kannappa not retaliating to the torture and force that he was being subjected to. This seemed to suggest that the members have a 'cramped' understanding of the social structure as well as the nature of politics in India. The massive long-term violence inherent in the social structure is typically disregarded.

This observation has two important implications. One that relates to the structure of the way information was collected by the committee, and the narrative sequence within which it is placed. The second deals with the unfolding of the event.

The legislature enquiry was not conducted in a proper manner. It was not notified/publicised either in Kolar or in the capital city of Bangalore. It sat in an inaccessible place like the forest guest house which is far away from Kolar. To Harati it was a conducted tour by the police who had already hushed up the case. Some of the important evidence was called to Vidhana Soudha in Bangalore. Other witnesses were simply ignored. The legislature committee seems not to have procured important documents like the medical report, forensic report and reports by statutory and non-statutory bodies. Nearly 10 organisations had already brought out reports on the incident. None of which was taken into consideration by the committee.

In addition to this it is surprising to note that no terms of reference were either framed in the assembly debate on the one hand nor in the final report of the legislature committee on the other. This demonstrates that the committee from the beginning did not go into the details with the attention that they deserve, its approach being very casual. Even in the recorded evidence and pursued documents the legislature committee has ignored all inconvenient facts and has arrived at unsubstantiated statements. As a keen observer commented "the report was tailor-made to the satisfaction of the local Congress(I) leaders".

Considering the diachrony of the event the police action, rather inaction, was gross and

misleading, right from the time the incident occurred. The time of the incident is placed somewhere between 8.30 pm and 9 pm on January 28, 1994. In spite of being informed by the duty doctor, the police outpost in the SNR hospital (where Kannappa went for treatment on the night of the mishap) did not take any action whatsoever. It was only later in the day on 29th that the victim went all by himself to Kolar police station complaining of the event. The case was referred to the Kolar rural police station subsequently after which the police served the victim with a questionnaire that was so conveniently framed that it could fetch the required answers. The pointed questions anticipated the required answers which would not lead to registering the crime as it happened. One of the main questions was so ridiculous that it asked whether there were any wounds on the lips. Obviously the answer was expected in the negative and the police concluded that there was no force used to make Kannappa eat the excreta. The Kolar rural police also registered a case under IPC Sections 143, 342, 323, 324 and 149 while the case should have been registered under the SC/ST Atrocities (Prevention) Act 1989. Two days later nearly 50 persons (witnesses) from Harati were brought to forest guest house in Kolar and were made to sign on a document the details of which are not known to the signatories. The assistant superintendent of police Aswatharamaiah said that "the case was withdrawn since there was no prima facie evidence". Since then in the last three months police have been conducting tours for all the official committees giving them their own foregone conclusion of non-occurrence of the incident Even after the acceptance of an assault there is no action from the police. The committee recommended that "although Kannappa was not made to eat stools it cannot be denied that he was assaulted". The police as well as the government seem to have brushed aside these observations keeping in line with the recommendation. "...for reasons of social betterment proper action should be taken against those involved in fabricating this story,...". This recommendation which is irrelevant and falls beyond the scope of the committee. The CoD is yet to come out with the findings but there seems to be little hope in this matter.

In the light of things what makes Kannappa's case typical is that it is about the oppression of a dalit, and a special one as Kannappa is regarded as falling within the purview of the 'development perspective' which is another way of saying that dalits and Kannappa in particular, need to overcome their backwardness. Many of the most familiar features that recur in many incidents of atrocities on dalits is the typecasting of the dalits as being gullible that they do not have a mind of their own, not even common sense. Secondly, the charge of manipulation by the elite groups or forward castes; C Rajendra, one of the 'miscreants' who helped Kannappa, in the case is from the forward caste. Thirdly, the centrality assigned to the 'political order', a phrase that co-opts into itself many things and thereby remains ambiguous.

The case brings to light the hypocrisy of not only the police, political parties but also the government. We also gather that the linkages between the state's interests and power on the one hand, and severe human rights violations on the other is systematic, not accidental. A modest amount of state harassment and steady development of methods of interrogation that inflict enormous pain on the human body and spirit is further evidence that the right of the individual is hardly a primary value in this country.

Any protest that questions the state in this regard has to confront several moral issues arising in protests concerning the violation of human rights. It may be on two levels. If the purpose of the protest is self-aggrandisement, establishing credentials or other self-serving motives, like in the case of National Human Rights Commission and NGOs, it may have at least resulted in marginal gains. Unfortunately neither the opposition parties in Karnataka nor the [illegible] have taken this step. Instead they categorically denied the very occurrence of the event. On the other, if the purpose of protest is to relieve human suffering and defend human rights, more complex considerations arise. One must consider the plausible consequence for victims of oppression. The opposition to violation may be positively harmful. Today people in Harati and nearby villages are not prepared to engage Kannappa for a wage, thus jeopardising his very survival. There is no reparation or aid to the victim in this violence. The only solace is that protest may become a symbol to follow-up in a big way, which can be called a reparation if one wants to. One wonders if forms of protest help alleviate the conditions of those who suffer or would they contribute to reinforcing further the varied ideological foundations for new violence and depredation, if not create new ones. This is a question that all those involved in any form of social protest will have to ask themselves.

BJP: Cow as a Political Symbol

Ernesto Noronha

Though cow as a political symbol lacks the potential to consolidate the Hindu voters, the BJP may continue to use it to enliven the attenuated Ram Janmabhoomi symbol.

IN the assembly elections 1993, the BJP was defeated in three of the four states which it administered. Not able to identify the reasons for its defeat, top party leaders were left confounded on policy matters. While the hard-core within the BJP felt that its failure was due to the dilution of the Hindutva platform, others opposed to this line of thought stressed broadening of the party's appeal by taking up issues having social, economic, and international overtones. This schism got reflected in the response to several policy decisions. Faced with such contradictions, the BJP's show in defiance of the Dunkel Draft turned out to be a farce. From this sort of an outcome on an important issue such as the Dunkel Draft, one can easily discern that the party would cling to the Hindutva plank. The Ram Janmabhoomi symbol, though decrepit, would remain a central symbol, while new symbols may be introduced to rejuvenate the party and keep the communal inferno burning.

From the gamut of symbols available, the BJP seems to believe that the cow can, to some extent, enliven the attenuated Ram Janmabhoomi symbol. This proclivity towards the cow can be seen from two events that have occurred in the recent past. The first was the demonstration against the Al-Kabeer slaughter house where it was alleged by Sadhvi Ritambara that the abattoir was an offshoot of the Gulf conspiracy, designed to rob the country of its cattle wealth, while the VHP leader, Ashok Singhal threatened to dismantle the building brick by brick. Second was the enactment of the Delhi Agricultural Cattle Prevention Bill, 1994. The act made the slaughter of cows, calves and bullocks a non-bailable offence with imprisonment up to 5 years and a fine of Rs 10,000.

Controversy

The issue of cow slaughter has never occupied the centrestage in Hindutva politics but has been intermittently used as a secondary symbol to incite communal violence.

Acknowledging the volatility of the controversy, Gandhi tried to diffuse the tension. He said that the idea of cow protection was close to the Hindu heart and those who did not believe in it could not possibly be Hindus. However, he opposed the formation of cow-protection societies and the passing of legislation prohibiting cow slaughter. The only way out, according to him, was to urge Muslims to refrain from cow slaughter, rather than intimidating them [Khan 1986: 52-62; Chatterji 1984: 66].

The issue continued to plague Indian politics and was debated by the Constituent Assembly [Kashyap 1988: 179-89]. During these confabulations, some of the Hindu members demanded a total ban on cow slaughter as they were of the view that under the pretext of getting rid of infirm cattle even the healthy ones would be butchered. This, according to them, would have an adverse effect on Indian agriculture. They felt that cow slaughter should be made an offence equivalent to untouchability, and 'go-hatya' should be treated as 'brahma-hatya'. Even the Muslim members favoured a total ban on cow slaughter and wanted the issue to be settled once and for all. But the Drafting Committee decided to include cow protection under the Directive Principles of State Policy.

The problem was discussed once again in 1966, when the Shankaracharya of Puri decided to fast unto death if the government did not concede to the demand for a total ban on cow slaughter. Shah (1967: 7-12) saw such a demand as fallacious. In his opinion, democracy did not give the majority a right to act in a manner that would be prejudicial to the rights of other groups. All that could be demanded was that they would not be compelled to eat beef and that cow slaughter be proscribed in the vicinity of a Hindu temple. But since cow slaughter was prescribed in the Brihadaranyaka Upanishad, three of the Vedas and Grihya Sutras on certain occasions, a dilemma emerged for those claiming the support of religion to justify their demand. Further, there was no evidence that the majority of the Hindus themselves wanted cow-slaughter to be banned. For instance, Indian peasants had been selling dry cows to the butchers because of their inability to maintain them.

Apart from these reasons, M M Shah (1967: 44-66), while accepting the usefulness of the cow for the supply of milk, traction power and dung, pointed out that a growing cattle population was creating a heavy burden on land as reflected in the deteriorating quality of cattle. This problem of deteriorating cattle quality was further exacerbated by the shrinking of village common land from where cattle got their feed. Moreover, the need for cattle in agriculture was declining while urbanisation had necessitated an increased production of milk. Consequently, cattle are kept under artificial conditions in urban areas and are fed high-cost imported grass leading to an abnormal cost-price relationship. This has resulted in a decimation of the best breed of milch cattle who, instead of giving satisfactory service for about 10 lactation periods, are used up in a single lactation period. These unwanted animals are then either driven away, sold to the butcher, or left to their luck. In villages, they stray onto fields, frequently get a thrashing, suffer from physical pain and die, or some agent drives them away for slaughter. On the other hand, in cities they roam about eating garbage, nightsoil, rags and stray onto partially protected private and public gardens.

The issue of cow protection, then, is a highly polemical one as secular and religious values are juxtaposed. On the religious side, such has been the supposed reverence for the cow that the Hindu rashtra mandir proposed by Shraddhanand was to be devoted to the three 'mothers'—gaumata, saraswati mata and bhumi mata. Attempts such as this provide a tool in the hands of the communalists to arouse passions since so far as the people are concerned the whole issue is steeped in ambiguity.

Use of Symbols

Today ethnicity poses a challenge to the state and also to the maintenance of harmonious relations within the state. It is often at the root of violent encounters which result in homelessness, looting, death, flight of people, hatred, and widening schisms between communities.

Ethnic conflict has its inception in the evolu-tion of several circumstances like diffusion of the doctrine of self determination, decolonisation, spread of the norms of equality, the value of achievement, the growing heterogeneity of the states, the international system of communication and the emergence of the welfare state. As a result, we have controversies over development plans, educational opportunities, trade union affairs, land policies, business and tax policies, etc, being expressed by communities through the parties they support [Horowitz 1985: 4-12; Glazer and Moynihan 1975: 25].

Ethnic communities are formed by the elites who give subjective and symbolic significance to objective differences between groups which are then translated into a consciousness and desire for group solidarity [Brass 1991: 20-24]. The reality of the community in people's experience is their attachment or commitment to a common body of symbols. Symbols are effective because they are imprecise, i e, most symbols do not have visual or physical expressions but are notions which do not impose a conformity of meaning. Thus, symbols are malleable—they can be made to fit the circumstances of the individual [Cohen 1985: 12-28].

The political significance of symbols is determined by the political elite [Brass 1991]. Symbols that are brought into the political arena are those which the political elite gain from. But the choice and manipulation of symbols is a difficult business, not only

because it can create inter-community disturbances but also because it can be divisive internally. Ethnic demands initially centre around single symbols, but to make the demands more effective there is always a look-out for secondary symbols. This search for additional symbols may lead to internal discord within the community rather than create internal cohesion. Therefore the set of symbols chosen for political mobilisation are as congruent as possible. The basis for identity formation is achieved by intensifying the subjective meaning of the symbol. This makes boundaries sharper and differentiates the group from other groups while possibly enhancing solidarity within the group. Alterations in boundaries depend upon the elites who define them.

In Search of a Secondary Symbol

Ethnic conflict introduces an ethnically based party which derives its support from an identifiable ethnic group and project itself as the sole representative of that group. But to be an ethnic party, the party need not have an exclusive hold on the allegiance of group members—in fact, the manner in which the community's support is distributed decides whether the party is ethnic or not [Horowitz 1985: 291-98]. Symbols like occupational specialisation, residential segregation, habits of endogamy, dietary customs, religious differences, etc, that mark boundaries between groups tend to foster affinity and a sense of common interest which are expressed in party allegiances. The communitarian aspect of ethnicity propels group members towards concentrated party loyalties. Ethnic parties reflect not just affinity but also mutual incompatibility of ethnic claims to power. These parties play the role of interest groups apparently dedicated to the promotion of narrow group claims, thus placing greater strain on the social mechanism for the settlement of group conflict. This attitude on the part of ethnic parties makes the mediation of group interests difficult which explains why ethnic party systems are so conflict-prone (ibid).

It is for this reason the Ram Janmabhoomi-Babri masjid issue is a highly contentious one. The two main parties in conflict, the BJP and AIBMAC, maintain that only they have the right to represent the two ethnic groups, namely, the Hindus and the Muslims. The apprehension of losing the ethnic group support prevents them from scaling down their demands. The BJP seems oblivious of the fact that the community's support is not necessarily distributed in its favour as is evident from the results of the 1993 assembly elections. It still endorses Hindutva and relies on the Ram Janmabhoomi symbol. However, to buttress this central symbol it is on the look out for other secondary symbols.

There is a whole range of secondary symbols which have been used by the BJP like celebration of festivals, wearing saffron bands or caps, introducing the rath-yatras, wielding trishuls, and raising 'jai Shri Ram' slogans, etc. The symbol of cow slaughter is sought to be similarly used even though not all Hindus agree on the issue and differ in opinion.

During the pre-independence period as Hindu demands for cow protection increased, Muslim demands for the right to slaughter the cow intensified and the 'kurbani' festival at which cows were slaughtered grew in importance. These facts may have been important for the BJP now adopting the issue of protecting the cow. However, although the cow is a potential symbol, it does not mean that any Hindutva party which uses it at anytime is bound to succeed. It may succeed only if the government or the Muslims flaunt Hindu sentiments. In this connection, to the BJP's dismay the passing of the recent cattle protection bill did not raise even a semblance of protest from the Muslims. That this sort of apathetic reaction from the Muslims did in no way strengthen the party unity is evident from the dissension within the party.

Having been defeated by the SP-BSP combine in UP, the BJP now sees the need to garner the support of, in addition to the upper caste Hindus, the backward castes to come to power. To achieve this, however, symbols like cow protection can be useful only to a limited extent. Firstly, because as Pandey (1991:3003) states, it cannot be claimed that the depressed classes worship the cow though they worship Hindu gods. Secondly, though the varnashrama dharma regards the worship of the cow as one of the three features common to all Hindus, the backward castes differ from the upper caste Hindus in that they eat beef. Moreover, the rise of the SP-BSP is in itself a challenge to the brahmin-oriented BJP. Thus, the BJP may not gain from blowing the issue of the cow out of proportion as it would underline the differentiations among the Hindus it purportedly represents.

References

Brass, P R (1991): *Ethnicity and Nationalism: Theory and Comparison*, Sage Publications, New Delhi.

Chatterji, P (1984): *Secular Values for Secular India*, New Delhi.

Cohen, A P (1985): *The Symbolic Construction of Community*, Tavistock Publications, London.

Glazer and Moynihan (eds) (1975): *Ethnicity: Theory and Experience*, Harvard University Press, London.

Horowitz, D (1985): *Ethnic Groups in Conflict*, University of California, Berkeley.

Khan, M A (1986): *Gandhian Approach to Communal Harmony*, Ajanta Publications, New Delhi.

Kashyap, A (1988): *Communalism and Constitution*, Lancer Books, New Delhi.

Pandey, G (1991): 'Hindus and Others: The Militant Hindu Construction', *EPW*, December 28.

Shah, A B (1967): Introduction in *Cow Slaughter: Horns of a Dilemmma*, edited by A B Shah, Lalvani Publishing House, New Delhi.

Shah, M M (1967): 'Cow Slaughter: The Economic Aspect' in *Cow Slaughter: Horns of a Dilemma*, edited by A B Shah, Lalvani, Publishing House, New Delhi.

Czech Trade Unions under Pressure

Stephen Steiger

The newly emerging business class in Czechoslovakia is trying hard to push back the trade unions, claiming total freedom for the owners of the enterprises.

WHILE there was a single, 'united' trade union organisation in Czechoslovakia under the old regime—as it was in every communist country—during the years following November 1989 half a dozen new unions have emerged. They are, however, without significance—the biggest counting roughly 153,000 members as against 3.5 million of the CMKOS discussed below. They are, also, mere artificial appendices of some political parties. Attempts at constituting truly independent unions, revolutionary in spirit, out of the strike committees which played an important role in overthrowing the communist regime in 1989 were unsuccessful. Thus the 'old' unions developed into a strong movement now called the Chamber of Czech and Moravian Trade Unions (CMKOS).

The policy of the chamber is modelled on west European unions, also because it became a member of the International Confederation of Free Trade Unions. The chamber's officials profess an 'understanding' of the problems of the present 'period of transformation' of the Czech society, proclaim their support of parliamentary democracy and try to materialise the demands of the members by 'peaceful' means only. The unions' position is weakened, among other things, by constant attacks by the media which are generally hostile to them. And like any other institution that survived the communist regime, they lost much of their authority with their members—in spite of all the changes they had gone through. Needless to say, the newly emerging class of businessmen—rapacious and ruthless, not having yet the 'culture' of the west—is trying hard to push back the unions inside the enterprises, claiming a total 'freedom' for the private owner.*

Neither is the government a friend of the unions. The prime minister Klaus does not miss any opportunity to reject, despise or ridicule the trade unions' 'bosses'. His Thatcherite idea he was repeating again and again was that there was no need for the unions to negotiate on a national level—no need for collective bargaining for whole industrial branches—as agreements within individual enterprises should be sufficient for protecting the employees.

It was under these conditions that the labour code had to be amended and the parliament should have voted on the bill. The three main points of contention which caused a strong trade union protest were the raising of the retirement age by two years for men and four years for women, the women's limit having been lower than the men's; lifting of the ban on work agreements concluded for a limited-time period only; and allowing night work for pregnant women. A petition against the raising of the retirement age was signed by 630,000 people, yet it remained without any effect both on the lawmakers and the government.

The lobbying of the unions in the parliament proved to be ineffective. They called, therefore, for a massive demonstration on Prague's Old Town Square on March 22. Ridiculed by the press, the protest, however, brought together about 40,000 unionists from all over the country—far more than anyone, including the unions' leaders, had expected, and the biggest demonstration since November 1989. To avoid accusations of 'politicalisation'—as the unions claim to be 'non-political', meaning without links to any political party—no one other than unions' representatives was allowed to speak to the gathering.

It was too late, however, for pressuring the deputies: the parliamentarians pretended the matter had been wound up and could not be re-considered seriously any more. The demonstration can thus be held to have been just an important warning for the future. Since a new labour code is in preparation and could be discussed fully before the parliamentary elections due in 1996, the unions' leadership has time enough to prepare the next battle.

Whether this one has been lost entirely cannot be said yet. The CMKOS held its congress on April 8 and 9 and most of its 1,457 delegates, representing 3.5 million members, were rather in a fighting mood. While none of the 'radical' candidates for chairmanship was elected and the new president, Richard Falbr, seems to be rather a middle-of-the-road man, showing their strength by mass mobilisation the trade unions unmistakably put up the sign of possible showdowns should their members feel threatened by government policy once again. This could be seen also by an unexpectedly conciliatory speech with which the prime minister addressed the congress. So perhaps if one battle is lost, the fight will go on without undue pessimism.

Note

* It was the president of the Entrepreneurs' Association who put it bluntly in an interview with the unions' daily: "As long as I am in this position, we won't allow the unions to enter easily into small- and middle-sized businesses where they are not yet represented. I employ 160 people and have 48 apprentices. I do not see any reason why I should have trade unions in my firm"

Trajectory of Hindutva

G Aloysius

Hindutva as an ideology of the vertically constructed communities is the dominant castes' response to the emergence of the Indian version of 'class struggle'. Setting up of two religious monoliths, the Hindu and the Muslim, is intended to cover up and suppress the growth of class-like formations that have threatened the traditional elite's solidarity time and again in modern history.

APPARENTLY, it defies all reason. A community of believers in one religious system, barely 10 per cent of the total population, scattered throughout the length and breadth of the country, fragmented and deeply enmeshed within the different regional cultures and social systems, mostly labourers or petty vendors, owning neither land nor industrial/business resources to any significant extent, admittedly backward in modern education and consequently playing only a marginal role in civil society, in general somewhat slow to take to modern ways of life, the Muslims of India are sought to be set up as a challenge and menace to the overwhelming majority of 'Hindus' constituting more than 80 per cent of the population, in a country which has been the cradle of diverse Hindu religio-cultural traditions for millennia and whose cultural ethos informs and permeates the civic life even in modern India. If two religious monoliths—the Hindus and the Muslims—can at all be set up and compared, the latter comes nowhere near the enormous power and influence that the former wields in multiplicity of ways not only in economy but also in culture and ideology. Then in what ways are the Muslims a threat to the Hindus? Why this anti-Muslim hysteria of the Hindutva combine? Is all the anti-Muslim propaganda of BJP-RSS-VHP-BD, etc, without any basis in reality? If so, how to account for the seemingly widening mass support and the alarming surrender of the upper caste liberal Hindus to this hate-Muslim campaign? If the Muslim community is not the real menace to Hindutva, then what is? Against what is the anger of the aggressive Hindutva, combine directed? What exactly is the trajectory of the Hindutva missile?

Internal Dynamics

Explanations of a community's chauvinism against another can be sought either within itself or without, in the other. When external factors fail to yield adequate explanation, as they do in our case, one has to search the internal dynamics of the Hindu society itself. The parallel to the Nazi Germany is too close to escape comment. The rise of fascism in Germany is better explained by the agenda of internal restructuring of German society that Hitler and company had envisaged rather than any primordial hatred between communities. A chauvinistic posture of a community is more often than not a critique of its own current situation and direction and an indicator of an imperative for reorientation. So is the case of Hindu-Muslim relations in India. The Hindutva combine's hate-Muslim campaign is better explained by its 'real' grievances with the Hindu society itself: the direction it has taken in the wake of modernisation and the kind of restructuring it is likely to undergo.

Any ancient and continuous tradition, such as India's, tends to accumulate in the course of its history several values and organisational patterns representing the aspirations and achievements of the different sections of its population. These values and principles are often inconsistent, contradictory and even antagonistic. However, a sort of *modus vivendi* is developed in its different phases to maintain a minimum of balance and harmony among the opposing forces. In the case of India, the diverse Hindu religio-cultural traditions have inherited two sets of interrelated and contesting value-orientations representing broadly the dominant and the dominated. One is the principle of hierarchy described as varnashrama dharma or brahminical social order, representing the interests of a minority always aspiring to maintain and expand its dominance over the majority in economy and culture. This was opposed by the counter principle of egalitarianism, unevenly representing the interests of the majority struggling to contest, avoid, subvert and sabotage the dominance of the minority. It manifested itself in the multiplicity of non-brahminic and anti-brahminic religious cults, philosophical systems, cultural practices and social movements beginning with the sramanas, the Buddhists and others. However, by and large, in both culture and economy, it was the principle of hierarchy that managed to hold its sway over the masses, though unevenly, over the different regions and time spans, whether under the so-called Hindu rulers, Mogul emperors or the colonial rule. Religious beliefs, concepts and sanctions did and continue to play a crucial role in maintaining this pattern of dominance.

The second set of dichotomy refers to the principle of uniformisation or centralisation and its opposite, pluralism. The subcontinent is characterised not only by the twin contesting principles of organisation, namely, hierarchy and anti-hierarchy but also by unity and diversity as two contending ways of structuring society and polity. At the political level Indian history could be seen as alternating between periods of attempted and partially successful unification and periods of autonomously scattered polities: at the level of culture this has manifested itself in the growth of vernacular languages and regional variations of religious practices in defiance of the centralising and uniforming forces of dominant culture, language and religion.

Obviously, these two sets of principles are closely interlinked; the social forces and interests that stand by the principle of hierarchy are by and large the same that advance the cause of centralisation/uniformisation; while those who plead for a more egalitarian social order also have an interest in having the polity organised pluralistically. For, diversity in the Indian cultural context is a defiance of hierarchical uniformity. The above delineation, needless to point out, is an abstracted picture and an ideal-typical portrayal of reality that is at once dynamic and complex.

Modernity and Democracy

In the wake of modernity and more particularly with the erection of democratic political structure in the sub-continent, the hitherto manageable and containable forces of egalitarianism and pluralism within the Hindu society have received a new fillip. The democratic game of numbers and modern educational avenues to the traditional yearnings for equality and pluralist cultural assertions have upset the long-cherished applecart of age-old order of superordination and subordination. The imperative of having to give the notion of citizenship a semblance of reality has made the state take at least nominal steps to enable the lower caste masses, the marginalised tribals and backward Muslims to enter into the civil society.

However, this is only one side of the matter. Modernity and democracy in India are not an unmixed blessing for the erstwhile underdogs of the society: modernity came in largely as an expansion and elaboration of the role of the traditional elite in the civil society, and political society itself took the form of a pan-Indian state which is but a transformation and consolidation of the earlier scattered socio-

religious dominance A substantial portion of both the civil and political society in India is thus drawn from the social forces which in pre-modern times stood for the twin principles of religious hierarchy and cultural centralisation The major mainstream political formations are but variations within the increasingly consolidating dominant social forces The differences among them pale into insignificance when they are contrasted with those who have been marginalised in the civil and political society

The democratic political structures have opened up newer ways for these political formations to have recourse to different methods of gaining the allegiance of the masses Pressures from below for a more egalitarian and pluralist restructuring of society and polity are being co-opted by the leadership of the different factions among the dominant forces through grant of minimal concessions at the level of policy articulation. These nominal democratic adjustments (often sabotaged in implementation by sections of upper caste leadership), no doubt with a view to self-preservation, nevertheless do have the long-term effect of destabilising the traditional dominant and ruling status of the forces representing hierarchical centralisation

This is perceived as a threat to and as a betrayal of the unwritten and agreed upon code of conduct among the differentiated political formations of the upper caste combine, leading to the view that if democratic compulsions force them to reach out to the masses in a non-traditional way, then democracy itself needs to be repudiated as the 'new-fangled western concept' unsuitable to the Hindu-Indian genius

In this context, the Sangh parivar's Hindutva campaign has to be understood as one formulation—remarkably compact and coherent—of our religio-cultural past as an agenda for present political action leading to a future vision of Indian society Hindutva is both a formulation and a prescription The formulation is characterised by a denial of all that was egalitarian and pluralist in tradition, it is a presentation of a 'semiticised Hinduism' as the 'national tradition' to be preserved and treasured as our unique genius and to be used as an ideological weapon against the so-called western modernity Hindutva has no place for the numerous lower caste Hindu traditions, cults and sects that represent ways of life at variance with the upper caste orthodoxy, it also has no space for the once powerful and prevalent lokayata-carvaka-tantrik-sankya-nastik Hindu traditions so painstakingly unearthed by D P Chattopadyaya Hindutva is an isolation and assemblage of all those elements that in the past stood for oppressive pseudo-sacred hierarchy within the Hindu traditions, detached out of their historical context and dressed up for revival within modern political structure To be sure, the hierarchy of Hindutva is not a simple and mindless revival of the classical varnashrama dharma—which, for that matter, never and nowhere existed in the past either It seeks rather, to maintain and strengthen the upper caste dominance within the caste ideology in modern times

Hindutva, we have suggested, is also a prescription for restructuring our drifting' society and polity As a sectarian reading of Hindu traditions it seeks to lay the ideological foundation for the future society its emphasis on the monolithic hierarchy of tradition seeks to exclude the traditionally excluded masses from the new civil and political society for the same traditional reasons It is a censure of those sections of the upper caste ruling combine who for 'electoral gains seek to tamper with the traditionally accepted order of the society It is one thing to share some of the benefits with the lower caste masses for our own salvation, either here or hereafter but it is totally another to indulge in anything which may have the effect of investing the masses with socio-political rights as part of the emergence of new society For it may have the disastrous and irrevocable consequence for India, i e, the Hindu society, of once and for all doing away with the traditional caste-dominance of ruining national traditions, of obliterating our unique culture —the very Hindu identity itself In contrast to this the Hindutva political mobilisation is a concrete demonstration of as to how the masses can be kept under the traditional caste dominance even in modern times by a careful exclusion of economic and other interest oriented issues and by emphasising culture tradition and religion, etc

Hindutva as cultural uniformisation again advises us not to pay attention to the plurality of our cultural traditions Language as a cultural marker should never be considered It is specifically against considering the variations of our culture as units for devolving political power To put the matter in different words, Hindutva is set against granting rights of self-determination or autonomy for local cultures every demand for more decentralised distribution of power is deemed as secessionism and separatism Since nationalism is nothing but congruence between culture and power the anxiety of the Hindutva combine to define national culture monolithically and hierarchically is understandable though totally unacceptable Nationalism is congruence between culture and power yes, but the congruence requires to be as homogeneous and egalitarian as possible within a modern nation state Hierarchical and monolithic realisation of power within society is a sure cause of disruption and division

While the so-called secular forces accuse the BJP-RSS-VHP BD fraternity of splitting the nation, the latter insists that it is in fact unifying the nation and the secularists are the real splitters For Hindutva the case is simple We are all Hindus Period Nothing more need be said on the matter To differentiate one Hindu from another in terms of caste creed language or region is to divide the Hindu society and to disrupt the Hindu nation There is no Malayali Hindu or Bengali Hindu just as there is no mahar Hindu or bhumihar Hindu Such a formulation is at once deceptively simple and appears to be eminently reasonable It is this very simplicity and seeming reasonableness of the Hindutva formulation and prescription that appeals enormously to the aspirations of the emerging upper caste middle class the backbone of the BJP communal combine

But what this simple' and seemingly 'even handed formulation of monolithic Hindu community tends to cover up is the concrete historical development of the subcontinental past and the competitive nature of present democratic polities The Indian society is an eminent example of uneven development in every sense of the word 'Political nation in the past was constituted here of a very thin stratum of kings and chiefs in matters political and of selective upper caste communities in civil society. Colonialism only helped to aggravate the already existing disparities by polarising the upper caste haves and the mass of lower caste have-nots Neither colonial industrialisation (or deindustrialisation), nor the subsequent planned development succeeded in bringing about any significant change in the traditional society All benefits of modernity, political power employment, education, expansion of business, land resources, etc, tend to percolate not equitably or democratically but by and large through the traditional kinship, caste and regional linkages Social mobility is limited to the upper rungs of the ladder Civil and political society in short seem to be the monopoly of the handful of upper castes, even among these different regions of the country tend to grab unequal share in the economic cake, which refuses to grow in size

However a democratic political structure imposed on this modernised-traditional community operates necessarily as a disruptive force, for the hitherto excluded masses demand entry into the new political nation as equal citizens aspiring to enjoy the full civil and political benefits of democracy. The prescription of the Hindutva—all Hindus and equal Hindus—strikes right at the heart of this struggle for new political emergence of the lower caste, tribal and Muslim masses. Mechanical understanding and application of uniformity and equity for all Hindus is a veiled attempt to prevent the minimal change that is taking place to strengthen the upper caste dominance within the traditional ideological framework and to undercut the upward thrust (however crude and distorted) of the hitherto underprivileged And this is sought to be done under the unexceptionable

principle of Hindu unity. If this disruption appears to be disorderly, uncontrolled, anti-national and even secessionist, it is the dominant upper caste combine that has to blame itself. Instead of gracefully accepting and accelerating and in fact providing the necessary leadership within the changed order of things, the combine sought to subvert the inevitable historical process by having recourse to a semiticised version of Hindu tradition, legacy, etc. Hindutva is the most ruthless formulation of such subversion.

The 'trishul' of Hindutva, then, is raised against the haphazard and tortuous emergence of the lower caste masses into the political nation; it is a warning to the cultural assertions of linguistic communities for a more decentralised and power-sharing federal polity; and it is a censure of those sections of political leadership whose 'appeasement' politics is leading to the 'betrayal' of our age-old traditions. The BJP combine's belligerence against what it terms as 'minorityism', its sniffing of separatism and secessionism in every nook and corner of the country, its demand for the abolition of minority rights, its opposition to all forms of protective discrimination for the marginalised communities, its supreme contempt for the identities of cultural communities/nationalities, its utter disregard for concrete historical developments as manifested in its mantra-like slogan of Hindu-India unity, its uncritical and mindless glorification of our past, etc, are but different expressions of a distorted formulation of our legacy as monolithic hierarchicalism and an undemocratic prescription for the future, peddled in a capsule—Hindutva.

Muslims and Lower Castes

If the trajectory of Hindutva is to be sought within the Hindu communities themselves—their present state, their direction of development, etc, where do the Muslims come into the picture? Why pick on a community that is hardly a threat to anybody, as the enemy of Hindutva? The explanation lies more in the socio-economic and political similarity of the Muslims to the lower caste masses than in their exaggerated religio-cultural dissimilarity to the Hindus in general. The mass of Indian Muslims, drawn as they are largely from the lower castes both in urban and rural areas, is 'dangerously' similar to the latter in their position within the sub-continental social structure in terms of deprivation, backwardness and marginalisation. However at the same time their distinct religious mark stands in the way of effective ideological/cultural domination within 'tradition' by the upper caste elite. The Muslims (and the Christians to a lesser extent) present a hurdle to a pan-Indian traditional-cultural hegemony leading to the strengthening of the upper caste dominance. Ideological exclusion of the Muslims and Christians would enable the Hindutva combine to tame and domesticate the lower caste masses and bring them under the traditional order, through the manipulation of religio-cultural symbols.

Here the issue could be presented as a religious one: threat to religion, etc, while in fact the threat is to the upper caste vested interests, mostly from the egalitarian and pluralistic aspirations of the masses within formal democracy. The Muslim presence as a fellow-marginalised community is a constant reminder to the other similarly deprived communities among the Hindus of the oppressive upper caste stranglehold on the society. It is an open and standing invitation to consolidate a classslike formation of all the segments of the dominated and to engage in a struggle at the socio-economic front. Hindutva as a communalism of vertically constructed communities is the dominant castes' response to the emergence of the Indian version of 'class-struggle'. Setting up of the two religious monoliths, thus, is intended to cover up and suppress the growth of the class-like formations that have threatened the traditional solidarity time and again in modern history. Unfortunately, this elitist strategy had its beginning in the freedom movement itself. Instead of allowing the socio-economic and political interests to dominate the public life, religio-cultural issues were brought to the forefront emphasising the distinct religious identities of the participating communities. Now, the game is defined as one in which the Hindus face the Muslims, while in fact the real contest is between the economic and political interests of the lower caste-tribal-Muslim masses on the one hand and the traditional elite-the upper caste combine on the other. Within this pseudo-game, some are ranged against unity between Hindus and Muslims while others promote unity and harmony. However, both the sides refuse to go beyond this shadow boxing. No wonder, the game suits the handful of elite among the Muslims too.

The mass of Muslim community and the lower castes and tribals are together duped in this false game of religionised politics. The Muslim masses in particular are made a pawn in the game of the Hindu upper caste players, with the silent complicity of some Muslim reactionaries.

The problem of the Hindu vs Muslim in the subcontinent cannot be explained by any primordial hatred between the two communities apparently believing in two different sets of 'gods'. In fact, such monoliths of the Indian Muslim and the Indian Hindu never existed in history at the levels of culture and political economy. They were necessitated for the preservation of the traditional order of superordination and subordination that had begun to melt at the dawn of modernity. The trajectory of Hindutva needs to be grasped accurately if we are to meet and neutralise it effectively. Seeing the problem purely at the level of the Hindus vs Muslims and the multiplying prayer meetings and Sadhbhavana committees may to some extent reduce rioting but the permeation of the society and polity by the poison of Hindutva cannot thus be contained. The principle of peaceful co-existenc so often invoked by the 'democratic-secularists' is indeed a praiseworthy slogan against Hindu-Muslim conflicts; however, it is at best only a prescription against the overt symptoms and at worst an encouragement to the covert and more dangerous forms of Hindutva. Hindutva has to be seen for what it is in substance and faced squarely, primarily at the level of civil society

Decolonising Third World Culture

Malini Bhattacharya

British Romantic Writers and the East: Anxieties of Empire by Nigel Leask; Cambridge University Press, Cambridge, UK, 1993; published in India by Foundation Books, New Delhi, 1993; pp xvi + 266, Rs 150.

FOR those of us who grew up to be students of English Literature in post-1947 India, Eng-lit studies had remained for long a sanitised and conflict-free area within which identification with the perspective of the metropolitan subject had seemed to be possible. British romantic writing, in particular, was regarded by Indian academic tradition as a co-extensive heritage, ours in the same way as it is theirs. It is only during the last couple of decades or so that our otherness in relation to English literature has become an object of study; in fact, since Said's *Orientalism*, Eng-lit students in India too have had to take account of the dimension of imperialist hegemony in the academic space inhabited by them.

Leask's book participates in an exciting project in this particular context, not only from the point of view of Indian students of British Romantic literature, but also for those interested in studying the workings of cultural relationships in a colonial situation. Leask is correctly critical of Said's essentialism and as his title suggests, Leask's emphasis is on the fissures and disjunctions within metropolitan cultural form in historical interaction with colonial experience, of which British Romantic writings is the specific example chosen by him. It is a study of "our imperial history against the grain".

Leask sees the historical context of orientalism in Romantic writings as coinciding with the transition from "mercantilist trade relations" to a "more programmatic intervention in the affairs of African or Asian nations" (p 17), to "participation in the civilising mission of 19th century European culture or the expansionist dependence on colonial markets" (p 22). Elsewhere, this new approach is described as early 19th century "liberal imperialism"; it employed enlightenment attacks on the tyranny and priestcraft of the *ancien regime* to justify the conquest of non-European societies and culture. Its appeal to "diffusion of civility" is, on the other hand, contrasted with a later phenomenon, namely, "the emergent discourse of racial superiority" or the strategy of justifying illiberal colonial policies by "blaming the victims" (p 79). It rather consists in the appropriation of "diverse or primitive cultural forms by a universalised (i e, European) moral imperative ..." (p 23). The history and ideology of western nationalism is riven with contradictions arising from this, and the ambivalences of this approach impart a rich complexity to the Romantic perception of India and the east. In Leask's study, the analysis of this component within Romanticism is further linked up with the Romantic perspective on gender relationships where male sexual desire and the desire for colonial appropriation sometimes turn into each other's analogues.

Leask's book thus seeks to contribute to a 're-politicisation' (also perhaps re-historicisation) of Romanticism where Romanticism is freed from the 'Prison House of Language' into which New Criticism and then Structuralist and post structuralist criticism had placed it; the book derives its vantage-point from the statement of the fact that the "political and ideologieal concerns of poets like Wordsworth, Byron, Shelley and Keats are now read as being constitutive of their poetry rather than merely 'background' material". Leask also perceives a certain 'blindness' on the part of British leftist critical tradition in this respect and he thinks that this is one of the reasons why these 'anxieties' generated within Romanticism by the colonial experience, 'anxieties' the reading of which he considers crucial for "a decolonisation of our culture", have been a neglected area in studies of Romanticism.

Further, while criticising Said's notion of a totalising, monolithic western Orientalism imposing its seamless and unambiguous presence on the Orient, Leask refers to Homi Bhabha's theory of colonial discourse as offering a more 'suggestive model'. In spite of its 'historical weaknesses' he finds the psychoanalytical components in Bhabha's model useful:

> The Indian as 'self-consolidating Other' of European subjecthood occupies a place analogous to Freud's fetish-object in psychoanalytic theory, object of an identification which fluctuates wildly between narcissism and paranoia (p 84).

One way of understanding the 'anxieties' is through such analogues. Also a study of the 'anxieties' of empire, of disjunctions and fissures within Orientalism may be extended to a point where the colonial subject also does not remain the mere passive space within which Orientalism enacts itself, a mere inarticulate recipient of its impositions. Bhabha's thesis admits the potential ability of this subject to deconstruct the colonial space; this is contrasted by Leask with Gayatri Spivak's thesis of the speechless subaltern. Leask's use of the psychoanalytical model is not uniformly appropriate as in the discussion of Shelley's *Alastor* and I think even without Bhabha's somewhat tortuous theory of hybridism, it is possible to offer other models of the self-articulation of the colonial subject, but on the whole, Leask's excursion away from Said towards a more complex historicism offers an interesting break.

Central to Leask's study of the Romantic writers are the chapters on Shelley, the excursus on possible links between some of Shelley's writings and some of the writings of Rammohan Roy being of particular interest to the Indian student. These chapters on Shelley are the most elaborately worked-out parts of Leask's volume, and are flanked by other chapters on Byron and De Quincey. But an intricate fabric of intertextuality is woven with materials from diverse sources like Southey, Lady Morgan, Thomas Medwin and Coleridge. These sources are used to demonstrate the different ways in which ambivalences about the Orient as an object to be appropriated are worked into various Romantic texts. According to Leask, these ambivalences turn up in the writings of conservatives and supporters of the empire like De Quincey as well as in those of radicals like Byron and Shelley

Byron, for instance, has little sympathy for the projects of imperialism. His sharp critique of the European assumption of moral superiority is evident in many of his *Eastern Tales* which are discussed in detail by Leask. Yet his placing of the paradigm of moral superiority in an aristocratic, republican, civic, humanist heritage, in short, a 'Hellenistic' heritage, underscores by contrast 'Asiatic' values of violence, eroticism, fatalism and intoxication which are seeking to swamp these. European imperialism by implication, becomes a deviation and a decline from the pristine purity of Hellenistic values. Even the writings of Byron thus remain dependent on an "orientalist dichotomy between a (fading) European illuminism and Asiatic darkness" (p 61).

Byron is an example of the transition from the position which regards the east as mercantile commodity to be consumed to that which constructs the image of the east as the cultural 'other' which is the object of both 'narcissism and paranoia'. Byron's 'aristocratic radical' ideology and the 'uncanny anticipation' in some of his poetry of the negative, repressive aspects of Enlightenment complicates his response to 'European civility' But De Quincey stands at the other end of the spectrum. 'European civility' under threat from 'oriental' degeneracy turns in the post-Sepoy Mutiny period 'guilefully' into 'violence and

coercion' An example of one of the more apt uses of the psychoanalytical model is found in Leask's deconstruction of one of the "most dramatic episodes of the *Confessions of an Opium Eater*", the account of the sudden visit of a Malay to Dove Cottage while De Quincey was resident there The whole episode has a nightmare quality as presented by De Quincey and he attempts to exorcise the apparition, described by epithets like 'demon' and 'tiger cat' first by reciting from the *Iliad* and then by plying his unwelcome guest with a large portion of opium, the assumption is that the invocation of Hellenism—the 'literature of power' may have the magic effect of reducing the Malay to submission, then the need to dominate is compounded into the need to kill through the proffering of opium Very adroitly, Leask translates De Quincey's paranoia into historical terms, arguing how this paranoia is defined by the 'anxieties of empire', and finding analogies between his 'class hatred' and 'race hatred'—in both there is a perverse identification with the 'other', the identification also signifies how moving in the opposite direction from Byron the conservative pro empire De Quincey arrives close to the same point In his writings

> The ideals of the European nation state and the rights of individuals are forfeited by the imperialist projections and Malthusian fears of an enormously expanding metropolitan population as well as of a 'yellow peril' are subliminally represented as concomitants of global capitalism (p 227)

Imperialist triumph is changed to imperialism fearing itself in fearing the 'other'

Leask rightly assumes that the perception of the curse of power is nowhere of such abiding concern as in Shelley's writings and that as such the theme of 'empire' as the ultimate repository of power cannot be absent there

> It is tempting for admirers of the radical energy of Shelley's poetry and those who are tolerant of the utopian optimism which breaks through the despair of much of his writing, to believe that he was searching for a voice to say albeit late in his short poetic career, what no other contemporary British writer even dreamed of saying Namely that the colonial encounter need not exhaust the possibilities of the meeting of different cultures and that the option might remain however apparently counter factual of imagining communities premised neither upon paranoiac discriminations nor fetishistic identification, the twin pathologies of imperialism (p 169)

In *Prometheus Unbound*, particularly in the working out of the Prometheus-Asia relationship in the dramatic *agon*, Leask discovers the suggestion of such an option which leaves behind the narcissistic appropriation of the other through which orientalist dichotomies are sought to be overcome in *Alastor* or in *Revolt of Islam* The option at the level of the gender paradigm offered by the Prometheus-Asia relationship also opens up by analogy an option in the racial paradigm Leask works out this analogy very forcefully One feels, however, that a too simplistic reading of Shelley's other lyrical drama *Hellas* is indicated in the cursory comment that its metaphoric and narrative energy is sustained by "assertive rationalism (in a qualified form)" Shelley's comments on the European despots in the Preface to *Hellas* is an indication that Mahomet cannot be said to represent oriental imperialism as *opposed* to Hellenic (European) rationalism Also Leask's thesis regarding Shelley's perception of an 'option' in the meeting of cultures would perhaps have been strengthened if there had been some discussion of the critique—rather self-critique—of European Enlightenment which is put in Rousseau's mouth in *Triumph of Life*

For all this however Leask's critique of the general blindness on the part of British Left towards the Empire", reflected in Shelley criticism in the failure to perceive the accommodation which Shelley's radicalism makes with the question of imperialism is very well taken Specially because Shelley was a radical idealist one must look at his representation of the issue far more critically Like the Utilitarians he often makes Hindu culture the emblem of irrational obscurantism but does it hamper his perception of the anomalies of imperialist moral design? Leask's argument that

> India is an oxymoronic figure in his poetry, the site of a revolution which is also a form of imperial domination a contradiction which enforces a particularly tortuous deployment of the metaphors and narrative turns (as well as suppressions) of the orientalist archive (p 79)

has to be taken very seriously Shelley's perception of an option to these dichotomies in *Prometheus Unbound* becomes all the more interesting if we admit the above critique

It is in the context of this development in Shelley's writings that Leask introduces his short chapter on Rammohan Roy's intervention in metropolitan culture in 1817-18 There is no evidence that Shelley actually read Rammohan's articles on Hinduism published in the Unitarian *Monthly Magazine* But the possibility of his having read them is quite strong Leask offers the thesis that Shelley's acquaintance with the thought of the so-called 'reforming Brahmin' may have been a factor in breaking up Shelley's earlier 'politics of assimilation', his faith in the 'civilising mission' of European Enlightenment revolutionising asiatic hierarchies, it may have borne fruit in the

> 'polyphonic texture of Shelley's major work, *Prometheus Unbound* unsettling the norms of both 'orientalist' and assimilationist discourse and permitting the emergence of a new account of the relations between east and west (p 140)

Rammohan's interpretation of Hinduism as a monotheistic creed in its pristine form was according to Leask, distinct from the assumptions of 'orientalist' discourse and at the same time, from the traditionalism of the Brahminical hierarchy of the time His sympathy with Unitarianism did not prevent him from developing independently the model of upanishadic monotheism, while combining with it his early Islamic and sufi training and his later acquaintance with "the radical dissenting Christianity of the European Enlightenment" Leask quite correctly points out that Rammohan is no co-opted spokesman of metropolitan culture, nor a capitulator to Hindu conservatism of his time, but represents a new level of discourse which subverts the demands of colonial power and offers a new basis for a dialogue between different cultures Whether this can be called a 'hybrid theology' after Bhabha is, of course, a separate matter, but Shelley's 'option' in *Prometheus Unbound* consists in the perception that such a discourse is possible

Leask's thesis has special relevance for us in India today when economic and cultural imperialism of a new kind has been setting the agenda of globalisation for the developing countries The contradiction of the situation lies in that this has the effect of indirectly aggravating, and not diminishing, obscurantism and fanaticism For anti-colonial militancy to accommodate obscurantism is not unusual in the history of our national struggle Today however, modernisation, normally associated with rationality, seems itself to breed the irrational in our context Powers of homogenisation are reinforcing the subaltern's loss of linguistic tools This has the effect of encouraging traditions of unreason

The fact of the coincidence of European Enlightenment in the 18th and early 19th centuries with the expansion of colonialism no doubt assumes a situation where 'reason' becomes the instrument of colonial hegemony Within the space of Romantic writings, Leask explores this "complicity between Enlightenment and its historical bedfellow, European imperialism" (p 60) While wholly agreeing with the relevance of such an exploration, I think it is also necessary to ask whether it is not possible to see 'reason' as a multilateral concept and not essentially a by-product of European Enlightenment and imperialist hegemony It may have analogues in different historical situations There may be traditions of uncompromising rationality in different cultures, not necessarily European.

The advent of Rammohan took place at a time when historical circumstances made it possible for him to use the materials of the rationalist traditions in Hindu philosophy (perhaps also Islamic philosophy) as well as his later contacts with European

Enlightenment, in order to strike a new path away from both the 'orientalist' discourse and that Hindu traditionalism which fell in step with the orientalists. This is why it seems to me that Bhabha's thesis of 'hybridism' may not be very helpful in understanding the new perception worked out of indigenous sources that Rammohan represents. Rammohan's anti-'Sati' writings also show that while looking for points of alliance with Enlightenment rationalism and its revolutionary outcome, Rammohan's programme for the reform of Hindu society was based on a logical structure that was genuinely indigenous. At least it develops a relative autonomy *vis-a-vis* the colonist discourse. The rupture that he is able to create in the official perception of women comes from this and not from his adoption of a westernised, elitist position as suggested by some scholars.

Shelley may or may not have read Rammohan's articles on Hinduism, but the radical, utopian-revolutionary aspect of Enlightenment reason which Shelley represented—that which caused the 'anxieties' regarding the dichotomies of imperialist discourse—may well have helped him to construct imaginatively the basis for the kind of dialogic option which Leask finds in *Prometheus*. The fact of Rammohan's model of rationality being there at the same time is a historical corroboration of Shelley's perception. Leask correctly diagnoses the importance of the intervention of imperialist ideology in Romantic literature and considers the study of it essential for 'decolonisation of our culture', but I think he still leaves it for Eng-lit academics in the third world to explore forms of indigenous (and subaltern) rationality which may offer a model for decolonisation of third world cultural forms.

The Food Question

Rajeswari S

The Food Question: Profits versus People? edited by Bernstein, Henry, Ben Crow, Maureen Mackintosh, and Charlotte Martin; Earthscan Publications, London, 1990.

WHEN tools dictate the questions and design the answers, truth—the indigent waif—is left stranded outside the rigid terms of reference. This book invokes socialist analysis to look beyond its historic strengths (of class and power relations), to emerge from the ennui of dogmatic 'givens' and seek answers where nothing is given for sure. In other words, it highlights the felt need for new concepts and analytical tools to explain and provide solutions for problems in a framework of changing institutions and ongoing processes.

The book, a collection of essays on food production, distribution and consumption, highlights the fact that the 'food question' is not the same everywhere. The complexities and contradictions of "actually existing capitalism" are brought out through careful analyses of the institutions of capitalism—markets, gender relations and labour relations. The actors—peasants, merchants, governments, aid agencies, scientists, politicians and bureaucrats—operate within the all-pervasive institutions of capitalism. These institutions are located within specific space-time contexts and the actors' response to food (whether it is a production problem or consumption constraints) is part of—often the very basis of—their survival strategies within these institutions. This essentially imparts significant differences even within apparently homogeneous groups. For instance, peasants, the agrarian petty commodity producers, are not a uniform social category. Bernstein (Chapter 6) argues that peasants are very much part of the complexities and contradictions of capitalism, and thereby, just as stratified. The message is that analyses of peasantry must use the socialist tools without assuming that a particular schema/theory of differentiation applies everywhere, under all circumstances, and produces the same results. There is no one peasant way. Institutional differences (class, gender relations, ecological and exchange systems) within/internal to the peasantry are as integral to exploitation and differentiation, as those external to peasant communities. The question in both theory and practice should be 'which peasants?' Following which, socialist co-operation (as distinct from capitalism and bureaucratic socialism) would be the essential political solution to the problem of impoverisation of the peasantry. However, in advocating socialist co-operation as a valid solution, Bernstein seems to harbour a seemingly innocuous desire for revolution of a particular kind. Revolution and radical change, yes; but hopefully not of one particular kind. If differentiation is complex and highly diverse, a uniform political solution will only add to existing contradictions.

The peasantry or the entire rural populace, for that matter, is a dynamic entity where survival strategies are constantly revised and renewed to overcome market, labour, ecological and gender barriers to food. The institutions that are created/modified/dismantled by women in situations of food crisis are discussed by Whitehead (Chapter 5) and Kabeer (Chapter 12). Gender/sexual politics is the root of the apparent and implicit differences in the way poverty and food crises are created and resisted. Whitehead asks for academics—even those who reiterate the feminisation of poverty—to recognise this sexual politics of poverty. We (men and women) do not live in a world of rational expectations and individual choices; our gender differences obscure the options open to us as human beings. Kabeer's analysis of these options and survival strategies in the context of institutional constraints again makes us question basic concepts of dependency, bargaining power and collective responses or small group behaviour. The difference between Kabeer's rural women and their urban counterparts (Pryer, Chapter 11) is marked by both the alienation and the incapacity to challenge the parameters of oppression, that characterise urbanisation. Yet from the proverbial frying pan they go, almost willingly, to scrounge in the urban wilderness. These migrations from their villages, from institutions of family and kinship are prompted by macro policies dictated by international agencies and implemented by the 'development' state. Mbilinyi (Chapter 10) draws out the ways in which wage labour, especially women, respond to such "structural adjustments of capital and labour in favour of capital". Once again, the book focuses on a sensitive issue even in the most progressive of democracies, viz, decentralisation The fact that support of workers and women is a prerequisite for successful structural adjustments in less developed countries is yet to find a place in the macro-policy maker's intellectually (not socially) informed debate.

While Mbilinyi's focus is on increasing marginalisation of women (through institutions of capital and patriarchy amply aided by the state) in agribusiness complexes, Watts (Chapter 13) delineates the transformation of the peasantry, under 'contract farming'. Adding a new dimension to the mode of production debate, Watts defines contract farming as a form of social organisation. It is the ideal vertical co-ordination of mature capitalism, where agricultural production is directly determined by the "complex and changing profit conditions of global capitalism" (p 149). When the basic farm resource—land—is pledged (by the state, the large capitalist farmer or the peasant) to capital, the entire farm sector is incorporated into the 'big slavery' of corporate production. This, Watts points out, corresponds with flexible specialisation in the manufacturing sector. Both are marked by a deepening division of labour, changes in organisation of production and reintegration of control by capital

(situated outside and truly distant from the location of production).

Contracting of a different sort, more pervasive and highly diversified, characterises the relationship of agricultural producers (large, marginal, small) with capital, through the 'awkward class', the merchants. Harriss (Chapter 8) details the secondary surplus appropriation through the complex and diverse activities of the merchants in agriculture. Merchant capital has achieved, through its blatant profit motives, an integration of the technology and finance components in agricultural production, that state-sponsored agencies have been floundering about for decades. That the state has failed to achieve this is causally related to the mutual interests shared by the state and the merchants. Harriss brings out the opportunism of merchant-capital, effected through sponsoring from time to time, political parties that support their unscrupulous extraction. As in the case of contract farming, merchant capital is also endowed with (what I would call) the greatest achievement of mature capitalism, viz, unaccountability. The days of industrial workers or farm labourers confronting capital directly, regarding wages or food, will soon be part of history. In our times, the industrialist, the financier, and the government are all accountable only to capital and their own profit and power accounts. The complexities of actually existing capitalism increase in direct proportion to the degree of social unaccountability.

The political consequences of this unaccountability of capital once it enters agricultural production are evident in the papers by Patnaik (Chapter 7) and Bartra (Chapter 9). The political crises that third world countries face, following implementation of the capitalist agricultural strategy, reveal the institutional mismatch between existing (land and labour) markets and the ones demanded by capital. The state is taken to task through militant responses of various kinds, by those who have received a few crumbs of the cake and want more (landlords and capitalist farmers), as well as those who have lost their minimum daily bread (peasants and rural labour). One poignant insight from these pieces is that peasant uprisings in the 1980s have been shorn of the direct confrontation with capital, characteristic of earlier times. Now, the state (a tool in the hands of global capitalism) and its bureaucrats, suppress disgruntled peasants, devise price policies to appease large farmers, design doles or simply forget the existence of impoverished rural labour, all amounting to increased accumulation elsewhere. This confusion in locating the 'villain' is nowhere more significant than in the scientific research establishments of capitalism. Buttel (Chapter 14) captures these complexities in biotechnology research and its implications for the third world. Yes, there is immense potential for development using biotechnology; but this has to be preceded by political change and not fore-doomed with the political crises that have marked the green revolution technologies. The international political economy of food that was played between nation states in the 1960s is now enacted among multinational corporations.

Friedmann (Chapter 1) and Crow (Chapter 2) examine the centrality of 'aid' in international food policy, through a historical review of third world food dependence. Food, the capacity to produce it and consume it, is a part of class politics played in the international arena. Friedmann's discussion of the production issue is validated in several other pieces in the book. It is, however, only one piece that explains how urban consumptionism in the west (the British diet for example) is an important determinant of food availability, access to food, and environmental consequences of production strategies followed to meet such excessive consumption patterns (Jenkins, Chapter 15). The way international markets work to increase the imbalances in food production, and reinforce the contradictions of capitalism, is highlighted.

In a discussion informed by recent changes both in the capitalist and socialist worlds, Mackintosh (Chapter 4) calls for a rethinking of the concept of 'markets'. The 'access to food' argument advocated by international agencies (the World Bank) is one that ignores the terms under which people come to markets. Mackintosh concludes that this limited view of the market (as per micro-economic rationale) is the antithesis of food security. We need to reconsider what market liberalisation means: it involves opening new and wider markets for agricultural produce, and constructing narrow, dispersed, and enslaved labour markets. Ultimately what does food, access to it, and the capacity for self-determination mean in the context of this market liberalisation? For those enthused to seek answers, the book provides a reading list (Martin, Chapter 16), true to the kind of open-ended questions that are posed by the articles therein.

It is evident that the authors believe in political solutions to the varied and complex food question. But nowhere is it clear as to how this new political form will be different from existing capitalist democracies and autarchies or the socialist state (of worse repute in recent times than all the crimes of capitalist states put together). The socialist co-operation (though not conceptually clarified) envisaged by Bernstein does demand local decision-making capacity. In this world of increasing globalisation and transnational capital movements, these recommendations for small locally controlled groups/administrations do seem far fetched. More important is to ask whether this is a repetition of past mistakes, perpetrated when we had believed in global idylls. That history reveals patterns, interesting permutations and combinations of institutions and actors in various historical contexts, must suffice to convince us that there cannot (and should not) be an absolute uniform solution.

The book, however, provokes fresh questions and after revealing how existing tools of analyses are inadequate, induces the search for new conceptualisations and theoretical frameworks. There is a parallel here, with the first school of institutional economists, who, while emphasising the relevance of the historical processes in development, called for new terms of reference and/or theoretical frameworks. An example in the context of this book would be Commons' concept of the 'going concern'.* When the family, a corporation, markets, the state, and institutions of the like, are conceptualised as going concerns (defined as a proper synthesis of going plant and going business), the conflicts and solutions sought to them within these institutions can be explained in terms of the three types of transactions (bargaining, managerial, and rationing). Add to this the cognisance that these transactions are kept together by working rules, that these working rules are part of the dialectics of the historical process and are bound to change over time, and we give the economics (the political economy) of food a new set of tools. When working rules are placed in perspective, within the social, anthropological and cultural contexts, the analysis is cleared of the economism—the oft lamented tendency observed in the new institutional economists to reduce all transactions to costs and benefits using the tools of micro-economics—that so taints institutional analysis in recent times.

What this book brings out most significantly is the undeniably strong institutional imperatives that determine who eats what and under what conditions. For all of us trained to seek solutions in demand and supply equations, the articles here are exercises in redefinition. They question the essential assumptions we use to estimate demand and the reality we neglect while quantifying supply. For those of us who see the world polarised in terms of classes and power structures, it teaches us that homogeneous classes and power relations exist only on paper. Most poignant is the message that Bernstein and company deliver: flux is the only certainty.

Note

* John R Commons, 1934, *Institutional Economics, Its Place in Political Economy*, The Macmillan Company, New York.

Role of Economic Planning in India in the 1990s and Beyond

V M Dandekar

The Five-Year Plans have made a distinction between the public and private sectors from the very beginning The plan targets have been prescriptive for the public sector, the Planning Commission acting as a clearing house for many crucial economic decisions taken at different institutional and regional levels, for ensuring inter-sectoral and inter-temporal consistencies by the use of a formal 'economic model'

For the private sector, the plan targets have been only indicative The difference now is that whereas earlier, to enforce indicative targets in the private sector, instruments such as 'taxes and subsidies' and prices licensing and quantitative controls' were deliberately used, beginning with the Eighth Plan, planning will have to operate in a more deregulated environment as far as the private sector is concerned

The important question is how indicative planning for the private sector in a more deregulated environment, with hardly any instruments to enforce the indicated targets, will fit into overall economic planning.

BEFORE we discuss the role of economic planning in the 1990s and beyond, it will be useful to see how the Planning Commission conceives its role in the Eighth Plan (1992-97) It takes note of the "widespread changes which have altered the international social and economic order" and emphasises that it must "respond and adjust to the changes quickly and creatively" Hence, the Eighth Plan is a "Plan for managing the change, for managing the transition from a centrally planned economy to a market-led economy without tearing our socio-cultural fabric" [Planning Commission 1992 Vol I, p i]

Herein lies the rub It is time to realise that 'our socio-cultural fabric' is essentially anti-market There is a populist concern for the small, the poor, the weak, and the backward, the one lagging behind, in short, the one who will not survive the competition in the market place He must be helped and protected This is admirable Unfortunately, this is matched by an irrational animus against the strong, the one who will survive the competition and will grow without social assistance because, in that case, he must be robbing the poor and exploiting the weak Therefore, even if it may not be possible to help the poor and the weak positively and adequately, it is supposed to help the poor and the weak if the strong is constrained and his growth contained This is the policy syndrome called 'Growth with Social Justice' with greater emphasis on Social Justice than on Growth In the process all elements of growth have been crippled and all motivation for standing on one's own made redundant As a result, growth has suffered and, in consequence, also social justice The economy does not produce enough to help those who must be helped If this is indeed 'our socio-cultural fabric' no growth is conceivable without tearing it apart

One of the first tasks of the Planning Commission in the 1990s and beyond should be to educate the people and the politician on this point Economic restructuring requires restructuring of traditional values and behaviour and this should be explicitly included among the goals of future economic planning In deference to those who will consider nothing unless it is done elsewhere and reported by a foreign author, we may note that the First Five-Year Plan (1962-66) of the Republic of Korea, in its goals "included 'modernisation' or the restructuring of the traditional values and behaviour as well as the more usual economic objectives" [Kuznets 1990 659]

This is an educative function and to be able to pursue it as a plan goal, the Planning Commission must become a purely advisory body stripped of all executive authority If this is done, it may be able to pronounce and probe into some of the unspeakable truths of the situation, as in fact the Korean First Five-Year Plan did 'What is perhaps most unusual about this plan is the grim picture of earlier corruption and economic stagnation painted in its first chapter Despite large-scale aid living standards were still very low Arbitrary assessment by capricious tax officials [made] evasion prerequisite for staying in business, many entrepreneurs went into unsavoury league with politicians and bureaucrats, [and] virtually all social evils were connected with greed and maladministration of government officials" [Kuznets 1990]

In short, the economic planning in the 1990s and beyond must be truthful, to the extent,available data and the limitations of macro-economic modelling permit, and must cease to be the election manifesto of the ruling political party Planning Commission as it is presently constituted does not guarantee this "As an institutional safeguard against the Planning Commission operating as a department of the central government, it may be necessary to the commission under the inter-state council envisaged in Article 263 of the Constitution Also the appointment of the members of the Planning Commission should be approved by the council In fact, in all matters relating to centre-state financial and economic relations, the president should be guided by the council and not by the central cabinet" [Gulati and George 1988: 31 32]

Though it is said that the Eighth Plan is a Plan for managing the transition from a centrally planned economy to a market-led economy" [p (i)], elsewhere it is also said:

The centralised planning of the type practised in socialist economies did not exist in India ever In practice, the market has determined allocations in a major segment of the economy ' [1 5 2] But, "So long as public sector investment is a significant proportion of the total investment, planning in relation to the public sector has to be detailed identifying specific projects in the various sectors Besides, the plan of the centre will have to be appropriately linked with the state plans as both the centre and the states have responsibilities in almost all areas All this is analogous to corporate planning' [1 5 11]

We may note that, in the Eighth Plan, the public sector constitutes 70 78 per cent of the total planned' investment (that is, leaving out the household sector) The Planning Commission has a budget (1993-94 BE) of Rs 103 70 crore and directly controls the annual plan expenditure of the central

government amounting to Rs 41,251 crore (1993-94 BE) and indirectly the plan expenditure of the state governments, other than that provided by the central assistance. The total expenditure of the central government amounts to Rs 1,31,323 crore (1993-94 BE) of which Rs 41,251 crore (31.41 per cent) is directly controlled by the Planning Commission. If we consider only the capital expenditure, the total capital expenditure of the central government amounts to Rs 29,484 crore (1993-94 BE) of which Rs 17,066 crore (57 88 per cent) is directly controlled by the Planning Commission. Undoubtedly, this is an awesome authority.

Presumably, to allocate this enormous investment to different sectors/states, the erstwhile 'planning process' will continue. In fact, phrases such as "*forcing* public enterprises to minimise costs and maximise efficiency" [4.5.2] and "the government departments providing these [public] utilities should be *forced* to become by imposing harder budget constraints on them" [4.5.20] are found used in the Eighth Plan document (emphasis added). "For the rest of the system (presumably, private corporate sector), the plan will be indicative outlining the broad directions in which the economy should be growing" [1.5.11].

This is not peculiar to the Eighth Plan. A distinction has been made between the public and private sectors from the very beginning. The plan targets have been prescriptive for the public sector, the Planning Commission acting as a clearing house for many crucial economic decisions taken at different institutional and regional levels, for ensuring inter-sectoral and inter-temporal consistencies by the use of a formal 'economic model'. For the private sector, the plan targets have been only indicative. The difference now is that, earlier, to enforce indicative targets in the private sector, instruments such as 'taxes and subsidies', 'prices, licensing, and other quantitative controls' were deliberately used while, economic planning beginning with the Eighth Plan, so far as the private sector is concerned, will have to operate in a more deregulated environment. The important question to ask is how indicative planning for the private sector in a more deregulated environment, with hardly any instruments to enforce the indicated targets, will fit into overall economic planning.

But before we answer that question, let us first see whether economic planning in the public sector, which includes central and state governments and their undertakings, will be, or rather, should be any different without sacrificing the inter-sectoral and inter-temporal consistencies ensured by a formal economic model. A brief description of the model used in the Seventh Plan may be useful. The following is taken from *A Technical Note on the Seventh Plan of India (1985-90)*, particularly Chapter 1, duly edited and abridged.

Economic Models

Planning in India began with the First Five-Year Plan (1951-56). The planning models in the First and Second Plans were focused mainly on the growth potential determined by the savings potential of the economy and incremental capital/output ratio. They belonged to the Harrod-Domar and Feldman-Mahalanobis family comprising a single sector with no foreign trade. Hence, their demand and supply equations were the same. Since the Third Plan and until the end of the Fifth Plan, the input-output models basically belonging to the Leontief group were used in order to ensure inter-sectoral consistencies between the production targets. The production targets were mainly estimated from the demand side without taking into account the supply constraints except indirectly, for a few specific sectors, by the use of material balances. During the Fourth and the Fifth Plans, the input-output models were articulated by making them 'closed' first by endogenising imports and then consumption in the final demand. The Sixth Plan tried to integrate the Harrod-Domar and the input-output approaches in a demand-supply frame. An investment planning model was developed and integrated with the input-output system and the demand-supply balances were checked over time, not only in the commodity and services market but also in the markets dealing with primary inputs like labour and capital and other important non-renewable resources [Planning Commission 1980: 1].

In the Seventh Plan, the basic model remained the same as in the Sixth Plan. It comprised a 'core model' consisting of (i) a macro-economic model, (ii) an input-output model, (iii) an investment model and seven major 'sub-models', namely, agriculture, industry, consumption, poverty, export and import, financial resources, and demography and employment. The core model and all the sub-models have two distinctive parts: (i) the model structure is presented in the form of a system of equations which involve a number of parameters and which postulate certain interrelationships between all major variables, like consumption, investment, export, import, and different policy instruments of the government; and (ii) appropriate estimation procedures to estimate the various parameters either based on observed behaviour or technology.

To begin with, estimates are made of the requirements of the economy (demand) in the light of certain basic objectives of growth, equity and self-reliance as recommended by the National Development Council (NDC). This is done in the 'core model'. The demand is decomposed into four main groups: (i) consumption, both public and private, (ii) investment again separated into public and private, (iii) exports, and (iv) intermediate goods.

The macro-economic model consists of a number of national income and expenditure identities and this, in combination with input-output model, determines investment in the terminal year endogenously. Given a target rate of growth and base year GDP, saving and consumption decisions of public and private sectors and certain other exogenous variables, macro-economic model determines resources available for investment. A crucial link between the macro-economic model and the input-output model is provided by the value of total imports. Iterative process between macro-economic model and input-output model ends when the value of investible resources in the terminal year converge to the same value in successive runs.

Investment model is then started. Investment model derives investment requirements at broad aggregate sector levels and converts investment by destination into that by origin. In case of a mismatch between available resources and required resources for investment, the latter is adjusted by moderating on the post-terminal rates of growth. At the end of a run of investment model, investment by type of assets (construction, machinery and equipment, and changes in stock) is obtained and this in turn is fed into the input-output model for a re-run. Iterative process for the core model concludes when investment level and its asset composition remains the same in successive iterations.

Sub-models are constructed to go into details of certain phenomena that are complementary to the core input-output model. Some of these sub-models are percussive to the main model, like demographic projections and assumptions of saving behaviour of different institutions in the economy. Certain other sub-models are recursive like the employment. By its very specification, the core model excludes certain variables like land and water, aggregates certain commodity production activities like in petroleum sectors; assumes some variables as given exogenously, for example export vector. Sub-models are constructed to pay attention which is technically necessary but which is not at present integrated in the main input-output model.

The model system runs on the basis of a set of lagged endogenous variables, a set of relevant parameters and selected exogenous

variables including the policy variables. The basic set of parameters in the core models are the input-output coefficient matrix and the capital output ratios. Besides, there are other parameters relating to different sub-models. They refer mainly to consumption propensities/expenditure elasticities, all demography related parameters, functions relating to costs and use of natural resources, transport coefficients, etc. The basic parameters of the I/O table are based on 1973-74 I/O (input-output) table of 115 sectors prepared by the Central Statistical Organisation (CSO) duly updated and revised. Import use coefficients are estimated by using information obtained from the CSO regarding destination and imports and allocations in proportion to total input use flows among identified destination sectors. Capital coefficient matrix and incremental capital output ratios (ICORs) are based on econometric estimation on the past data on capital output ratios worked out by the working group constituted for the purpose [Planning Commission 1985: 1-5].

This is an imposing mathematical structure and its purpose is to ensure inter-sectoral consistency between production targets set by the plan. Without wanting to derogate the pursuit of the mathematical model builders to represent the economy as a mathematical system consisting of a large number of interrelated equations, we should note the following: (i) Inevitably, it is a highly aggregated model. The I/O table for 1973-74 originally prepared by the CSO conceived the economy as having 115 sectors, that is, 115 groups of commodities and services. Later, this was aggregated into only 60 sectors. The CSO has updated this table and published a 60-sector I/O table for 1978-79 and also for 1983-84. Presumably, for purposes of the Seventh Plan, the Planning Commission has used the last mentioned table but has further aggregated it into only 50 groups. For instance, one of the 50 sectors consists of sugarcane (including gur), groundnut, rubber, coconut, tobacco, and crops other than paddy (including rice milling), wheat (including flour milling), jowar, bajra, maize, gram, pulses (milled and unmilled), jute, cotton, tea, and coffee. Another sector consists of edible oils (hydrogenated or otherwise), tea and coffee processing, miscellaneous food products, beverages, and tobacco products. Yet another sector consists of heavy chemicals (organic and inorganic), paints, varnishes, and lacquers, drugs and medicines, soaps, cosmetics, glycerine, and other chemicals (excluding synthetic fibres and resins). Yet another sector consists of tractors and other agricultural implements, industrial machinery, machine tools, office computing and accounting machinery and other non-electrical machinery. With such aggregated sectors, I/O coefficients have little meaning and inter-sectoral consistency allows more of wheat compensated by less of tea; or more of hydrogenated oil compensated by less of processed tea; or more of tractors compensated by fewer machine tools.

Moreover, the data base of the Indian economy is probably adequate for estimating the Gross Domestic Product but quite unsatisfactory for estimation of I/O coefficients, capital coefficient or incremental capital/output ratios. Further, many parameters of the mathematical models are pure guesswork or political pronouncements called policy variables. Finally, with indicative planning for the private sector, as it is envisaged in the Eighth Plan, in a more deregulated environment with hardly any instruments to enforce the indicated targets, one must ask what is the meaning of inter-sectoral consistency which the plan model is supposed to ensure.

For those not familiar with the mathematics of modelling and the statistical or factual foundations of these models, planning models are a great mystery and that is their strength. Commenting on planning models S P Gupta, who was himself an Advisor and Head of the Perspective Planning Division of the Planning Commission during the Sixth and Seventh Plan formulations, says: "Like most economic models, the planning models are also abstractions of reality. They try to capture the objectives and efforts needed in planned development. Their usefulness lies in helping to understand the complex economic linkages in alternative policy decisions, and to help planners devise ways and means to lead the economy in the desired direction. However, it is well appreciated that there are many behavioural relations and institutional factors which are difficult to capture in a rigorous formal model frame, although they may be very important to the country's development. Therefore, any result based on formal modelling should be used with necessary caution. But a total absence of any formal model structure may result in inconsistencies and lopsided priorities in allocating resources. Indeed, formalised modelling is found to be an effective disciplining device in the exercise of choice of policy-makers and users" [Gupta 1989:6]. Indeed, the plan model is the device which the Planning Commission has used to enforce discipline on the central and state governments, their ministries, departments, and undertakings.

In trying to enforce discipline on the ministries, departments, and undertakings of the central government, as Gupta says, much of the work done in the Planning Commission, in effect, is a duplication of the jobs of different ministries [Gupta 1989:71]. In trying to discipline the state governments, the Planning Commission is straining the federal structure envisaged in the Constitution. A major task of the Planning Commission in the 1990s and beyond should be how to (i) avoid duplication of work which legitimately belongs to different ministries and (ii) recognise autonomy of the state governments. To appreciate the nature of the problem, it will be useful to recapitulate, even if briefly, the planning process and how it moves through the labyrinth of the Planning Commission.

The following account is taken from S P Gupta (1989) (in particular, its Chapter 2). Gupta, as mentioned above, was himself an Advisor and Head of the Perspective Planning Division of the Planning Commission during the Sixth and Seventh Plan formulations. Of course, the material is suitably abridged and edited.

Planning Commission

The Planning Commission was set up in March 1950 by a resolution of the government of India and has now grown into a large body with the prime minister as the chairman, the deputy chairman, several full-time members and the ministers of Human Resource Development, of Finance and of Agriculture as ex-officio members. Besides, there is a minister of state for planning. The day-to-day work of the commission is looked after by the deputy chairman. The commission has a collective responsibility but, for convenience, each member has charge of a group of subjects. In short, it is a parallel mini cabinet under the prime minister. It has a large secretariat consisting of a number of divisions (presently as many as 30 in number) which may be classified into four types: (i) general divisions concerned with certain aspects of the entire economy, (ii) subject divisions concerned with specific subjects, (iii) service divisions concerned with administration, accounts, and general services, and (iv) area divisions called the State Plan Divisions, where state plans are formulated and monitored. By end of March 1993, it had a total staff strength of 5,315. It is one of the very few government agencies which carry a large research staff, consisting of experts from all fields of development.

Nevertheless, Gupta mentions, the composition of the staff is some what weighted towards civil servants and bureaucrats, and much of its work, in effect, is a duplication of the jobs of different ministries [Gupta 1989:71]. This may be so. But, we may mention that the distinction between a research worker in a governmental establishment and a bureaucrat is rather thin. Experience shows that when a senior scientist is appointed the secretary of a ministry, or

the director of a research institute, or the vice-chancellor of a university, it takes about two years for him to become an administrator, and probably another two years to become a politician. What is true of a senior scientist is also true of a junior scientist, a junior scientist becomes a junior administrator and a junior politician, almost proportionately. To correct this, even if partially, the Planning Commission, in future, must shed much of its administrative authority and strive to become an expert advisory body.

Planning Process

The first step in plan making is to prepare an 'Approach Paper' on the basis of estimates of likely long-term changes in the major parameters of growth as well as during the Five-Year Plan period. These are based on the experience of the past, projected requirements in future and likely availability of resources for the next plan worked out by various working groups consisting of officials in the Planning Commission, central ministries, other institutions, state governments, and experts in the field. As many as 126 working groups were set up in connection with the Seventh Plan.

While initiating work on the 'Approach' at the national level, state governments are also advised to take preliminary steps for formulating their 'Approach' and set up working groups wherever considered necessary. After the Approach Paper is approved by the National Development Council, the Planning Commission addresses the central ministries and state governments to formulate detailed proposals of their plans. When the states submit their plan proposals, these are discussed in different working groups.

In the case of central plan, the concerned division prepares a status paper taking into account the recommendations of the concerned working groups, proposals of the relevant ministries, and its own assessment. The status paper constitutes the basis of discussion between the Planning Commission and the secretary of the concerned central ministry/department. In the light of the discussions with the ministries and the anticipated total resources for the central plan, the commission takes a veiw on the development programme of each ministry/department. The recommendations of all the working groups on the proposals of a state are considered by the concerned State Plan Adviser. This report forms the basis of discussions between the Planning Commission and the state governments for finalising the plan for each state and its targets of additional resources mobilisation.

The Project Appraisal Division makes an appraisal of central government projects

costing more than Rs 2 crore before they are considered by the Public Investment Board or the Expenditure Finance Committee (EFC). In appraising a project, the division examines the need for the project, its linkages with the plan, technical and organisational aspects as well as the economic and financial viability of the project. The division also appraises revised cost estimates of major central projects when these exceed 20 per cent of the sanctioned cost.

The projects, forwarded for appraisal, are broadly divided into three categories: (i) industrial and non-basic sectors; (ii) infrastructure projects and (iii) social projects. The appraisal approach differs among them.

For the public sector projects covering non-basic sectors, like watches, drugs, certain chemicals, etc, the criteria for accepting or rejecting a project is mainly based on an assumed economic rate of return of 12 per cent per annum, and whether their production is within the targeted demand for the product. The anticipated output is valued at c i f prices to determine the 'make it or buy it' decision.

For the infrastructure projects, the proposed investment project is recommended if it is found to be the least cost option available to meet the targeted demand. In practice, however, often the alternatives are hardly available for appraisal. These projects are not constrained in their selection by the economic rates of return criteria of 12 per cent per annum but on the basis of social rates of return which are difficult to estimate both on conceptual and data considerations. Hence, in effect, they are mostly calculated in qualitative terms. The social projects aim mainly to benefit the poorest of the poor and reduce income disparity. The appraisal report in these cases makes an attempt to investigate their benefits in qualitative terms.

The weakest element in the present practice of appraisal of projects is that usually one project at a time is submitted for appraisal and selection so that it is not possible to make a choice from alternative projects. This creates a special problem in the core sector. The rejection of a proposed project becomes often impossible since it might mean a shortage in the infrastructure facilities stipulated in the plan and preparation of another proposal from the secretariat takes time. Moreover, quite often, the proposed location of many projects cannot be changed because it is decided mainly on political grounds. Often, the initial project reports are so bad and based on such scanty data that, while passing through the various bureaucratic stages of approval, they have to be reported back time and again causing delay in approval [Gupta 1989:73].

The identification and presentation of the projects are prerogatives of implementing ministries and public sector undertakings. The appraisal is done mainly by the Planning Commission and emerges as recommendations. However, the final approval comes from the Public Investment Board (PIB). The PIB is the committee of secretaries entrusted with the investment decisions of public sector projects involving an investment outlay of above Rs 5 crore. Investments worth Rs 1 to 5 crore go to the EFC. The cabinet generally accepts the recommendations and implementations as per approved project

The states, as also the several working groups, prepare their plans within broad benchmarks supplied by the Planning Commission which are mostly in broad aggregates and usually at very general levels so that they can be differently interpreted by various working groups. As a result, the working groups often prepare their reports on the basis of mutually inconsistent assumptions Moreover, the working groups' reports usually come so late that many of their views cannot even get incorporated into the plan [Gupta 1989: 72]

At this stage, the working groups, both in the centre and the states, make their recommendations primarily on the basis of needs and feasibility of programmes and projects, since they do not have a clear idea of the resources likely to be available for development programmes in their respective area. The total of the outlays recommended by them, therefore, often turn out to be far in excess of what can be accommodated within the total estimated resources. As a result, it becomes necessary to prune the recommendations of the working groups in the process of finalising the central and state plans.

The estimates of resources of the centre for the plan are prepared by the Working Group on Financial Resources, which includes, *inter alia*, the representatives of the Planning Commission, the ministry of finance and the Reserve Bank of India. At the same time, the Financial Resources Division of the Planning Commission requests the state governments to furnish estimates of their resources for the plan. Detailed discussions are held with each state government to prepare mutually agreed upon estimates of resources. The Five-Year Plan, after incorporating the central and state plans, together with their financing schemes, as finally approved by the Planning Commission, is considered by the Union Cabinet. After its approval, the plan is placed before the National Development Council and, after the council approves, it is placed before the two houses of parliament.

The procedures for the formulation of annual plans is broadly the same as that adopted for the Five-Year Plan. However, in the case of the centre, there is a slight variation. First, the estimates of central resources are called for from the ministry of finance and finalised in consultation with them since there is no resources working group on central resources for the annual plan. Secondly, discussions with central ministries are held on the plan proposals sent as drafts by them. All meetings for this purpose are convened by the secretary, Planning Commission, with the secretary of the concerned ministry/department. Further, since the annual plan is formulated within the framework of a Five-Year Plan, the discussions with outside organisations and experts are on a limited scale.

The annual plan exercises have been increasingly confined almost exclusively to resource-availability, and the adjustments in investment allocations between sectors are being done mostly on a *pro rata* basis which has no scientific base; rather it comes out as a 'compromise' formula between the contending recipients [Gupta 1989: 72]. Worse still, physical targets are often not revised alongside. The mid-term appraisal comes some time in the third year of the plan. A correction to 'plan priorities' presented in this appraisal document has sometimes proved to be very academic as it comes too late in the plan period. In any case, most of the public sector enterprises attach very little importance to post-evaluation studies.

To sum up, the annual plan is the operative part of planning and no wonder that its main concern is almost exclusively the budgetary resources of the government. The investment allocations made to different ministries coming out of an elaborate mathematical model ensuring inter-sectoral consistencies are adjusted to fit into the budgetary resources on a *pro rata* basis which has no scientific base. As a consequence, the annual plan is a 'compromise' formula between the several contending recipients; in other words, it is a political solution. The Planning Commission yields because, unlike the ministries, it is not directly involved in the day-to-day implementation of programmes and projects and the underlying policy-making. In short, in spite of all the accumulated knowledge and information which, presumably, enables it to take a long- and medium-term development perspective, it does not know enough of how the government functions from day-to-day.

In contrast, the several ministries may not have knowledge and information sufficient to take a long- or medium-term development perspective of the entire economy but they have enough administrative and technical expertise to project a five-year programme of works and projects with well-defined priorities and sequencing so that, given the annual budget allocations, they can more easily and more meaningfully present a programme for a given year and update the programme for the next five years.

Planning in the 1990s and beyond, so far as the ministries/departments of the central government is concerned, should largely consist of putting together their updated programmes for the next five years in the manner of a rolling plan. To this should be appended (a) the annual plans after they are incorporated in the annual budget, (b) a transparent review of the implementation of the previous annual plan; the review should be prepared by the concerned ministry and the Planning Commission should discuss it with the concerned ministry to ensure that shortcomings and delays are not glossed over, and (c) a note on the bureaucratic practices and procedures which delay plan implementation with specific suggestions, in consultation with the concerned parties, as to how these may be revised. Administrative Reforms Commissions in the past have remained more or less confined to the surface of the administration and have rarely looked into the bottom. This cannot be done by Administrative Reforms Commissions appointed once in a way. This has to be a continuing process and should be a major responsibility of the Planning Commission in the future.

Regarding the public sector undertakings, the Eighth Plan document says: "For the public sector to perform the role expected of it in the 90s, the issue of loss-making public sector enterprises will have to be squarely addressed. A policy of the government meeting cash losses of so many enterprises for all times to come is just not sustainable. ...Efforts must be made to restructure and revitalise public sector units which are potentially viable through infusion of new technology, rationalisation of labour, and even infusion of resources for diversification or modernisation. Equally, patently unviable PSUs may have to be closed down with suitable social safety net mechanism, including retrenching and redeployment, being devised to protect the interests of workers. It should be recognised that in many cases the very rationale of the public sector entering certain industrial areas needs to be re-examined...and the restructuring of the public sector would essentially entail vacating such areas for private sector initiatives in coming years" [1.4.40].

Needless to say this will be a long process and essentially a political one. The Planning Commission can play a useful role by bringing together the representatives of finance, industry, and labour ministries and of the management and the labour union(s) of the concerned PSU, and initiating a meaningful dialogue which recognises that there are two sides to any vexed and delicate question. In the present case, while the legitimate interests of the workers have to be protected, the workers must also agree to share the responsibility by way of owning a share of the equity capital and proportionate participation in the management. Ideally, the present public sector should become the workers' sector owned and managed by the workers. But, it will have to be dealt with case by case. A few successful negotiations will set the principles and pace of restructuring. This should be an important item on the agenda of the Planning Commission in the 1990s and beyond.

State Plans

Let us next see the manner in which the Planning Commission in trying to impose a national plan on the state governments is straining the federal structure envisaged in the Constitution. As mentioned above, the recommendations of all the working groups on the proposals of a state are considered by the concerned State Plan Adviser and his report forms the basis of discussions between the Planning Commission and the state governments for finalising the plan for each state and its targets of additional resources mobilisation. It is simply preposterous that a single officer in the Planning Commission should sit in judgment on the plan proposals coming from the government of a state. It is surprising how this has been swallowed for four decades. The reasons are historical.

The historical circumstances in which the country became independent and accepted the strategy of planned economic development have helped to emphasise the unitary rather than the federal elements in the Constitution. Independent India inherited war-shattered and food-short economy and wartime food and price controls stressed the need for central action. Foreign exchange and import control, distribution of scarce commodities such as coal, steel, and cement, and regulation of inter-state trade and commerce necessary for price control could all be entrusted only to the union government. There prevailed wide popular support for the concept of planned development so that not just the Planning Commission, but also the National Development Council and even the states supported enthusiastically an ambitious plan. Planned development requires licensing of industries to conserve capital resources, to prevent their diversion into wasteful channels, and to ensure industrial dispersal into all regions; only the union government could administer the requisite licensing system. Socialist emphasis on the public sector increased immensely the powers of the union. Though the public sector was not confined to the union, the bigger industrial corporations and even more so the financial institutions such as the Life Insurance Corporation, the commercial and the development banks all came to be owned and controlled by the union government. The concept that certain minimum needs of the people must be satisfied all over the

country gave the union government a mandate to lay down national targets, including those in the state sector such as irrigation, roads, foodgrains production, education, public health, etc, and to freely exercise union authority to achieve them. Occasional voicing of concern for the states' autonomy within the federal constitution was branded as parochial.

Finance Commission and Planning Commission

We may note that, in regard to centre-state relations, two important institutions, the Finance Commission and the Planning Commission, have tended to work in opposite directions. The Finance Commission strives to ensure the financial autonomy of the states so that they may fulfil satisfactorily the functions assigned to them by the Constitution. On the other hand, the Planning Commission strives to bring the states into a national plan frame and leaves them hardly any sphere which they may call their own so that the country may presumably move, without deviation or distortion, along the path of planned development of the Planning Commission's conception.

The setting up of the Planning Commission to look after plan finance and recommend plan assistance for the states necessitated a demarcation between non-plan and plan expenditure and it became customary to limit the terms of reference of the Finance Commissions to non-plan expenditure only. To see the effect of this change, we should note the difference between the Finance Commissions' recommendations of devolution to states through tax-sharing and grants and the plan assistance to states, through grants and loans, which the Planning Commissions recommend. The tax sharing is regarded as matter of right and can leave the states with surpluses which they are free to spend. The grants under Article 275 are limited to non-plan deficits. They can be conditional but generally are not. In a sense, the deficit states receive these grants also as a matter of constitutional right.

In contrast, prior to the Fourth Plan, plan assistance was based on states' needs and ability to implement the plan as judged by the Planning Commission. Moreover, it was mainly schematic in nature and came in the form of a string of conditional grants. With the Fourth Plan, the Gadgil formula made the plan assistance more general and freed the states of excessive control. In 1979, the Planning Commission adopted the formula for a substantial part of plan assistance and utilised the discretionary assistance put at its disposal for the benefit of the poorer states. Since 1980, the Gadgil formula has been modified abolishing the weightage of 10 per cent given to continuing irrigation and power schemes and doubling the weightage for backwardness as measured by the per capita income from 10 to 20 per cent. As of now, a certain proportion of the total funds available for transfer is earmarked for assistance to the special category states and the balance is distributed among the other states as follows: 60 per cent in proportion to population, 20 per cent in proportion to backwardness as measured by per capita income, 10 per cent in proportion to the tax effort and 10 per cent in relation to the special problems. This is fair and equitable.

But the whole plan assistance depends on the approval by the Planning Commission of the state's plan as a whole. The assistance would be reduced in proportion to the shortage in the agreed plan outlay. On some items, the assistance is tied so that a shortfall in expenditure on these items would invite a cut in earmarked assistance. Besides, there is a detailed technical appraisal of all irrigation, power, and agricultural schemes costing more than Rs 5 crore and a proforma examination of all schemes costing Rs 1 crore to Rs 5 crore by the Central Water Commission, the Central Electricity Authority, and the Indian Council of Agricultural Research.

Moreover, since the non-plan surplus is regarded as an item of plan resources, the Finance Commission's tax-sharing also comes indirectly within the purview of the Planning Commission. The Finance Commission strives to leave as many states as possible with a surplus in their non-plan revenue accounts hoping that the states may then be free to use this surplus to finance planned development of their own conception. But the states have no freedom to use their non-plan revenue surpluses any more than they have to use the plan assistance from the union. The two are put together along with any additional financial resources a state may be expected to raise and the expenditure of it all is subject to an overall plan approved by the Planning Commission. That is it. A state may have a non-plan surplus. It may be willing to raise additional resources. It will accept plan assistance of which a larger part is in the form of loans which must be repaid. But it has no freedom, no autonomy in deciding the pattern of its development. Such are the compulsions of a national plan.

The states in India have widely different resources and are at widely different stages of development as measured by their per capita incomes. For instance, in 1989-90, the per capita net domestic product was Rs 2,122 in Bihar and Rs 7,081 in Punjab [CSO 1991: Statement 5]. For all one knows, the gap is widening. The Planning Commission prepares a national plan with sectoral allocations broken up into central plan and states' plans. The states fall in line because the centre holds the financial strings. But it is unlikely that the plans for different states are the most appropriate for their resources and the stages of their development. This is no reflection on the competence of the Planning Commission. The country is just too big and varied and no one need be offended by that fact. After 40 years of planning experience, one should now adopt a more modest posture and allow the states greater freedom and autonomy in the planning of their development.

Need for More Autonomy to States

There are two parts to this. First, what should be the size and content of the central plan. Second, given the overall size of its plan determined by its own resources and the assistance that the centre will provide, how much freedom a state should have in deciding its sectoral allocation and in fixing the details of plan schemes in each sector. In the original estimates of the Seventh Five Year-Plan (1985-90), the total public sector plan outlay was estimated at Rs 1,80,000 (at 1984-85 prices) crore. Of this, the centre's plan (including UTs) outlay amounted to Rs 99,302 crore which is 55 17 per cent of the total. According to the latest estimates given in the document of the Eighth Plan [Statement 5.1], the total public sector outlay is estimated at Rs 1,78,377 crore. Of this, the centre's plan outlay amounts to Rs 1,08,746 crore which is 60.96 per cent. In the Eighth Five-Year Plan (1992-97) of the total public sector outlay of Rs 4,34,100 crore (at 1991-92 prices), the centre's outlay (including UTs) is Rs 2,54,115 crore which is 58.54 per cent [Table 3.6]. Judging by the past experience, the centre's share, in actuals, may go above 60 per cent. Evidently, the centre's share in the public sector plan outlay is increasing.

Clearly, there are sectors of which the development must be largely with the centre as for instance large industry, rail and air transport, communications, and science and technology. Equally clearly, there are sectors the development of which must largely rest with the states keeping the centre's role to the minimal. These are agriculture, rural development, special area programmes, village and small industries, and many of the social services such as education and health. These sectors are essentially decentralised and the process of their development has to be decentralised. Nevertheless, in the Eighth Five-Year Plan (1992-97), the centre's share in the public sector outlay in agriculture is 23.38 per cent; in rural development 70.33 per cent; in village and small industry 39.96 per cent; in general education 42.86 per cent; in medical and public health, 29.94 per cent, and in family

welfare 100 00 per cent If the ground for this is a presumption that the centre has greater competence even in these areas it is simply not true any more if it ever was

Moreover, a large part of the states plan in these sectors is in the form of central and centrally sponsored schemes The result is that the ministries and departments of the union government, with their enthusiasm and capacity to get more funds from their government, and the corresponding departments of the state government with equal enthusiasm but less ability to get funds from the government, have in collusion managed to unduly increase the number of such schemes The issue was examined in the Fourth Plan and out of about 125 such schemes 36 were transferred to the states The Study Team on Financial Administration (Report, 1967 Vol I, pp 86 87) of the Administrative Reforms Commission felt that many more could be so transferred In 1969, the National Development Council laid down guidelines for such schemes and put a ceiling of one seventh to one sixth say about 15 per cent, of the total block plan assistance to the states But all this is ignored The central and centrally sponsored schemes continue to dominate the plan assistance to the states In 1992 93 according to revised budget estimates, the central and centrally sponsored schemes accounted for 30 95 per cent of the total plan assistance to the states amounting to Rs 22 589 12 crore If we confine attention to plan grants only, the central and centrally sponsored schemes accounted for 45 02 per cent of the total plan grants amounting to Rs 15 155 73 crore According to the budget estimates for 1993-94, the central and centrally sponsored schemes account for 35 49 per cent in total plan assistance and 48 91 per cent in plan grants

The second part of the question is given the size of their plans, to what extent should the sectoral allocation be left to the states This is a complex matter and there is both a theory and a practice about it In theory all sectors of an economy are inter linked in the purely material sense that the inputs needed by one sector are supplied directly or indirectly by the other sectors Hence, the sectoral allocations of the plan have to be internally consistent so that the inputs needed are in fact produced This is briefly the justification why the Planning Commission prepares a national plan with internally consistent sectoral allocations and then divides it up between the centre and the several states

In practice, the government in India has little control over a large part of the economy Even in the matter of investment of the total estimated investment during the Seventh Five-Year Plan period (1985-90) amounting to Rs 3 48 148 crore investment worth only Rs 1 80 000 crore which is 51 70 per cent of the total is planned to be made in the public sector The remaining is expected to occur in the private corporate and household sectors The planning by the Planning Commission for these sectors is at best indicative The investment in these sectors will in general be in response to market expectations rather than the expectations of the Planning Commission Even in the public sector the plan succeeds at best in respect of investment but not so much in respect of output There is besides the variable weather which affects agriculture producing one third of the national product Under the circumstance what the Planning Commission can at best do is to promptly respond to what actually happens in the economy and annually revise and adjust its own sectoral plan allocations so as to regain and retain the sectoral balance in the economy Presumably this is what the Planning Commission does in its annual plan exercises We have already commented upon the nature of this sectoral inter consistency and particularly the manner in which it gets distorted in the annual plans

If such is the theory and the practice of planning no great harm will come if the Planning Commission relaxes a little and allows some freedom and discretion to the states in the matter of their development This means that the Planning Commission should function and perform in essentially the same manner as does the Finance Commission namely allocating the plan resources on an agreed basis leaving the states with complete freedom to utilise them according to their judgment The main difference between the two would be that while the Finance Commission dissolves itself after making its recommendations the Planning Commission may sit through the Five Year Plan period (not necessarily with the same membership) and review the situation year by year In fact it can be a rolling plan for the next five years so that the states may know the plan allocations they are likely to get over the next five years, adjusted year by year according to the budgetary resources, but keeping a five-year perspective all along

In fact, one should seriously consider the possibility of merging the Finance Commission and the Planning Commission into a single body charged with the allocation of resources from the centre to the states in the manner described above "The existence of numerous agencies in the field of resource transfers has in our view prevented an integrated look at the totality of resources and the needs of the states and the centre It is necessary to entrust this task to a single, permanent agency This body should have the responsibility of allocating not only budgetary resources but also institutional financial resources As the pace of development determines largely the resource raising capacity and expenditure needs of the states ideally it is the Planning Commission which should be entrusted with the task of resource transfers Were the Planning Commission to be so constituted as to inspire the confidence of the states, the task of sharing of resources between the centre and the states and as between states could safely be entrusted to such a body" [Gulati and George 1988 31-32]

Finally planning for the private sector will have to be indicative as in the past but now in a more deregulated environment with hardly any instruments to enforce the indicated targets The indicative plan will inform the private sector of the perspective of the Planning Commission, as an agency of the Inter-State Council, of the sectoral public investment contemplated by the centre and state governments and of the medium-term forecast for the different sectors, including the external sector of the economy If the private sector finds such indicative plan useful in making its investment decisions it will buy it To be sure, there will be private agencies providing the same service to the private sector and the Planning Commission will have to prove that it has better information and greater economic expertise for the purpose That will give the Planning Commission an opportunity to become acquainted with competitive environment in which the private sector is expected to function

[This paper was prepared at the instance of the Planning Commission and was circulated for a meeting of senior economists held on May 23 1994]

References

CSO (1991) *Estimates of State Domestic Product and Gross Fixed Capital Formation* Central Statistical Organisation, government of India New Delhi

Gulati I S and K K George (1988) *Essays in Federal Financial Relations* Centre for Development Studies Monograph Series, Trivandrum

Gupta S P (1989) *Planning and Development in India A Critique* Allied Publishers, New Delhi

Kuznets Paul (1990) Indicative Planning in Korea' *Journal of Comparative Economics* Vol 14 No 4 December

Planning Commission (1992) *Eighth Five-Year Plan 1992 97* government of India, New Delhi

–(1985) *A Technical Note on the Seventh Plan 1985 90* government of India, New Delhi

–(1980) *A Technical Note on the Sixth Plan, 1980 85* government of India, New Delhi

Assessing Gorbachev

Bhupinder Brar

To look for precise categories in Gorbachev's case is to altogether miss the point about his paradox: He felt pushed towards the reforms he considered absolutely essential, but he also felt pulled back by the tradition from which he had come and to which, in a profound sense, he still belonged. While only he had to grapple with his predicament, his dilemmas were not of his own making. They were typical products of the hegemonic Bolshevik universe, particularly its organisational ethos. While he was a partially emancipated member of this universe, his politics was rooted in the peculiar condition in which the hegemony of Bolshevism had survived in the Soviet system.

What proved to be his undoing was the manner in which he related to the Soviet reality: He did not understand that he was making ideological appeals to a society that had been, in essence, completely de-ideologised over the decades.

HAVING occupied the centrestage of world politics until late 1991, Mikhail Gorbachev has more recently been out of public sight. As a result, he seems to have slipped from public mind as well. There is no doubt, nonetheless, that when the rubble and the dust of the last few years has settled, and when the future historians sit down to take stock, he will, for better or worse, prove to have been the most consequential man in the last decades of the 20th century.

This paper attempts to assess the legacy of this man who evoked emotions stronger than intellect. A subject of astonishment, speculation, adulation, and dismay to different people at different points of time, he remained—and remains—objectively the least understood. Only the enigma of yesteryears has been replaced today by apathy. This paper proceeds by taking the position that serious students of politics can ill-afford to share this apathy, for much more than as an interesting individual, Gorbachev should hold our interest for both what he reflected and what he represented.

The paper may be roughly divided into two parts. The first half—comprising Sections II, III and IV—examines how the mainstream commentators have tended to assess Gorbachev. This is inevitably intermeshed with the mainstream narrative of the Soviet collapse. Section II describes how Gorbachev's political and strategic initiatives had initially defied all popular notions about the Soviet foreign policy. In the main, this policy was explained in terms that are best referred to as powercentric, and on which I will shortly make some brief comments. Powercentric explanations had not only remained well-entrenched even after Stalin's death, they had become even more widespread during the Brezhnev period, particularly after the Soviet intervention in Afghanistan. Section III notes how the west had, after the initial bewilderment, attempted to accommodate Gorbachev's initiatives within a slightly modified version of powercentrism. This version reconstructed the recent Soviet past in a manner that bore no relation with how the west had been earlier analysing these years, nor did it tally with how the west had been predicting Soviet future. Section IV shows how, in any case, the evidence required for validating the reconstructed version was singularly lacking.

Taken together, these three sections aim to demonstrate two things: (1) that the 'inevitability thesis' in which the explanations are now usually wrapped is woven of an extremely thin and weak yarn, and (2) that since this is so, those assessments of Gorbachev's policies in the last years which are based on this inevitability thesis are equally off the mark.

The second half of this paper—consisting of Sections V to VIII—contains my assessment. This is attempted in terms of the paradoxes created by what I call Gorbachev's 'partial emancipation' from the 'hegemonic Bolshevik values'. As we proceed, I will have some occasion to describe what I mean by these two expressions.

In order to arrive at my assessment, I begin Section V of this paper by trying to glean Gorbachev's ultimate socio-political ideal from his writings and statements. Section VI shows how his vision was convoluted by his partial emancipation from the hegemonic Bolshevik context. Sections VII and VIII discuss the consequences of this convolution. I argue that Gorbachev's vantage point was twice-removed from the Soviet reality, and that there was a double mismatch between him, the CPSU and the Soviet people.

II

Let me begin by commenting on what I mean by powercentrism and why I find it important to understand this for our present purpose.

As an explanatory device, powercentrism is not only about the role of power in politics but also about the concept of politics itself. Powercentrism goes much farther than the legitimate claim that power is an important—often the most important—instrument of attaining political goals and that exercise of power is therefore found both useful and desirable, or even necessary and unavoidable, by political actors. Power for powercentrism is the very goal of politics, not sometimes, not usually, but always; not one among several goals of politics either, but the only goal which rules supreme and in relation to which other goals of politics are secondary, derivative and subservient. History and economy, society and culture, ideologies and personalities, do not determine political objectives; they merely influence the manner in which power—the sole objective—is pursued.

Probably the most telling feature of powercentrism is its understanding of the role ideology plays in politics. It treats ideology as an instrument of power—of persuasion, persecution and subjugation; of discrimination and exploitation; of deception and rationalisation; and, above all, of disguising power motives under illusions.

Powercentrism explained Soviet foreign policy as a product made entirely of ambitions for power. Although the Soviet state apparently sought varied goals—economic, ideological and strategic—all of these could easily be traced back to questions of influence, leadership, power and hegemony in which these goals were basically rooted.

In the west, an entire powercentrist imagery was woven around the belief that the Sino-Soviet split had in no way undermined Soviet ambition or determination to emerge triumphant in the superpower rivalry. Even though China on its southern flank had become a source of threat rather than support, and even though as a consequence Moscow now had to divert considerable portion of its military capability to that border, the Soviet aspiration to gain global supremacy remained unaffected. Hoping that somehow a wedge would one day divide the American bloc as well, it resolutely continued to build its nuclear arsenal even if it costs its much poorer economy heavily, and maintained an extremely large conventional military force. Thanks to this imagery, distrust continued to dominate western attitude towards Moscow despite occasional intervals marked by *detente*

Moscow's invasion of non-aligned Afghanistan, and its tenacity in staying there

despite heavy losses, appeared as the final proof of Soviet hegemonism For some, this invasion started a second cold war, to others, it was continuation of the one and only cold war that had started under Stalin

It was at this point that Gorbachev assumed leadership in the USSR Soon thereafter, he took a series of foreign policy initiatives which unsettled the entire powercentric imagery He began to pursue his goals of arms limitation with such energy and fervour, announcing unilateral cuts and urging the US to produce matching gestures, that it threw western statesmen and strategists into awkward and defensive responses Within less than a month of assuming office, Gorbachev declared in April 1985 an immediate six-month freeze on the deployment of missiles in Europe, to expire in November only if the NATO deployment of Cruise and Pershing II missiles was not withdrawn likewise In August the USSR instituted a unilateral five-month moratorium on nuclear testing While he was on an official visit to France, Gorbachev proposed in October a 50 per cent cut in Soviet and US strategic nuclear weapons, coupled with a ban on space strike weapons, opening of direct talks with France and the UK on their nuclear forces, and continued moratorium on deployment of Soviet intermediate range weapons in Europe

A second set of initiatives began in March 1987 when Soviet proposals on intermediate range nuclear forces were formally tabled at Geneva arms control talks In July, Gorbachev expressed support for a global 'zero option' on the elimination of intermediate nuclear force from Asia and Europe This finally resulted in the signing of the INF treaty to eliminate land-based weapons falling in this category In March 1988 Gorbachev proposed a freeze on the level of naval forces in the Mediterranean In September he announced a Peace Plan under which the USSR would stop using its naval bases in Cam Ranh bay in exchange for US agreement to eliminate its bases in the Philippines In December he announced in the UN a unilateral decision to reduce Soviet conventional forces including withdrawal of 50,000 troops from eastern Europe It resulted finally in the signing of the CFE treaty

Gorbachev's initiatives in the field of arms reduction were both significant and dramatic But still more important was his larger political agenda, of which arms reduction was after all only one part In its essence the agenda consisted of dismantling bipolar barriers, dousing the smouldering cold war, and building what he somewhat picturesquely called a "common home", based not on any doctrinaire position but on "principles common to humanity in the modern world" [1] He visualised a world "in which everyone would preserve their own philosophic, political and ideological views", but a world that would nevertheless be "more secure and reliable"[2] because it would function on the principle that "ideological differences should not be transferred to the sphere of interstate relations, nor should foreign policy be subordinated to them" [3] Gorbachev believed that a non-ideological "supra-system coalition" among states belonging to different social systems could be created [4] He thought that "the USSR and the US could come up with large joint programmes, pooling resources and scientific and intellectual potentials in order to solve the most diverse problems for the benefit of humankind" [5] He pleaded for dialogue, open diplomacy, cessation of neo-colonial interventions and proxy wars, removal of regional conflicts and tensions, and total elimination of nuclear war as an option

Gorbachev's global agenda looked nothing short of utopian But he seemed to have decided to lead the campaign for its realisation by personal example It is in this context that he started successively disengaging Soviet Union from all those political and military tangles which had appeared in the cold war period only the most natural trappings of a superpower Let us see how

The superpower political involvements of Soviet Union had spanned the whole planet But somewhat schematically they could be viewed as four concentric circles The outermost circle consisted of national bourgeois', 'progressive', 'anti-imperialist' regimes spread all over the third world, following what was described as independent 'non-capitalist' path of development Soviet Union gave them economic aid as well as weapons, supported them in international forums, and entered into treaties of friendship with them The third circle consisted of 'socialistically inclined' regimes which had progressed beyond the 'national-bourgeois' stage but were still not quite communist Some examples of this type were Ethiopia, Angola, Mozambique and Nicaragua The second innermost circle consisted of those communist regimes which lay outside the Warsaw Pact Naturally, Soviet commitment to these regimes was much deeper Soviet support to such a regime in North Korea had contributed to the beginning of the cold war, support to North Vietnam had further intensified it, and attempts to install nuclear weapons in Cuba had brought the world to the brink of a nuclear war The first circle contained besides the Soviet Union itself the Warsaw Pact countries Its integrity was paramount in Soviet mind Internal dissent in this circle could make Soviet tanks roll into any east European country under the Brezhnev doctrine Its defence against the west had most Soviet nuclear and conventional strength concentrated on this flank

Soviet Union under Gorbachev withdrew from each of these circles, and each such withdrawal befuddled powercentrists So unbelievable did indeed look what Gorbachev was doing that it became quite fashionable in the west to warn one another against a lethal 'hidden agenda" which the wily Soviet leader carried well covered under his personal charm and polish The frightening scenario thus painted was that one day a credulous West would walk into a trap laid by Moscow

III

Remembering those days, it is both amazing and amusing to see how fashionable it has now become to dismiss Gorbachev's very same moves as no more than the outer symptoms of a collapsing Soviet state Not a few analysts now actually argue that Gorbachev was not so much a visionary as a shrewd politician who was acutely aware that his country was going under with a sinking economy, and made some desperate, last-ditch attempts to shed as much load as he could manage in order to stay afloat It is argued that his attempts to end the cold war were made not from a position of strength but severe weakness, that his arms limitation initiatives were a product of the pressing need to reduce the debilitating drainage of economic resources in maintaining strategic parity with the west that disengagement from political and ideological commitments were meant to stop another source of drainage, namely, the massive assistance which Moscow had always felt obliged to provide to its poor, backward and dependent allies in the third world, and that finally, even CMEA and Warsaw Treaty commitments appeared too heavy to bear

Once it is viewed in this manner, Soviet behaviour under Gorbachev presents no problem to the powercentrists It can now be argued that Soviets' motives had not undergone any metamorphosis, that they were still based on considerations and calculations of power, but these calculations themselves required that ambitions be curtailed Gorbachev was no pacifist, then, but simply a strategist manoeuvring a tactical retreat

Such portrayal may appear quite persuasive But in order to be really so, two things will have to be established by the powercentrists First, they will have to show that the condition of Soviet economy was in the early 80s itself so bad that all the drastic foreign policy steps which Gorbachev took had become mandatory It will not do to argue that since the condition became calamitous by the late 80s, it could not have been much better five years earlier There are many who refuse to buy such deductions They argue, quite persuasively, that the final ruination was caused not by reasons inherent in the economy but by Gorbachev's 'ill-conceived' decentralisation plans, that it was the medicine which killed the patient

Secondly, the powercentrists will have to demonstrate that not only was the actual condition of the Soviet economy bad, Gorbachev also perceived it to be so, that he recognised it to be actually so grave that he felt obliged to take steps which, had the condition been not so bad, he would not have taken.

I devote the remaining part of this section and the whole of the next to show that the powercentrists fulfil neither of these conditions. In order to achieve my aim, I rely on contemporary accounts, preferring them to retrospective reconstructions. In the present case, that contemporary period is the mid-80s, when Gorbachev was about to become the general secretary of the CPSU. Secondly, I choose to quote as often as possible from articles which appeared in the *Problems of Communism*, an anti-communist journal published by the US government which subscribes completely to the powercentrist premises about communist behaviour. The idea behind this choice is to ensure that I am not accused of relying on pro-Soviet sources to make my point.

In this context, we will need to keep in mind that two fairly indisputable facts about the Soviet economy were known to the western scholarship well before the mid-80s: one, that it had slackened substantially during the Brezhnev era and, two, that this sluggishness was caused, above all, by structural restraints and imbalances. Important for us are not these facts, however, but the kind of forecasts which the western scholars in possession of these facts were making.

Were They Pointing to an Impending Catastrophe?

Rather than attempting an answer to this question myself, I will simply refer to two respectable representative examples from western scholarship. The first of these pertains to an American symposium held in October 1980 to take stock of Soviet economic trends and project them up to the year 2000. The projections put the average annual rate of growth at 2.26 per cent in a low growth rate scenario.[6] The second forecast, made in February 1984 by a professional econometric forecasting agency, and quoted quite approvingly in an article in the *Problems of Communism*, came pretty much to the same conclusion.[7] The fact that the two exercises predicted the same growth rate indicates that the western scholars did not find throughout the early 80s any particular reason to revise their original estimates. The impression very much was that the Soviet economy will, in the words of the second report, "continue muddling through" despite its problems.

Since the latter report was published only a year before Gorbachev took over as the general secretary of the CPSU, it can, I believe, be taken as a fairly accurate picture of the kind of economy which Gorbachev was seen by the west as having inherited. More revealing from my point of view is the fact that while western scholars were convinced that reforms were required in the Soviet economy, they were not at all persuaded that Soviet leaders found the situation bad enough to panic and turn eager to undertake the required reforms. Typical of the powercentrist refrain of that time was as follows:

> ... I see no clear-cut solution for the Soviet Union's economic problems. Although many analysts stress the need to decentralise the decision-making in the Soviet economy, I would take the unpopular stand of suggesting that this will be of no avail unless production units are made responsible for the national resources that they utilise. Such a decentralisation of economic responsibility is inseparable from the fundamental problem of property ownership. At this point in time, I cannot imagine that Soviet leaders will initiate the risky business of revising property rights in their economic system.[8]

Another scholar sounded equally unsure in his assessment of the course that the Soviet leadership would take under the circumstances:

> We do not know which of the agonising choices the Soviet leaders will make at this crucial juncture, whether they will decide on the introduction of reforms that may weaken the party rule, on a stupid muddling through by failing to adjust to changing conditions, or on a return to the once efficacious Stalinist order that could now lead to resistance within the party as well as among the people.[9]

If the contemporary western estimates about the economy and polity of Soviet Union were noteworthy in that neither economic collapse nor dramatic political changes were being predicted, the reading of the Soviet future course in international relations was all the more noteworthy for our present purpose. Here, the scholarship was far from unsure of itself and put forth its viewpoint in the most unambiguous terms. They visualised no change whatsoever. Soviet Union was the same old, power-hungry, aggressive Evil Empire. Wrote Richard Pipes in 1984:

> As concerns the [Soviet] objective, no one familiar with the communist theory can entertain much doubt. It is the elimination, worldwide, of private ownership of the means of production and the 'bourgeois' order which rests upon it, and its replacement with what Lenin called a worldwide republic of Soviets.[10]

Harry Gelman, another commentator, refused to be "misled" by relative quiet on the Soviet front, for he believed in "the virtual certainty of continued intense competition between the two superpowers in the world arena..." He argued:

> The fact that no major Soviet geopolitical advances have in fact occurred since 1980 appears to stem much more from happenstance than from any fundamental change in Soviet attitudes. This relative quiescence could change without notice at any time. Although the Soviet leaders feel somewhat burdened by their war in Afghanistan, and are also likely to be somewhat reluctant to assume major new economic burdens for the sake of new third world clients, there is still no evidence, and little reason to believe, that they are willing to accept status-quo in the overall division of political forces in the world, which still greatly favours the United States. Moscow therefore continues to await major new geopolitical opportunities, and is unlikely to be willing to sacrifice such an opening—should one present itself at acceptable risk—for the sake of bilateral agreements with the United States.[11]

But probably the best example is of Zbigniew Brzezinski who published in 1986 a book advising American foreign policy-makers on how they should conduct the US-Soviet relations. It is clear that at the time of writing the book he had no idea of the forthcoming *perestroika* in Soviet foreign policy, let alone any idea of the eventual Soviet collapse. He therefore let the manuscript go as it was. The central position of this book is that the "American-Soviet contest is not temporary aberration but an historical rivalry that will long endure".[12] He insisted on the "historical depth of the American-Soviet antagonism, the degree of conflict between the geopolitical interests of the two powers, and the intensity of the regional turbulence that by itself generates conflicting superpower responses".[13] According to him, Moscow had a long-term plan to evict the US from its positions on the eastern, western and southern frontiers of the massive Eurasian territory. He argued that if the USSR captured "the peripheries of this landmass...it will not only control the vast human, economic, and military resources but also gain access to the geostrategic approaches to the western hemisphere—the Atlantic and the Pacific oceans."[14] By the end of the century if things go bad for central America, "it is quite possible that a fourth central strategic front may be opening up on the Rio Grande".[15]

Not knowing that in a short time Gorbachev would himself do some of these things quite voluntarily, Brzezinski suggested, by way of a subversive game plan, that the US make an effort to "transform the essence of eastern Europe's relationship with Moscow without necessarily disrupting the formal framework".[16] The plan also included mobilising within Soviet Union "the forces for genuine political participation, for greater national co-determination

for the dispersal of central power, and for the termination of heavy-handed central domination that breeds expansionist impulse".[17] One may remark in a lighter vein that going by Brzezinski's game plan, Gorbachev emerged as an American agent, sabotaging the Soviet system to perfection in accordance with his master's plans. But more seriously, when one has someone like Brzezinski suggesting a game plan like this, one should be able to conclude that even those Americans who were closest to the seat of power and were privy to the most confidential information had no idea whatsoever that there was on cards in Moscow a dramatic departure from its traditional global role.

IV

I believe I have built in the above section a sufficiently strong case that, going by the contemporary accounts given by powercentrists themselves, the Soviet economy appeared in the mid-80s far from reaching the catastrophic situation it reached five years later. Powercentrist defence, I suppose, will be something like this: they will still insist that the situation in the mid-80s was indeed grave enough to warrant and actually cause the surgical remedial steps which Gorbachev took, but they will concede that they were themselves at that time ill-informed and did not know the gravity of the situation. They will then want us not to take their accounts of that time as the basis for explanation of the Soviet collapse.

The apparent advantage of such a position would be that the powercentrists will be able to salvage their explanation of Soviet political withdrawal and subsequent collapse. As a price they will have to disown their contemporary analyses of the mid-80s. If one is to go by their earlier record under similar circumstances, powercentrists should not be too disinclined to pay this price. After all, they took a similar step at the time of the Sino-Soviet split.[18]

Unfortunately for them, however, the advantage will be rather short-lived, because having crossed one hurdle, they will quickly run into another. I had argued in the course of the previous section that the powercentrists will have to show not merely that the situation was bad but also that Gorbachev actually perceived it to be bad enough to warrant the taking of steps which he would not have taken were the situation not so bad. Powercentrists will sadly discover that ...hev would not come to their rescue. ...lished in 1987, his book *Perestroika* ...ined nothing to show that Gorbachev ... the economic situation bad enough to ... the panic button. Not that he tried, in ... manner of his predecessors, to fudge the ...ion. He admitted rather candidly that ... loss of economic momentum had been "particularly clear" since the 1970s. He conceded that "In the last 15 years the growth rates had declined by more than a half and by the beginning of the 80s had fallen to a level close to economic stagnation".[19] He shared with us the information that "An unbiased and honest approach led us to the only logical conclusion that the country was verging on crisis".[20]

However, the knowledge that there was a crisis did not daunt him. He was more than confident that his reforms would not only put the economy on the path of recovery but also lead to spectacular results. Let me quote him in some detail:

> And if we criticise ourselves the way nobody has ever criticised us, west, east or anywhere else, that is only because we are strong and we do not fear for our future. We will withstand these criticisms; the people and the party will withstand them. But when our reforms produce the expected results, then the critics of socialism will also have to undergo a 'perestroika'.
>
> ***
>
> We will resolve the issues which we honestly discuss, and we will achieve the goals we have charted The disposition of our people should also be taken into account If they have been stung to the quick, so to speak, if their patriotic feelings have been involved, they will spare no effort to achieve their ends and will work wonders in doing so The Soviet Union is a vast country rich in minerals and skilled manpower, and with great scientific resources So do not rush to toss us on the 'ash-heap of history'; the idea only makes Soviet people smile.
>
> ***
>
> The success of perestroika will show that socialism is not only capable of coping with the historic task of reaching the heights of scientific and technological progress but that it can handle it with a maximum of social and moral efficiency, by the methods of democracy, for the people and thanks to their own efforts, intellect, skills, talents, conscience and awareness of their responsibility to the people.
>
> ***
>
> The success of perestroika will be the final argument in the historical dispute as to which system is more consistent with the interests of the people. the Soviet Union will gain a new attractiveness and will become the living embodiment of the advantages that are inherent in the socialist system.[21]

Read now, this long passage fills one with a sad irony. These lines appear to overflow with astounding naivete. Here was somebody with the head in the clouds and the feet completely off the ground. But that is not the point. The point is that this man— call him what you will—was in full control of Soviet foreign policy. And since we are concerned here primarily with explaining the policy he was in control of, we must go by his perceptions and not by what many of us might think the reality was. He was in no panic and in no desperate load-shedding exercise. He wrote:

> ..does the west want to overstrain the Soviet Union economically by accelerating the arms race in order to frustrate the formidable work we have started and force the leadership to allocate more and more resources for unproductive purposes, for armaments? Does the whole idea really boil down to forcing the Soviet Union to focus entirely on domestic problems, thus allowing the west to dominate the rest of the world?
>
> But there is another aspect to the issue Those hoping to overstrain the Soviet Union seem to be presumptuous about their own economic well-being. No matter how rich the US is, it too can ill afford to throw away a third of a trillion dollars a year on armaments. A rise in the arms spending triggers increases in the budget deficit. The US today borrows two-thirds of what it spends on arms. The US federal debt is, in fact, the Pentagon debt...[22]

So much for the argument that Gorbachev had mooted all his arms reductions proposals to get out of the costly arms race because he found Soviet economy could no longer bear this burden!

But there is another, altogether different, interpretation possible of the passages quoted above, and that is one interpretation which the powercentrists should like. The interpretation is that these passages, and indeed the whole book from which they are taken, are partly false bravado of a despondent and desperate man; partly morale-boosting, confidence-building pep-talk for the benefit of harassed Soviet citizens; and partly sheer salesmanship undertaken on behalf of his country and aimed at the western readership. It is not merely hyperbolic, it is also totally contrary to facts. Gorbachev knew one thing and said another. His foreign policy actions did follow from his actual beliefs but his actual beliefs were never articulated in this book.

This interesting but rather inventive interpretation does not hold water. We have fairly good circumstantial evidence that neither Gorbachev nor his book was a sham, and that he did seriously hold the views he expressed in the book.

This evidence lies in the extremely confident nature of his responses to ideological and programmatic differences which existed in the top echelons of Soviet leadership around the time when the book was written. Let us consider some examples. In the year 1987 both prime minister Nikolai Ryzhkov as well as Yegor Ligachev, the CPSU ideology chief and number two man in the politbureau, had articulated differences with Gorbachev. Representing oldgaurd conservative opinion, they advised Gorbachev in early June to go slow and not introduce the new management system until

1991. The intervening years were needed in their opinion to "prepare for the transition to radical reforms." Ligachev was also reported to have warned that attempts were being made to misuse 'openness' for disseminating views "hostile to the interests of the working people." He said that 'class enemy' nourished hopes of exploiting Gorbachev's economic and social renewal programmes to weaken the influence of Marxism-Leninism.[23] Gorbachev's response to all this was in the form of his declaration that the first results of his reforms had been encouraging. Only the conservative bureaucratic methods of economic managers were in sharp contrast with the growing activity of the masses.[24] At the end of the same month Gorbachev pushed through the Supreme Soviet the new management laws.[25] His attitude was not any less firm when it came to the other end of the political spectrum which wanted the tempo of changes faster than Gorbachev visualised. Economist Nikolai Shmelev was reported to have proposed, for example, that a certain controlled level of unemployment be allowed since it would be conducive to faster growth of the economy. Gorbachev reacted sharply and called the proposal "unacceptable". He declared that there could be no revoking of the rights to work, education, free medical services and housing that socialism had provided to the people. These he said were the "real values" of Soviet society.[26]

In the remaining part of the year, too, dissent came from those who wanted faster change. In August, one of Gorbachev's own advisers, economist Abel Aganbegyan, was found lamenting that progress was very slow and that there were still more failures than successes. He suggested the closure of hundreds of loss-making factories so that healthy enterprises could flourish.[27] The same month, Boris Yeltsin, at that time the Moscow boss and an alternate member in the politbureau, was reported to have expressed exasperation at the slow rate of changes.[28] These opinions also caused no alarm to Gorbachev, who declared very confidently in October that people must not panic. He said the next 18 months were hard but told people: "I tell you, honestly, it is going to be difficult at this time. But if we get our flywheel turning, a great deal will be added in our country, and very quickly."[29] He expressed similar confidence in November when he said: "Our road is not an easy one, but we have been climbing a mountain and now we have moved from shifting sands to firm ground. And that is why we will win out."[10]

In short, Gorbachev seemed to know both the direction and the pace of reforms he wanted, and refused to change either. He was absolutely confident of his success. It is with this confidence and firmness of views that he wrote the book. There was, moreover, nothing in the contemporary reading of Soviet economy by non-Soviet observers which could undermine Gorbachev's faith in his programme. On the contrary, while foreign observers had started in 1985 with the impression that perestroika would fail to take off, by 1987 most of them had granted the programme a fair chance of success. In October 1987, Stephen S Rosenfeld wrote in the *Washington Post* that

> The American debate over the Gorbachev reforms is coming to a new place. No longer is the focus on whether the reforms will deepen and stick. There is still much doubt on that question, but the working assumption now is that the reforms have a good chance of succeeding and that their success would be a passing geopolitical event.[11]

And yet we know that over the next few years the Soviet economy ran into rough weather, lost momentum as well as direction, nose-dived, and crashed, bringing down with it the Soviet state and burying beneath both what Gorbachev had inherited and what he had himself tried to build. Most probably, he had sensed the impending disaster, for it looked as though somewhere in the middle he gave up his original destination and decided to concentrate on crisis management and damage control. In the last analysis, though, nothing helped. The end could not have been farther from his vision. Instead of rejuvenating the economy, his schemes ended up dislocating the established planning and implementation processes. What ensued was chaos and severe crisis, marked by steep fall in GDP, crippling inflation, parallel black market economy, and corruption. When Soviet Union finally broke up, it had already become dependent on external aid.

It is the economic disaster of these later years which now looms large in scholarly analysis. It has also radically altered the way Gorbachev's earlier years are viewed. It has coloured appraisal of his motivations and performance of that time. I have argued elsewhere against this tendency of retrojecting the present into the past.[12] My attempt in this paper has also been to show that the entire period of 1985-91 was not uniform in character and should in fact be divided into two segments, with the borderline drawn somewhere around 1987-88.

But apart from combating retrojection as a method, I have also meant to lay in the foregoing pages the ground for an argument I wish to pursue from here onwards. It may in one sentence be anticipated as follows: what gave a fatal twist to the course of events in Gorbachev's Soviet Union was not the 'bad economics' of *perestroika* but the virtual impossibility of its politics.

In order to delineate my argument I require that we answer three interwoven elementary questions: one, what was it that Gorbachev saw as his ultimate socio-political ideal; two, what was it that he found wrong with Soviet Union as he assumed its leadership; and, finally, in what manner did he *originally* expect to set right what he had found wrong. The third question asks us not to see his tenure as an uninterrupted period in which he unfolded and explicated his policies, but to distinguish between his initial designs and the later, largely *ad hoc*, measures adopted while he was under the siege of unforeseen circumstances. It is primarily for this reason that I continue to depend on his 1987 book rather than his later statements.

It is the first question, however, that is far more fundamental. It asks us to guard against the common tendency to divorce Gorbachev from his larger vision and reduce him, so to speak, to a social engineer who merely wanted to 'fix' certain 'leaks' in the Soviet system.

What was Gorbachev's ultimate socio-political ideal?

One negative answer to this question would be that whatever else it might have involved, *laissez-faire* economy was certainly not a part of his vision. I have already quoted Gorbachev repeatedly emphasising that he considered socialist system far superior to free market. There are many more similar passages in his book. For example, he took notice of the fact that "Some politicians and media, particularly in the United States, have been trying to present perestroika as a drive for 'liberalisation'"[13] and tried to make it plain to them that

> we are conducting all our reforms in accordance with the socialist choice. We are looking within socialism, rather than outside it, for the answers to all the questions that arise. We assess our successes and errors alike by socialist standards. Those who hope that we will move away from the socialist path will be disappointed."[14]

As a matter of fact when we read the book today, some five years after its publication, one of its most striking features appears to be his persistent reference to socialism. It was for him that chosen ideology and system to which Soviet Union was firmly committed forever. It was the only goal, the only methodology and the only criterion to guide him. He referred to perestroika on the very first page as "an urgent necessity arising from the profound processes of development in our socialist society".[15] He mentioned the "awareness that the potential of socialism has been underutilised" as the source of his programme.[16] He was absolutely confident about the success of his policies for he believed that "due to socialist system and the planned economy, changes... come much easier than they would in conditions of private enterprise".[17]

But it is not enough to merely recognise Gorbachev's commitment to socialism. It is more important to understand what he

understood by it. Going by his own writing, there were two features of social and political life which he considered most central to the ideology: openness [glasnost] and democracy. For him "democratic forms [were] inherent in socialism"[38] just as "Openness is an attribute of socialism".[39] At another place he combined the three categories and held that "There is no democracy, nor can there be, without glasnost. And there is no present-day socialism, nor can there be, without democracy".[40] As a matter of fact, for him "The essence of perestroika lies in the fact that *it unites socialism with democracy*"[41] so that "The more socialist democracy there is, the more socialism we will have".[42] His total faith in democratic freedom and openness was revealed in his attitude towards intellectuals: "Someone objected, claiming that it would be difficult to work in an environment where each individual is his own philosopher, his own foremost authority, and believes that only he is right. I replied that it is far worse to be dealing with a passive intelligentsia, and with indifference and cynicism".

Now it is true that Gorbachev counted the passivity of intelligentsia, and the apathy and cynicism among the masses as some of the major causes of economic slowdown. But it is not for this reason alone that he wanted glasnost and democracy. They were not for him mere means to an economic end; they were intrinsic part of his ideal. At another place, he expressed his democratic resolve in the following words:

> There is only one criterion here: we will listen to and take into consideration everything that strengthens socialism, whereas the trends alien to socialism we will combat, but, I repeat, within the framework of the democratic process.[44]

We have, in a sense, already started answering the second question. *Apart from* the economic problems which he listed, what Gorbachev found wrong with the system was precisely the absence of democracy and openness. He spoke of the "gradual erosion of ideological and moral values of our people". He lamented that servility had been encouraged, and "a breach had formed between word and deed".[45] Moreover, he found the social and political malaise much deeper than the economic one. While he believed that the Brezhnev years were mainly to blame for economic stagnation, he thought that political and social degeneration had set in much earlier. Gorbachev traced the roots of "ossification of social thought" back to the Stalinist period when "the forms of development of socialist society that had ... into being under extreme conditions ...re made by Stalin's authority into ...ing absolute, and were regarded as ... only possible forms for socialism".[46] At ... place his criticism was far more ...it and harsh·

The emphasis on strict centralisation, administration by injunction, and the existence of a great number of administrative injunctions and restrictions belittled the rule of law. At some stage it led to arbitrary rule and the reign of lawlessness, which had nothing to do with the principles of socialism or the provisions of the 1936 constitution. Stalin and his associates are responsible for those methods of governing the country. Any attempts to justify that lawlessness by political needs, international tension or alleged exacerbation of class struggle in the country are wrong. Violation of law had tragic consequences which we still cannot forget and forgive.[47]

The answer to the third and the last question, namely, what he meant to do to set the wrong right, was summed up in Gorbachev's statement that perestroika was "simultaneously a revolution 'from above' and 'from below'".[48] He wrote: "The weakness and inconsistencies of all the known 'revolutions from above' are explained precisely by the lack of ...support from below". He held such support to be absolutely indispensable and hence emphasised that the revolution from below was "a distinctive feature and strength of perestroika".[49] His immense faith in the potentialities of Soviet people was expressed in some of the statements which I have already quoted in a different context in an earlier section. He believed until the end that Soviet people possessed profound wisdom as well as heroic capacity to make personal sacrifices, and constantly urged them to withstand what he considered were temporary difficulties. His unwavering confidence in them made it difficult for him to accept that separatist leaders were articulating popular aspirations. When republics started announcing one after the other their decision to leave the Union, he felt as though both he and his Soviet people had been stabbed in the back by power-hungry politicians. "I am convinced", he said in his resignation speech, "that decisions of this scale should have been taken on the basis of a popular expression of will" and added: "today I am worried by our people's loss of the citizenship of a great country. The consequences may turn out to be very hard for everyone".[50]

Such immense faith in the people and such commitment to democracy and freedom were unprecedented among Soviet rulers. Lenin, Stalin and Brezhnev had, in a fashion so typical of Bolshevism, treated Soviet people more often as the means than as the end of their grand designs. Their attitude had ranged from condescension to outright authoritarianism. While putting an end to the Stalinist oppression, Khrushchev had meant no less to keep political power concentrated in his own hands. Similarly, Trotsky might have looked towards the Soviet people in his moments of crisis and imminent defeat, yet he remained forever a Bolshevik whose faith in Leninist centralism did not waver for a moment. Throughout his life he held Stalin personally guilty for Soviet misfortunes, but it never crossed his mind that Bolshevik organisational principles might themselves be flawed. Had he succeeded in his struggle against Stalin, it was not unlikely that he would have steadfastly followed the same centralist methods, not realising that these had made the rise of Stalin possible in the first place. In contrast, Gorbachev appeared to be a truly unique democratic figure in Soviet history.

But let us take a further step. Let us ask what exactly the nature of his democratic sentiment was.

Answer to this question turns out to be far more complex than we might initially imagine, for Gorbachev the democrat appears fairly different when viewed from different vantage points. If we look at the following part of his resignation speech, for example, we are tempted to liken him to a typical western liberal. He said:

> not once have I regretted that I did not take advantage of the post of [CPSU] general secretary only to rule as a czar for several years. I considered it irresponsible and amoral. I am convinced of the historic correctness of the democratic reforms which were started in the spring of 1985.
>
> ...work of historic significance has been accomplished. The totalitarian system which deprived the country of an opportunity to become successful and prosperous long ago has been eliminated...
>
> I think it is vitally important to preserve the democratic achievements of the past years.... They must not be given up under any circumstances or any pretext, otherwise all our hopes for the better will be buried. I am saying all this straight and honest. It is my moral duty...

Here was a Gorbachev who could call Soviet Union a "totalitarian system" or a "command-bureaucratic system, doomed to serve ideology".[51] But how do we square up this liberalist stance with his answer to the first question? He had repeatedly asserted there that he was, above all, a committed socialist who judged his successes and failures by only socialist criteria? Unless we agree to dismiss him as just another opportunist turncoat, we are left with the only explanation that although Gorbachev himself was, and until the end remained, a genuine socialist, he was convinced that Soviet regime was far from it. He felt the regime was in fact nothing but totalitarianism masquerading as socialism. He found it so abhorring that he felt even liberal democracy was a great improvement over it.

That brings us to the second option. We may characterise him as someone who could belong in the social democratic movement of the Second International era. To that International had belonged Rosa Luxemburg, at once a heroic revolutionary and an

uncompromising democrat. It was her unwavering commitment to the democratic principle which made her say: "Freedom only for the supporters of the government, only for the members of one party—however numerous—is no freedom at all. Freedom is always and exclusively freedom for the one who thinks differently".[52] She had added:

> ... socialist democracy is not something which begins only in the promised land after the foundations of socialist economy are created; it does not come as some sort of Christmas present for the worthy people who, in the interim, have loyally supported a handful of socialist dictators....It begins at the very moment of seizure of power by the socialist party. It [socialist democracy] is the same thing as the dictatorship of the proletariat.[53]

But Rosa Luxemburg was, we must remember, not merely non-Bolshevik. She was an anti-Bolshevik socialist. It was her insight into what Bolshevism would produce which made her a very harsh critic of Lenin's organisational principles. She wrote:

> The ultra-centralism of Lenin is full of sterile spirit of the overseer. It is not a positive and creative spirit Lenin's concern is not so much to make the activity of the party more fruitful as to control the party—to narrow the movement than to develop it, to bind rather than unify it.[54]

Luxemburg's depiction of what the undemocratic nature of Bolshevism would eventually produce was so graphic that it now appears prophetic:

> ...Lenin and Trotsky have laid down Soviets as the only true representative of the labouring masses. But with the repression of political life in the land as a whole, life in the Soviets must also become more and more crippled. Without general elections, without unrestricted freedom of press and assembly ...only the bureaucracy remains as the active element... in reality only a dozen outstanding heads do the leading and an elite of working class is invited from time to time to the meetings where they are to applaud the speeches of the leaders, and to approve proposed resolutions unanimously—at the bottom, then, a clique affair—a dictatorship to be sure, not the dictatorship of the proletariat, however, but the dictatorship of a handful of politicians...such conditions must inevitably cause a brutalisation of public life...[55]

When Rosa Luxemburg, equated Bolshevism with the dictatorship of a handful of politicians, she did not appear to mean something very different from what Gorbachev meant by Soviet totalitarianism. Both also seemed to agree on the consequences of such politics. Luxemburg talked of brutalisation of public life while Gorbachev, we saw above, maintained that "profound distortions" and "lawlessness" had occurred in the country which had "hampered its development for decades and resulted in tremendous human losses and incalculable moral and ideological damage".

Given these striking similarities, it appears fair to reach the conclusion that Gorbachev was, in spirit and in substance, a social democrat. He was unwilling to sacrifice democracy at the altar of tyranny—even 'socialist' tyranny—because he believed that such socialism was no socialism at all. Socialism and democracy were two integral and inseparable parts of one and the same ideal.

But as we shall see in the following section, even this conclusion about Gorbachev has its problems.

VI

Quite like the liberalist Gorbachev, the social democratic Gorbachev had his limitations. Resemblance between him and Rosa Luxemburg stopped at their aversion to totalitarianism and its consequences. But had they been contemporaries, they would have differed violently on who was to blame for totalitarianism. While she thought Lenin was personally responsible for inventing and imposing inherently totalitarian Bolshevism, Gorbachev thought that degeneration had all occurred during the "personality cult and stagnation years". In other words, he laid the blame entirely at the doors of Stalin and Brezhnev. Nowhere did he mention that negative tendencies could have had their origin in the period of Lenin's leadership. Nowhere is there a hint that the malady could lie in Bolshevism itself. On the contrary, Gorbachev expressed at numerous places in the book his gratitude and great admiration for Lenin. His works, Gorbachev said, had proved to be "inexhaustible source of dialectical creative thought, theoretical wealth and political sagacity".[56] He accredited Lenin with the idea that "socialism and democracy are indivisible";[57] he attributed to him the idea of working people's self management;[58] he ascribed to him the wisdom of going "beyond...class-imposed limits" and recognising the "priority of interests common to all humanity over class interests".[59] But what may strike one above all is the following passage in which Gorbachev painted Lenin as a great democrat:

> I have long appreciated a remarkable formula advanced by Lenin: socialism is the living creativity of the masses. Socialism is not an a priori theoretical scheme, in keeping with which society is divided into two groups: those who give instructions and those who follow them. I am very much against such a simplified and mechanical understanding of socialism.
>
> People, human beings with all their creative diversity, are the makers of history.[60]

Once one reads this paragraph, one can no longer entertain the possibility of putting Gorbachev in the same category as Rosa Luxemburg. Though the two sounded very similar in the enunciation of their ideals, they could not have been more different in their reading of history. Gorbachev attributed to Lenin what Luxemburg thought was entirely missing in the Bolshevik founder of the Soviet state. Gorbachev acquitted Lenin of every charge that Luxemburg had levelled against him.

Where does that leave us?

Although I will need to reformulate it later, my initial response to this question would be that it leaves us precisely in the same indeterminate twilight zone as Gorbachev himself traversed. To look for precise categories in his case—to want him to be an unambiguous liberal, social democrat or Bolshevik—is to altogether miss the point about his paradox: he was all of these things and he was none of them. He felt pushed towards the reforms he considered absolutely essential, but he also felt pulled back by the tradition from which he had come and to which, in a profound sense, he still belonged.

This brings me to the core of my argument. I believe that while only he had to grapple with his predicament, his dilemmas were not of his own making. They were typical products of what I may call the 'hegemonic communist universe'. Central to the conception of this universe is Gramscian discussion of hegemony and hegemonisation. Gramsci employed these concepts primarily to denote class relations within a society, wherein one class became hegemonic by successfully establishing its moral, cultural, political and ideological leadership over other classes. However, I use these concepts much more broadly and loosely, and include in their purview relations not only among classes but also other formations, strata, groups, movements and indeed parties. My argument then is that Bolshevism, and more particularly its organisational ethos, was internalised by communist parties across the world as the very paradigm of authentic communist norms. Bolshevism was first imposed on other parties through the Third International but, true to the successful establishment of a hegemonic universe, it did not take long before communists began to follow Bolshevism quite voluntarily, not as a matter of discipline but as the very essence of communism. Bolshevik hegemony survived the dissolution of Third International and affected the functioning of world communism in a variety of deleterious ways.

It is my argument here that Gorbachev's politics too was rooted in the peculiar condition in which hegemony of Bolshevism had survived in the Soviet system as a whole. The point must be made at once that this hegemony did not manifest itself uniformly and consistently. Very often it could be seen, for example, not so much in the ideological content of Soviet policies as in the form in which policies had to be authenticated and

legitimised. Being the international 'vanguard', the CPSU had the advantage of interpreting and reinterpreting domestic and global 'correlation of forces'. It could then initiate policies which, at times, constituted complete departure from classical Bolshevik conceptions. But even in these cases it was invariably claimed that the policies merely elaborated classical principles or, at best, extended their application. The critical factor was that in order to be accepted, decisions had always to be taken in the name of the revolutionary tradition. This condition was usually met, at least apparently, by referring to some obscure work of Lenin, recognised as he was as the very embodiment of Bolshevism.

At this level, it is possible to read Gorbachev's repeated references to Lenin as an exercise in legitimisation of his extremely unorthodox programmes. This reading is supported by a certain pattern found throughout his book, whereby Lenin's name is invariably evoked just before or after making an unconventional proposal. Typical of this pattern is, for example, this passage: "He [Lenin] perceived the lurking dangers for the new system....Hence the utilisation of methods which did not seem to be intrinsic to socialism itself or, at least, diverged in some respects from generally accepted classical notions of socialist development".[61] Gorbachev did not reproduce Lenin's exact words here or anywhere else, nor did he provide the references. It is difficult to judge whether or not Lenin ever said the things Gorbachev made him say, nor do we know the context in which he wrote or said what Gorbachev chose to pick up. Gorbachev would say he did not find either of these things necessary since he was addressing the lay reader and not writing a scholarly book. But it is quite possible that these omissions were deliberate and were made because doing so suited his convenience. We are saying in other words that Gorbachev knew his policies were not Leninist and he was cheating on his reader.

I do not subscribe to this reading. But even if I were to accept it for the sake of argument, it will only go on to prove what is from my point of view a more significant matter: the survival of Leninist hegemony right up to the days of Gorbachev. Just as every leader before him had needed to use Lenin's name to "rule as a czar for several years", so did Gorbachev for his glasnost and perestroika. It showed that quite like the leaders before him, Gorbachev was aware that Lenin continued to provide the basic parameters for thought and action, trespassing which became instinctively unacceptable to the Soviet system as a whole. But to state that Leninist aphorisms could be used for rationalisation is not to say that they were always and necessarily so used. To hold such a position would be no different from subscribing to the crude powercentric notion of ideology. Also, when we look at his book more closely, we realise that Gorbachev's references to Lenin could not have been just a clever ploy.

I am much more persuaded that Gorbachev was a 'partially emancipated' member of the Bolshevik communist universe. In order to appreciate that, let us look at a passage which I consider crucial. It deals with Khrushchev and his de-Stalinisation campaign, and is important to us because Gorbachev is so often seen as having carried forward his policies. The portions relevant to us read as follows:

> A major landmark in our history was the 20th CPSU congress. It made a great contribution to the theory and practice of socialist construction. During and after, a great attempt was made to turn the helm in the country's advance, to impart an impulse to liberation from the negative aspects of socio-political life engendered by the Stalin personality cult.
> But the possibilities that emerged were not used to the full. The explanation is the subjectivist methods adopted by the leadership under Khrushchev...The leadership's wilful and changing ideas and actions kept society and the party in fever.
> That was why at the next stage, whose hallmark was the October 1964 plenary meeting of the CPSU central committee, the first step was to overcome these extremes and combat these extremes. A line towards stabilisation was taken: And it was a well justified plan.[62]

It is the second part of this passage which may come as something of a surprise to some of us. This is so because after having done what was only expected of him—lauding Khrushchev's de-Stalinisation campaign—Gorbachev did next what was most unexpected: he equally justified Khrushchev's ouster and the neo-Stalinist Brezhnev's rise to power. Such a stance would puzzle any reader of his book, for it was none other than Brezhnev whose tenure Gorbachev held mainly responsible for economic stagnation and ideological decadence. How could Gorbachev hold Khrushchev in great respect for his "great contribution to the theory and practice of socialist construction", and, at the same time, berate him for his "subjectivist methods" and "wilful and changing ideas"? Did it not occur to Gorbachev that coming from him, such criticism would appear very odd, given the fact that he had himself initiated not merely unorthodox but also highly controversial changes?

What was Gorbachev saying when he declared Khrushchev's ouster "a well justified plan"? We know that he admired neither Khrushchev's predecessor nor his successor. So he could not have meant to support either. And yet if we look at it closely enough, Gorbachev was not really contradicting himself. It requires perhaps another reading of the passage to realise that there was a consistency underlying his seemingly inconsistent position. Gorbachev was not supporting any person. He was supporting a principle—an organisational principle. Surely he was most conscious of the sharp contrast in Stalin's and Khrushchev's political objectives—he was critical of the former while he admired the latter—but he found something disturbingly akin in their organisational norms. In the pursuit of his goals, neither had hesitated to elbow the Soviet communist party out of the centre stage which it was originally meant to occupy. The "negative aspects engendered by the Stalin personality cult" had been only too obvious, but Khrushchev's '*subjectivist* methods' too amounted to nothing less than 'wilful' ideas. They kept "society *and the party* in fever."

Here we had, then, someone with untainted faith in the role of the communist party, trying tenaciously to secure its centrality against encroachment. Gorbachev's faith lay in the Leninist idea of flawless party machine, a vehicle of change and continuity, of transformation and moderation, and, above all, of continuous reappraisal. He wrote:

> The party acts as the initiator and generator of ideas, the organising and guiding force and, I would say, the guarantor of perestroika in the interests of consolidating socialism, in the interests of the working people. The party has assumed a truly historic responsibility. In 1917, Lenin said: "Having started a revolution we must go all the way." The same is true of perestroika: *The party will go all the way.*
> ...the party's goal is.. above all, to theoretically analyse processes, to sense critical points in the development of contradictions in time, to introduce corrections into strategy and tactics, to elaborate policy and define methods and forms for its realisation, to select and place personnel, and to provide for perestroika both organisationally and ideologically. *Only the party could do all this.*[63]

Gorbachev, in other words, internalised *at least one part*—vital, crucial and consequential part—of the Bolshevik vision. What seemed amazing about his faith was that it had come out unscathed from the ugly world of political realities, for he appeared as someone still inclined to think of the long years of Stalinism and neo-Stalinism as the exception rather than the rule. He was not a social democrat like Rosa Luxemburg whose sensibilities would be offended by Lenin's highly centrist methods and who would see in them the seeds of totalitarianism. He was a communist—a Bolshevik communist—whose faith had not been shaken even by the actuality of Stalin's totalitarianism. Explanation for what appeared amazing lies

in the very nature of hegemonisation process. It is important to underline here that an idealised picture of the universe rather than its realist representation becomes the basis of hegemony. After all what members of the universe internalise are the moral, cultural and political *values* (and not facts) of the hegemonic group. It is a separate matter that later, when hegemony is in place, even such conduct of the hegemonic authority as is contrary to the idealised picture gets rationalised and approved. In a passage which we have quoted above, Gorbachev himself referred to some of the bases on which Stalin's conduct, contrary to the ideals, was justified. These included "political needs, international tension or alleged exacerbation of class struggle in the country." Such justifications prove sufficient to comfort a vast majority of hegemonised members who feel unsettled more than outraged by the discrepancy between 'words and deeds'. But even the more critical, 'partially emancipated', small minority, which refuses to condone such violations, falls short of decrying the hegemonic authority *per se*. It more often gravitates towards identifying, isolating and indicting individual members of this authority. What remains unperturbed in this way is the hegemonic picture of the universe, which appears natural and objective, gives meaning to the communal life of the hegemonised members, and evokes spontaneous commitment. Its integrity is never doubted by the hegemonised members because such doubts induce self-doubts or doubts about the very meaning of communal life.

Gorbachev belonged to this small minority. He could see that enormous violation had been committed. But he held Stalin and Brezhnev responsible for vitiating the entire Soviet system. Unlike Rosa Luxemburg who could observe Bolshevism from the outside, Gorbachev could not understand the fact that Stalin was not the first Soviet leader to use extraneous justifications. Lenin too had used the metaphor of 'war communism' to justify a large number of undemocratic steps which did not square with his earlier promises. It was from the days of Lenin that Soviet people had come to accept many things which, going by the ideals, they should not have. They had accepted Stalin because the ground for Stalinism had been prepared right under Lenin's nose. Consequently, Gorbachev's criticism of Stalin went no farther than Khrushchev's criticism. Neither of them had traced Stalinism back to Lenin and to the very Bolshevik organisational principles. Both had restricted themselves to condemning his personal depravity. This approach must have come naturally to Khrushchev and Gorbachev, as it indeed did to all members of the Soviet intelligentsia. It is rare for the members of a hegemonised universe to grasp the painful reality that the bane lies in the very foundations of the universe. And starting as the founder of that universe, Lenin had gone on to become an integral part of those foundations.

I may now reformulate the remarks I made at the beginning of this section. I began by saying that to seek to categorise Gorbachev as a liberal, a social democrat or a Bolshevik was pointless for he was all of these and he was none of them. I still hold the same position but with the following modification. If we persuade ourselves for a moment to be less judgmental about him and get more interested in how he must have looked at himself, we are bound to reach the only possible conclusion that he saw himself the way he said he did: as a convinced and committed Bolshevik. He took from Bolshevism what was best in it and considered it intrinsic; he filtered out what was wrong and sinister in it and considered it only incidental. He was convinced that Bolshevism in its pristine form was flawless and that its later blemishes could be removed. He remained a committed Bolshevik because, for him, the ideology already contained in it the best of liberalism and social democracy while it offered something more.

Here was a typical partially emancipated member of the hegemonic universe: he saw idealised version as real, and reality itself as a perverse exception.

It was Gorbachev's faith in the 'pristine' form of Bolshevism, and his faith in that form's primordial appeal among the Soviet people, the children of 1917, that prompted him to attempt the most ambitious of dreams with the simplicity of a child. The distinction he had himself drawn between the intrinsic and the incidental in Bolshevism led him to visualise Soviet society in a likewise fashion. What he saw as intrinsic in it were socialist and democratic values, revolutionary commitment, Soviet patriotism, enthusiasm, creativity and the prospect of prosperity. What he saw as incidental was apathy, cynicism, corruption, crass materialism and stagnation. He saw the latter as no more than layers of silt and sludge which had settled and crusted on the surface of the former. Once these layers were removed, the glorious pristine shine would return. The zeal he showed in dismantling structures, in decentralisation, in removal of bureaucratic controls, and in dismissing corrupt officers came from such a belief.

VII

I wish to make the point that what gave Gorbachev exceptional daring and what eventually proved to be his undoing were precisely the same thing. Both his personal heroism and the eventual hopelessness of his reforms emerged from the manner in which he related to the Soviet reality. He saw, quite clearly and sharply, the economic, political, social and ideological rot surrounding him. He described it, too, very candidly and graphically. But in a deeper sense he was twice removed from it.

First, he observed reality not so much in the manner of a statesman—with the eyes focused on the distant goal but the ears held close to the ground—but from the high vantage point of an ideologue. His understanding of Soviet people in the 1980s seemed to follow straight from more than half a century old tradition of 'socialist realism'. They were seen not as they were but as they ought to have been, rearing to go at the first call for socialist reconstruction. It was this highly idealised vision which gave Gorbachev a rich moral fervour and made him go repeatedly to the people to seek vindication and strength for his plans which he believed they well understood and empathised with. His appeals did seem to enthuse people for a while. But the enthusiasm was deceptive, for its source lay not so much in Gorbachev's ideological and moral fervour as in his promise of materially more comfortable life. He rode on the crest of high material expectations of the Soviet people, but when the expectations remained unfulfilled, his appeals ceased to have effect.

What Gorbachev the ideologue did not understand was that he was making ideological appeals to a society that had been completely de-ideologised. It had been de-ideologised by Stalinist terror, bureaucratic unresponsiveness, arbitrariness, unfulfilled promises, shortages and corruption. But, above all, people had been de-ideologised by Bolshevik organisation of Soviet society. This organisation had turned active agents of history into passive sufferers or beneficiaries of the system. They were, as Rosa Luxemburg had predicted in 1918, "invited from time to time to the meetings where they ...[were] to applaud the speeches of the leaders, and to approve proposed resolutions unanimously."

But Soviet people had not been merely de-ideologised. Material deprivations and de-ideologisation had combined to make for crass materialism and cultural and spiritual poverty. To such people Gorbachev's ideology meant little. As Gorbachev unfolded his plans, it did not occur to him that more than providing material incentives, partial privatisation would lead to hoarding, black market and the underworld. It never crossed his mind that rather than encouraging involvement, creativity and responsibility, economic decentralisation could lead to breakdown of linkages and chaos. He must have imagined that democratic decentralisation and devolution of political power would inculcate greater faith in centre-state relations in the Union. What he seemed not

to have taken into account was that these steps could also fan demand for secession and produce inter-republic ethnic violence.

What Gorbachev did not understand, in short, was that the sedimented mire had corroded so deep into the system that the rot he considered extraneous to the Soviet bodypolitik had become its intrinsic part. Unaware of such risks, Gorbachev went ahead with reforms which brought down the entire system over his head. It was only much later that Gorbachev saw the mistake in dismantling the entire system as he had done. In a Soviet television interview in March 1991 he admitted that "It was inexpedient to reject what still worked, before creating new effective mechanisms ...I am not trying to avoid responsibility." He added that "It was possible to reach the gains of perestroika with less damage".[64]

But by the time this realisation dawned on him, it was already too late. And yet if we look back into Soviet history, we find that the extremely simplistic nature of Gorbachev's grandiose plans was not without precedents. The belief that an entire system could be supplanted all at once went back all the way to Lenin who had in his pamphlet *State and Revolution* put forth the idea of smashing up the inherited state with a similar faith. The consequences of implementing the grand plan in his case had been no different: the economy had collapsed. Despite that failure and despite the fact that Lenin had to very quickly retrace his steps, the faith had survived him through Stalin to Gorbachev. The three leaders might have been very different in what they wanted to replace or what they wanted to replace it with, but they were remarkably similar in that they shared the highest degree of voluntarism. This voluntarism was an integral part of Bolshevism, an ideology which had from the start believed in skipping or telescoping stages of history.

VIII

I said in the previous section that Gorbachev was twice removed from Soviet reality. I argued that his connection with Soviet society was severed as he visualised it in a highly idealised manner whereas the society itself had been completely de-ideologised. Let me now argue that he was also isolated from the CPSU, the agency in which he had great faith and which he saw the vehicle of change. The reason was his Bolshevism too was not what it had to his predecessors, and what it still was to his colleagues. It was, as we have above, a version that was highly idealised and rarefied—a product of partial emancipation. As a matter of fact, there was complete mismatch between what he thought was Leninism and what almost every other communist in the CPSU thought it was.

The mismatch showed at two levels. In the economic sphere, Gorbachev had drawn his inspiration from "Lenin's works in the last years of his life".[65] These works had propounded and justified the New Economic Policy, which made concessions to private trade and industry, and abandoned the pressure towards collectivisation. Lenin adhered to this policy from its inception in 1921 to his own death in early 1924. But soon after his death the NEP came to be treated as a tactical retreat which Lenin had meant to make only temporarily in the aftermath of the civil war. It was seen as contrary to the spirit of Lenin's economic philosophy in general. That is how Stalin justified its termination and reintroduction of collectivist methods in 1929. Later Soviet leadership and scholarship criticised Stalin for the political excesses he had committed but did not contest the position that Stalinist model of economic development was in line with Lenin's general economic philosophy. As a matter of fact, Khrushchev became a suspect because his policies were seen as too much of a deviation from this path. The long Brezhnev years returned to the familiar Stalinist model which had come to be equated with both Leninism and socialism.

In purely statistical terms, the economic model had shown spectacular results in the earlier decades of its implementation. It had been touted as the perfect evidence of the prosperity which socialist planning could bring to any country. Therefore, when growth rates began to fall, not everyone who mattered could see a direct connection between stagnation and this model as clearly

as Gorbachev saw, nor was he convinced that the highly unconventional methods based on Lenin's tactical retreat would promote either socialism or economic development.

No matter how much Gorbachev disliked to rule 'like a czar', he would not have been able to effect a dramatic redefinition of socialist economics without the unquestionable authority which his position as the general secretary of the CPSU gave him. The muted and cautious manner in which even politburo members expressed their misgivings, and the ease with which Gorbachev was able to disregard them, showed the extraordinary clout which each and every general secretary from the days of Lenin had wielded. Khrushchev's de-Stalinisation campaign had gone un-challenged precisely because he occupied the position which Stalin had made unassailable. Gorbachev's initial success was not very dissimilar in nature. But while those who differed with him did not disagree with him publicly and violently, they stuck on to their conventional notions regarding how socialist economy functions. The result was that while there was apparent consensus on the ideological basis of economy, in reality there was none.

Without his quite realising it, Gorbachev increasingly lost the support of conventional communists. For some time this loss was seemingly compensated by the support he received within and outside the party from the economic liberalisers. But that too was short-lived. Gorbachev had his own ideas about how much liberalisation was consistent with his version of socialism, and what he thought was permissible the liberalists found totally inadequate.

The second level of mismatching was at the political and organisational level. The vast majority of communists understood communist politics to mean, in practical terms, essentially two things: one-party system in which there was complete monopoly of political power in the hands of the communist party; and a completely hierarchical pyramidic structure within the party which was seen as the essence of 'democratic-centralism'. It is true that many of those who swore by this system also occupied privileged positions and derived disproportionate benefits from it. But it will be simplistic to argue that only such people were interested in preserving the system. The ordinary ranks and local leaders of the CPSU must have understood socialism to mean what was practised in Soviet Union. Most of them were born and brought up in the era when all these features were already in place. They must have been socialised into it and must have found it normal. They must have, in other words, behaved like unemancipated members of the communist universe. I am not saying that there could have been no communists in the party who, like Gorbachev, saw these features as perversion of socialist ideology. But their number could not have been large and, given the long years of Brezhnev rule, they could not have risen very high. Those who were elevated by Gorbachev himself did not seem to enjoy tremendous rank and file support. They could have given solace but not much organisational support to Gorbachev in the later years of his political career. On the other hand, those who tried to pull off the August 1991 coup may not have enjoyed tremendous public support, yet they could not have been entirely without sympathisers in the party. That is the only explanation for Gorbachev's moving so quickly to disband the party.

In the end, Gorbachev stood all alone. He was a liberal whose hesitant, halting attitude towards 'reforms' had exasperated liberals long ago; he was a communist whose debilitating effect on the party and government had made communists extremely wary of him; he was a social democrat, whose ambivalent and contradictory attitude failed to create a dependable base for social democracy in a soil from which it had been uprooted long ago.

No obituary to Gorbachev's paradoxical politics would have been more appropriate than the one a Moscow newspaper editor wrote:

> Gorbachev introduced chaos which destroyed the doomed empire. Trying to kill totalitarianism, he only managed to kill communism. Trying to impose freedom on the state, he killed the state. Trying to inoculate democracy to society, he destroyed society. Wishing to keep the empire intact, he destroyed the empire.[66]

When Gorbachev went down, he did not go down alone. A country that had fallen apart went down with him.

Notes

1 Mikhail Gorbachev, *Perestroika: New Thinking for Our Country and the World*, Fontana/ Collins, London, 1988, p 145.
2 Ibid, p 139.
3 Ibid, p 143.
4 Ibid, p 147.
5 Ibid, p 142.
6 Daniel L Bond and Herbert S Levine, 'An Overview' in their edited work, *The Soviet Economy: Towards the Year 2000*, George Allen and Unwin, London, 1983, p 18.
7 Wharton Econometric Forecasting Associates, *Centrally Planned Economies: Current Analysis*, Washington, DC, February 14, 1984, p 13. Cited in Hannes Adomeit, 'Capitalist Contradictions and Soviet Policy', *Problems of Communism*, Vol xxxiii, No 3, May-June 1984, p 13.
8 Fydor I Kushnirsky, 'The Limits of Soviet Economic Reform', *Problems of Communism*, Vol xxxiii, No 4, July-August 1984, p 43. Emphasis added.
9 Ernst Kux 'Contradictions in Soviet Socialism', *Problems of Communism*, Vol xxxiii, No 6, November-December 1984, p 27.
10 Richard Pipes, *Survival Is Not Enough: Soviet Realities and America's Future*, Simon and Schuster, New York, 1984, p 49.
11 Harry Gelman, 'Rise and Fall of Detente', *Problems of Communism*, Vol xxxiv, No 2, March-April 1985, p 72. Revised version of a paper presented in October 1984.
12 Zbigniew Brzezinski, *Game Plan: How to Conduct the US-Soviet Contest*, Atlantic Monthly Press, Boston, MA, 1986, p xii.
13 Ibid, p 246.
14 Ibid, p 23.
15 Ibid, p 98.
16 Ibid, p 232.
17 Ibid, pp 236-37.
18 See my 'Sino-Soviet Split and Retrospective Explanations: A Critique of Power-Centric Analysis', *International Studies*, Vol 23, No 1, January-March 1986, pp 1-20.
19 Gorbachev, No 1, pp 18-19.
20 Ibid, p 24.
21 Ibid, pp 129, 130, 131.
22 Ibid.
23 See, 'Wary about Gorbachov', editorial in *The Statesman*, June 27, 1987.
24 *The Times of India*, June 27, 1987.
25 *Indian Express*, July 1, 1987.
26 *The Times of India*, June 23, 1987.
27 *The Economic Times*, August 27, 1987.
28 *The Statesman*, August 31, 1987.
29 *The Times Of India*, October 2, 1987.
30 *Indian Express*, November 15, 1987.
31 Stephen S Rosenfeld, 'Focus on Gorbachev Reforms' reproduced from the *Washington Post* in the *Hindustan Times*, October 13, 1987.
32 Brar, No 18.
33 Gorbachev, No 1, p 127.
34 Ibid, p 36.
35 Ibid, p 17.
36 Ibid, p 10.
37 Ibid, p 37.
38 Ibid, p 32.
39 Ibid, p 56.
40 Ibid, p 79.
41 Ibid, p 35. Emphasis in the original.
42 Ibid, p 63.
43 Ibid, p 82.
44 Ibid, p 57. Emphasis added.
45 Ibid, pp 21, 22.
46 Ibid, p 48.
47 Ibid, pp 106-07.
48 Ibid, p 57.
49 Ibid, p 57.
50 Excerpts from Gorbachev's resignation speech broadcast on national television on the night of December 25, 1991. Translated by Associated Press. See, *The Times of India* December 27, 1991.
51 Ibid.
52 Rosa Luxemburg, 'Russian Revolution' in *The Russian Revolution and Leninism or Marxism*, Ann Arbor Paperbacks, Michigan, University of Michigan Press, 1961, p 69.
53 Ibid, p 77.
54 Rosa Luxemburg, 'Leninism or Marxism' in Ibid, p 94. Emphasis in original.
55 Rosa Luxemburg, No 52, p 71.
56 Gorbachev, No 1, p 25.
57 Ibid, p 32.
58 Ibid, p 47.
59 Ibid, p 145.
60 Ibid, p 29.
61 Ibid.
62 Ibid, pp 43-44.
63 Ibid, p 122. Emphasis added.
64 *Statesman*, March 29, 1991.
65 Gorbachev, No 1, p 25.
66 Vitaly Tretyakov, 'The First and the Last President Goes and So Does the Soviet Union' *Nezavisimaya Gazeta*, Moscow Cited in *The Times of India*, December 25, 1991.

SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

BALANCE SHEET AS ON MARCH 31, 1994

(Rs. in 000's)

	Schedule No	As on 31.3.94	As on 31.3.93
CAPITAL AND LIABILITIES			
Capital	1	62,389	62,389
Reserves and Surplus	2	160,595	87,806
Deposits	3	4,965,260	1,914,656
Borrowings	4	194,238	481,803
Other liabilities and provisions	5	111,932	132,752
TOTAL		5,494,414	2,679,406
ASSETS			
Cash and balances with Reserve Bank of India	6	647,655	490,534
Balances with Banks and money at call and short notice	7	243,485	486,244
Investments	8	2,941,976	1,138,759
Advances	9	1,526,440	419,723
Fixed Assets	10	9,029	7,839
Other Assets	11	125,829	136,307
TOTAL		5,494,414	2,679,406
Contingent Liabilities	12	7,624,298	3,234,464
Bills for collection		219,341	254,750

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(Rs. in 000's)

	Schedule No	Year ended 31.3.94	Year ended 31.3.93
I. INCOME			
Interest earned	13	460,810	366,877
Other income	14	14,142	63,137
TOTAL		474,952	430,014
II. EXPENDITURE			
Interest expended	15	214,360	219,641
Operating expenses	16	43,680	34,164
Provisions and contingencies		144,123	111,522
TOTAL		402,163	365,327
III. PROFIT/LOSS			
Net Profit for the year		72,789	64,687
Profit brought forward		59,756	36,895
TOTAL		132,545	101,582
IV. APPROPRIATIONS			
Transfer to statutory reserves		14,600	12,950
Remitted to H. O. during the year		NIL	28,876
Balance carried over to balance sheet		117,945	59,756
TOTAL		132,545	101,582

Notes on Accounts 17

As per our attached report of even date

For RAJESH RAJEEV & ASSOCIATES
Chartered Accountants
Sd/-
Chandrashekhar
Partner

Bombay
Dated: May 31, 1994

For SOCIETE GENERALE

Sd/-
Sandra Martyres
Asst. General Manager

Sd/-
M. Bricout
General Manager

SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

SCHEDULES TO THE BALANCE SHEET AS ON MARCH 31, 1994

(Rs in 000's)

	As on 31 3 94	As on 31 3 93
SCHEDULE 1-CAPITAL		
For Banks Incorporated Outside India		
(A) Capital	62,389	62,389
(B) Amount of Deposit kept with the Reserve Bank of India under sub-section (2) of Section 11 of the Banking Regulation Act, 1949	34,889	20,130
SCHEDULE 2-RESERVES AND SURPLUS		
Statutory Reserves		
(i) Opening Balance	28,050	15,100
(ii) Additions during the year	14,600	12,950
	42,650	28 050
Balance of Profit/Loss	117,945	59 756
	160,595	87,806
SCHEDULE 3-DEPOSITS		
A I Demand Deposits		
(i) From Banks	316	48 543
(ii) From others	66,792	56 541
II Savings Bank Deposits	15,671	11 638
III Term Deposits		
(i) From Banks	1,348,917	206,397
(ii) From others	3,533,564	1,591 537
TOTAL	4,965,260	1,914,656
B (i) Deposits of Branches in India	4,965,260	1 914,656
TOTAL	4,965,260	1,914 656

(Rs in 000's)

	As on 31 3 94	As on 31 3 93
SCHEDULE 4-BORROWINGS		
I Borrowings in India		
(i) Reserve Bank of India	37,400	14,500
(ii) Other Banks	125,470	467,303
II Borrowings outside India	31,368	0
TOTAL	194,238	481,803
III Secured borrowings included in I and II above	NIL	NIL
SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		
I Bills payable	7,464	32,143
II Inter-office adjustments (net)	NIL	NIL
III Interest accrued	33,447	21,739
IV Others (including provisions)	71,021	78,870
TOTAL	111,932	132,752
SCHEDULE 6-CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	218	711
II Balances with Reserve Bank of India		
(i) in Current Account	647,437	396 219
(ii) in Other Accounts	NIL	93,604
	647,655	490,534
SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
(i) Balances with banks in India		
(a) in Current Accounts	15,920	3 598
(b) in Other Deposit Accounts	200 800	188 007
(ii) Money at call and short notice		
(a) With banks	NIL	280 000
TOTAL	216,720	471,605

SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

SCHEDULES TO THE BALANCE SHEET AS ON MARCH 31, 1994

(Rs in 000's)

	As on 31 3 94	As on 31 3 93
II Outside India		
(i) in Current Accounts		
With SG Branches	22,275	3,489
With Other Banks	4,490	11,150
TOTAL	26,765	14,639
GRAND TOTAL	243,485	486,244

SCHEDULE 8-INVESTMENTS

	As on 31 3 94	As on 31 3 93
I Investments in India		
(i) Government securities	1,091,532	568,194
(ii) Other approved securities	5,500	5,500
(iii) Shares	180	180
(iv) Debentures and bonds	117,335	87,335
(v) Others	1,727,429	477,550
TOTAL	2,941,976	1,138,759

NOTE The market value of Quoted Government Securities is higher than the Book Value by Rs 24,053 (previous Year—Market Value was lower than Book Value by Rs 320)

SCHEDULE 9-ADVANCES

	As on 31 3 94	As on 31 3 93
A (i) Bills purchased and discounted	182,021	58,691
(ii) Cash credits, overdrafts and loans repayable on demand	767,377	346,507
(iii) Term loans	577,042	14,525
	1,526,440	419,723
B (i) Secured by tangible assets	467,386	306,981
(ii) Covered by Bank/Government guarantees	647,695	77,838
(iii) Unsecured	411,359	34,904
	1,526,440	419,723
C I Advances in India		
(i) Priority sectors	63,456	38,767
(ii) Banks	NIL	5,526
(iii) Others	1,462,984	375,430
TOTAL	1,526,440	419,723
II Advances outside India	NIL	NIL
TOTAL	NIL	NIL
GRAND TOTAL	1,526,440	419,723

(Rs 000's)

SCHEDULE 10-FIXED ASSETS*

	As on 31 3 94	As on 31 3 93
I Fixed Assets (other than Premises) (incl furniture and fixtures)		
(i) At cost as at 31st March	23,733	21,693
(ii) Additions during the year	4 511	2,586
(iii) Deductions during the year	(4 660)	(546)
(iv) Depreciation to date	(14 555)	(15 894)
TOTAL	9 029	7,839

SCHEDULE 11-OTHER ASSETS

	As on 31 3 94	As on 31 3 93
I Inter office adjustments (net)	NIL	NIL
II Interest accrued	37 123	44,126
III Tax paid in advance/tax deducted at source	9 064	18,534
IV Stationery and stamps	11	11
V Others	79 631	73,636
TOTAL	125 829	136 307

SCHEDULE 12-CONTINGENT LIABILITIES

	As on 31 3 94	As on 31 3 93
I Claims against the bank not acknowledged as debts	23 226	15 507
II Liability on account of outstanding forward exchange contracts	6 754,387	2 710,724
III Guarantees given on behalf of constituents		
In India	193 146	101 334
IV Acceptances endorsements and other obligations	242 643	104 040
V Bills rediscounted	410 896	301,758
VI Other items for which the bank is contingently liable	NIL	1 101
TOTAL	7 624 298	3 234 464

SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

(Rs. in 000's)

		Year ended 31 3 94	Year ended 31 3 93
SCHEDULE 13-INTEREST EARNED			
	Interest/discount on advances/ bills	200,186	207,004
II	**Income on investments**	227,636	113,089
III	**Interest on balances with Reserve Bank of India and other inter-bank funds**	28,790	46,784
IV.	**Others**	4,198	0
	TOTAL	460,810	366,877
SCHEDULE 14-OTHER INCOME			
I.	Commission, exchange and brokerage	8,912	9,144
II	Profit on sale of investments	562	7,162
	Less Loss and sale of investments	(753)	(8,813)
III	Profit on sale of land, buildings and other assets	0	0
	Less Loss on sale of land, buildings and other assets	(277)	(17)
IV.	Profit on exchange transactions	426,540	135,088
	Less Loss on exchange transactions	(444,286)	(94,760)
V	Miscellaneous Income (includes provision for doubtful debts written back Rs 16,566, Previous Year Rs 13,306)	23,444	15,333
	TOTAL	14,142	63,137

(Rs in 000's)

		Year ended 31 3 94	Year ended 31 3 93
SCHEDULE 15-INTEREST EXPENDED			
I	Interest on Deposits	188,689	176,159
II	Interest on Reserve Bank of India/Inter-bank borrowings	25,537	42,898
III	Others	134	584
	TOTAL	214,360	219,641
SCHEDULE 16-OPERATING EXPENSES			
I	Payments to and provision for employees	9,663	8,174
II	Rent, taxes and lighting	8,345	6,076
III	Printing and stationery	1,001	614
IV	Advertisement and publicity	67	49
V	Depreciation on bank's property	2,911	2,379
VI	Directors' fees, allowances and expenses	42	44
VII	Auditors' fees and expenses	32	45
VIII	Law charges	33	95
IX	Postage, Telegrams, Telephones etc	5,823	4,663
X	Repairs and maintenance	2,910	1,361
XI	Insurance	1,224	882
XII	Other expenditure (incl Head Office Supervisory Charges 4,500, Previous year 4,500)	11,629	9,782
	TOTAL	43,680	34,164

SOCIETE GENERALE

THE FRENCH AND INTERNATIONAL BANK

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

Schedule 17 – Notes on Accounts:

I. Summary of Significant Accounting Policies

1. General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

2. Transactions involving foreign exchange

(i) (a) Foreign currency assets and liabilities are translated on a daily basis at the exchange rates prevailing at the close of the day except for balances in Foreign Currency (Non-Resident) Accounts which are recorded at the relevant notional rates specified by Reserve Bank of India. Accordingly, monetary assets and liabilities other than balances in Foreign Currency (Non-Resident) Accounts have been translated at the exchange rates prevailing at the close of the year.

(b) Unmatured spot and forward foreign exchange transactions are revalued on a monthly basis at the then prevailing spot and forward rates respectively.

(c) Gains and losses arising from the above valuations are reported in the Profit and Loss Account.

(ii) Income and expenditure items have been translated at the exchange rates prevailing on the date of the transaction.

3. Investments

(a) Investments in Securities approved for the purpose of maintaining Statutory Liquidity Ratio requirement.

(i) Permanent Investments

Valued at cost of acquisition. The difference between cost of acquisition and maturity value is amortized/accrued over the residual maturity of the Security.

(ii) Current Investments

Valued at the lower of cost of acquisition or market value or yield to maturity at rates specified by RBI circular no. DBOD No. BP.BC 59/21.4.043/94 dt 17 May, 1994.

(b) Other Investments

Valued at the lower of cost of acquisition or yield to maturity at rates specified by RBI circular no. DBOD No. BP.BC 59/21.4.043/94 dt. 17 May, 1994.

4. Advances

Provisions for doubtful advances have been made to the satisfaction of the auditors.

— in respect of identified advances, based on a periodic review of advances, after taking into account the portion of the advances guaranteed by the Export Credit and Guarantee Corporation and similar statutory bodies and guidelines issued by the Reserve Bank of India.

— in respect of general advances, based on Management's estimate of potential exposure and taking into account guidelines issued by the Government of India and the Reserve Bank of India.

— provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under "Other Liabilities and Provisions".

5. Fixed Assets

(i) Fixed Assets have been accounted at their historical cost.

(ii) Depreciation has been provided on the diminishing balance method at the following rates per annum:

Furniture and Fixtures	18.1%
Computers	40%
Electrical Fittings and Fixtures	33.33%
Equipment	33.33%
Vehicles	33.33%

(iii) Certain fixed assets which were provided without charge to the Branch by Head Office are included in these accounts at nominal value for the purpose of control

6. Staff Benefits

Provision for gratuity is made on the basis of an actuarial valuation. Provision for pension benefits is made on an accrual basis. Separate funds for gratuity and pension have been created

7. Net Profit

The net profit disclosed in the profit and loss account is after:

(i) provision for taxes on income in accordance with statutory requirements.

(ii) provisions for doubtful advances.

II. As at March 31st, 1994 the Indian Branches have changed the basis of presenting the asset value in respect of Commercial Paper and Certificates of Deposit disclosed under investment from gross basis to net of discount earned in advance consequently, the assets and liabilities are both reduced to the extent of Rs. 7,17,21,322.00

III. Previous year's figures have been regrouped and reclassified wherever necessary to make them comparable with current year's figures.

As per our attached report of even date

For RAJESH RAJEEV & ASSOCIATES
Chartered Accountants
Sd/-
Chandrashekhar
Partner

Bombay
Dated: May 31, 1994

Signatures to schedule nos. 1 to 17

For SOCIETE GENERALE

Sd/-
Sandra Martyres
Asst. General Manager

Sd/-
M. Bricout
General Manager

Auditors' Report

1 We have audited the attached Balance Sheet of the Indian Branches of Societe Generale (incorporated in France with limited liability) as on 31st March, 1994 and also the annexed Profit and Loss Account for the year ended on that date

2 In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The Accounts are therefore, drawn up to conform with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949 Subject to the foregoing observations, we report that in accordance with sub-section (3) of Section 30 of the Banking Regulation Act, 1949

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory,

b) The transactions of the Indian Branches which have come to our notice have been within the powers of the Indian Branches of the Bank,

c) In our opinion, proper books of account, as required by law, have been kept by the Indian Branches of the Bank so far as appears from our examination of those books,

d) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with books of account,

e) In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956 in the manner so required, for Banking companies and read together with the notes, give a true and fair view

(i) In the case of the Balance Sheet of the state of affairs of the Indian Branches of the Bank as at 31st March, 1994 and

(ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date

For RAJESH RAJEEV & ASSOCIATES
Chartered Accountants
Sd/-
Chandrashekhar
Partner

Bombay
Dated May 31 1994

Concerns of Intelligentsia in Pakistan

Content Analysis of Newspapers

Nadeem Ul Haque
Arif Sheikh

A content analysis of a sample of daily newspapers in Pakistan reveals that they devote extensive space to international news. Domestic news is usually entirely confined to the statements of politicians and political parties with very little space given to economic issues or court proceedings.

MODERN DAY society relies on the media, an important component of which are newspapers, to disseminate information. In order to perform this role well, the media has to be comprehensive in its coverage. It has to inform the citizenry in an efficient manner on the diverse matters that affect Pakistan's society. Modern scientific, economic, and social development depends to a large extent on such a diffusion of knowledge by means of the media. Such an argument is often cited in support of the drive for mass literacy in many planning and intellectual circles.

Although the media comprises radio, television and newspapers, there are two reasons why we have chosen to concentrate this study on newspapers only. First, like many other developing economies and emerging democracies like Pakistan, the audio-visual media, radio and TV, is controlled by the government. Consequently, like most public sector owned enterprises, one cannot take this section of the media to be operating according to well defined market principles. To the extent that they are being run on non-market lines, market preferences cannot be deduced by means of a content analysis.

Second, all academic jobs as well as academic journals too, are in the public sector. Moreover, these journals tend to be very specialised and do not encourage academic debate. As a result, most Pakistani academics publish in newspapers and the few monthly and weekly magazines. The content analysis especially of the editorial/opinion page, therefore, reflects, in some sense, the opinions of the intelligensia. The debates and opinions expressed on these pages are important to study as they eventually shape the country's policy agenda. Syllabi of elite training institutes such as the civil service academy where the senior civil servants are trained draw upon the writings on the opinion pages of newspapers. The columnists and writers of these columns are all the main lecturers at such places. It is, therefore, important to determine the areas that this intellectual elite considers worthy of attention.

This paper attempts to determine, albeit a little crudely the extent to which the newspapers fulfil their role of an informant of society and a watchdog for the interests of the people. For this purpose we attempt to develop some quantification of the coverage of newspapers. Such a quantification is an important source for discovering, and informing the newspaper readership on, editorial preferences and decisions. If enough such information is made available perhaps the readers and editorial interests will be better mediated. It is therefore hoped that this line of research will be pursued by others and perhaps even on a continuous basis to keep everyone on their toes.

Unfortunately, because of the lack of resources, our research had to be quite restricted. We were, however, able to cover six major newspapers, four English and two Urdu but were unable to undertake a study of the newsmagazines. For the selected papers we covered only the more important sections such as the main headline, the opinion page, the editorials and the letters to the editor. Our simple analysis also overlooks another important dimension of understanding newspapers and their contents, that of the quality of the material presented. For example, simple exercises such as the extent to which opinion is well researched and the headline reflects fact and limits sensation, could be done. In that sense the paper should be regarded as a pilot or an illustrative exercise. It is hoped that this would catalyse a larger research project that will refine some of the analysis presented, increase the coverage of the print media, and adjust the quantification for quality.

Our intention was to classify the news, opinion and analysis appearing in newspapers into categories that are meaningful. The primary intent of this research was to determine the priority that editors and opinion-writers give to international versus domestic issues. Furthermore, within domestic issues, what weights do they lay on economic, social and court related issues.

Bearing these considerations in mind, we attempted a classification into five main categories: international news, current political situation, social news, economic news, and court-related news. International news represents views and events on issues such as Bosnia, Kashmir, Afghanistan, new world order, central Asia, etc. All political statements and announcements of the politicians in the government as well as in the opposition including rallies and press conferences of all prominent political parties and leaders are classified in the category of political pronouncement. The conjecture is that statements by these leaders are only made for the promotion of their own careers.

Within court decisions also, a distinction was made between those of an economic and a political nature. Since religion remains an important item for discussion in Pakistan, a classification for pieces that focused on religion was also maintained. In ideal circumstances of well-funded research, perhaps all the sections of the newspaper would be classified on a daily basis in terms of the actual space that was devoted to each category. Such a research would be able to develop many more categories and could even assign pieces to multiple categories.

Within these main categories we attempted some form of quality judgment. In the social and economic categories we attempted to define three sub-classifications. In the course of the analysis it appeared that there were too many pieces that were quite full of platitudes like 'Pakistan as an Islamic State', 'declining moral values', 'corruption', 'lament on poverty or literacy', 'exhorting self reliance', etc. We termed such pieces 'conventional wisdom/dogma'.

The quality pieces that we were looking for were either investigative pieces on any current economic or social phenomenon, or an interesting facet of government policy or administration as it affected those areas, or analytical informative pieces in the economic and social areas. Pieces that fell into this category were classified into a category termed as 'investigative or report of public complaint'. Consequently, a factual reporting of an event such as a seminar or a government policy announcement was termed just that, 'Factual reporting of a significant event'.

We have randomly selected about 156 newspapers (from January to October 1992) for data collection. As mentioned above, our analysis included four English newspapers (i e, *The Nation, The News, Frontier Post, Dawn*) and two Urdu newspapers (*Jang* and *Nawa-i-Waqat*).[1] The attempt was to draw randomly about 25 issues from each of these newspapers from the 10-month period, January to October 1992. Even for a limited exercise such as this the sampling ratio is not bad. We were able to sample about 8 per cent of the population which, by most standards, is quite reasonable.

Because of resource constraints, no attempt was made to cover the entire newspaper. Instead four areas that are probably the most important in the paper were covered: (i) the main headline, that reports that which the

editor considers most important, (ii) the editorials, which present the views of the editors on issues which the editor considers to be important, (iii) the opinion page which reflects the views of the elite, columnists, thinkers and the well known, and (iv) letters to the editor which reflect the concerns of the ordinary reader We are therefore able to contrast the views of three important actors in this business, the editors, the intellectual elite and the ordinary reader

The printed material on the selected sections was read and a classification determined Because of resource constraints, multiple or subsidiary classifications could not be done For the same reason, multiple enumerators to correct for enumerator bias also were not used For any one attempting to improve on this work these would be important areas to concentrate resources into However, despite all these problems, the study provides an interesting first look at the content of our newspapers

Main Headline

The most important part of a newspaper is the main headline The main headline is what is printed in the boldest and largest letters It is what the street hawkers used to shout out in bygone days to attract buyers The achievement of a headline story remains the dream of many a reporter and the stuff of which many Humphrey Bogart, Jimmy Cagney and Edward Robinson films were made Headline and headline stories also reflect the preferences of editors and/or owners of newspapers and many an owner like the famous William Randolph Hearst used them to considerable political advantage Crusader editors have been known to use headlines for their favourite cause

Unfortunately, third world governments have learnt this lesson well and have attempted directly as well as indirectly to control the headline in favour of the incumbent regime Editors are persuaded by many means, which include both the carrot and the stick to favour the incumbent for headline space

Our analysis of the newspapers in Pakistan focused on the headline in view of its importance to public perceptions We analysed all the stories in the main headline and categorised them according to their content as discussed above Table 1 presents the results Evidence suggests that the editor's favourite topics for headline news are international topics and political pronouncements of our politicians They devote roughly 35 per cent of all headline space to international events and some 33 per cent to political pronouncements (Table 1) Although data on newspapers from other countries was not immediately available to us but our hypothesis would be that our newspapers are perhaps more international than they need to be Moreover, given the attention that political pronouncements receive, newspapers seem to be either under the influence of the government, or remain in anticipation of some benefit from politicians Some factual reporting of some social event or happening is what can be termed the third favourite receiving about 27 per cent of the total headline space However judging from the evidence of the content analysis, the economy or court-related stories are certainly not what headlines are made of in Pakistan

As Table 1 shows, there is a clear divide in the treatment of issues between English and Urdu newspapers Perhaps in keeping with the desires of their Oxbridge educated and influenced audience, English newspapers devote a lot of their headline space to reporting international events[2] of the total English-newspaper headlines sampled about 52 per cent related to some international event In contrast, Urdu newspapers devoted only 19 per cent of their headline space to international news

The largest category to which headline space was devoted in Urdu newspapers was 'political announcements' About 42 per cent of sampled headline space was given to the reporting of announcements, press conferences and such like of political figures from both sides of the spectrum[3] This was the second largest category for the English newspapers using up about 23 per cent of total headline space

The next most important contender for headline space is the category of factual reporting of an event of a social or political character This is the second most important category that editors of Urdu newspapers like to use for a headline About 33 per cent of headline space in Urdu newspapers is devoted to it English editors however are not so generous in their assessment of this category and give it only 21 per cent of their headline space For them this is third in importance after international news and politicians' announcements

Interestingly enough both economic matters and news related to court proceedings receive more attention in Urdu papers than English newspapers While Urdu newspapers devote about 3 per cent of their headline space to economic matters English newspapers allow only 2 per cent of their space to be used for economic affairs Similarly, Urdu newspapers and English newspapers devote 3 per cent and about 1 per cent respectively to court-related matters

Perhaps reflecting the desires of their editors, there appears to be significant differences among individual newspapers For example *Dawn* seems to concentrate far more on international events, devoting some 79 per cent of headline space to this category Of the English newspapers, *The Nation* devotes the least space to international events but gives the largest weight to political pronouncements The analysis also suggests that *The Frontier Post* devotes more headline space to economic news than all other newspapers *The News* gives court related news the most coverage out of English newspapers

While the favourite subject of both Urdu

Table 1 What the Front Page Headline Covers

(As per cent of all headlines sampled for the concerned newspaper)

Newspaper (# Sampled in 1992)	International[a]	Political Announcements—Both Government and Opposition[b]	Social: Factual or Coverage of Significant Event[c]	Social: Investigative or a Report of Public Complaint[d]	Economic: Factual or Coverage of Significant Event[e]	Economic: Investigative or a Report of Public Complaint[f]	Court Proceeding: Political	Court Proceeding: Economic/Social
The News (26)	44 83	20 69	31 03	0 00	0 00	0 00	1 72	1 72
The Nation (27)	36 60	32 68	27 45	0 00	1 96	0 00	0 65	0 65
The Frontier Post (25)	43 40	25 47	25 47	0 00	4 72	0 00	0 94	0 00
The Dawn (26)	78 57	12 86	7 14	0 00	0 71	0 00	0 71	0 00
Nawa i Waqat (25)	29 72	40 57	23.58	0 47	3 77	0 47	1 42	0 00
Jung (26)	10 34	42 53	41 00	0 00	1 53	0 38	3 45	0 77
English newspapers (104)	52 08	23 41	21 23	0 00	1 97	0 00	0 88	0 44
Urdu newspapers (51)	19 03	41 65	33 19	0 21	2 54	0 42	2 54	0 42
All newspapers (155)	35 27	32 69	27 31	0 11	2 26	0 22	1 72	3 43

Notes a International issues such as reports on Bosnia India Kashmir etc

b Gratuitous publicity for politicians This would include press conferences rallies and announcements of the prime minister president PCA NDA MOM PPP etc

c Coverage of an social event—crimes functions community related events—because of the importance of the event and not because a politician graced the occasion

d Investigation of crimes government misdemeanours or reports of causes of various social phenomenon or complaints of citizens

e Factual piece reporting government figures without much analysis e g report of the annual budget

f Report of an analysis of economic policy or an economic phenomenon or event

newspapers is political pronouncements the second favourite topic for *Nawa i Waqat* appears to be international news while for *Jang* it is social events Interestingly in the weighting scheme of *Nawa i-Waqat*, economic matters receive a higher priority, in that of Jang court proceedings receive more attention

Editorials

The editorials convey more directly than any other segment of the newspaper the views of the editor The editorials are supposed to be directly written by the editor on subjects of his choice Though based on fact, the editorial is not supposed to be factual and informative By intention, they represent the views and opinions of the editor Editors use the editorials for issues of common weal and public interest By means of editorialising, the editor attempts to influence public both opinion and policy The subjects that editors pick for editorials, therefore reflect very clearly the orientation of the newspaper

Table 2 presents the results of the content analysis of the editorials for the four major English newspapers and two Urdu newspapers Interestingly enough, as in the main headline, the favourite topic of editors of English newspapers and the second most frequent topic for editorials in Urdu newspapers is international events Court-related matters continue to the least topic of interest for editorials

In all about third of all editorials are written on international news English newspapers are devoting about 32 per cent of their editorials to international events while Urdu newspapers commit 24 per cent to this category Surprisingly, while *The Frontier Post* was devoting the least amount of headline space to international events it takes the lead in terms of editorials on international news

For Urdu newspapers the category of conventional wisdom or dogma is the most important category for which editorials are written Indeed this is the second most important category for all newspapers with about 21 per cent of all samples newspaper editorials being devoted to it Among the Urdu newspapers, *Jang* gives the highest weightage to editorialising on subjects that can be interpreted as conventional wisdom However even in this category, the received wisdom in economics receives less attention than in the social area

The current political situation is surprisingly the subject of only 8 per cent of all editorials *The Frontier Post* and *The Nation* write the most editorials on the current political situation About 13 per cent of each of their editorials are written on this subject

Public complaints or investigations of some social or economic phenomenon are also made subjects of editorials Urdu newspapers are more concerned about social events while the English editorials are treating more economic complaints and investigations

While religion appears to be editorialised about 4 per cent of the time, *Nawa i Waqat* takes it up as an editorial subject more often than *Jang* Among English newspapers, *The Frontier Post* is writing most editorials concerning religion Perhaps a fair conjecture would be that the *Nawa i Waqat* editorials are probably more pro islamisation, while *The Frontier Post* represents the opposing viewpoint

The Opinion Page

In many ways the opinion page is the most interesting aspect of a newspaper The opinion page represents informed opinion on important subjects This is an area which allows newspapers to move away from the daily grind to strike a chord on longer term issues The opinion page is occupied mostly by the glitterati well known people from all walks of life including famous columnists In that sense, the opinion page represents the views of the elite of its audience Newspapers seek to distinguish themselves by means of their opinion pages

Of course the editor chooses what to put on the opinion page The editor, therefore has the final choice of the themes on the opinion page Thus, this page reveals information on the themes that are important to the informed readership of the concerned paper as well as the editor

The opinion pages in Pakistani newspapers appear to concentrate on international events and on delivering homilies on platitudes or what we term as conventional wisdom/dogma (Table 3) As before, opinion prices in English newspapers concentrate on international news while Urdu newspapers are more 'preachy' Among the English newspapers, *Dawn* and *The News* carry more articles on international events than others while among Urdu papers, *Jang* likes to preach more

Within the category of conventional wisdom/dogma all newspapers favour social and political themes more than economic Economic issues in general, receive little attention *The Frontier Post* and *The Nation* devote the largest space to economic issues on the opinion page *The Frontier Post* leads in carrying more analytical and investigative pieces on economic issues on the opinion page Most newspapers, however, are disappointing when it comes to their economic coverage [4]

For both Urdu and English newspapers, religious themes tend to be more important

Table 2 Editorials and Their Content 1992

(As per cent of total coverage on this page)

Newspaper (# Sampled in 1992)	International[a]	Current Political Situation[b]	Religion	Social: Conventional Wisdom/ Dogma[g]	Social: Factual or Coverage of Significant Event	Social: Investigative or a Report of Public Complaint[d]	Economic: Conventional Wisdom/ Dogma[g]	Economic: Factual or Coverage of Significant Event[e]	Economic: Investigative or a Report of Public Complaint[f]	Court Proceeding: Political	Court Proceeding: Economic/ Social
The News (26)	23 08	5 73	0 00	23 08	28 21	2 56	5 13	10 26	0 00	2 56	0 00
The Nation (27)	30 95	13 10	2 38	11 90	9 52	1 19	17 86	4 76	8 33	0 00	0 00
The Frontier Post (25)	39 47	13 16	11 84	9 21	7 89	7 89	7 32	2 63	6 58	0 00	0 00
The Dawn (26)	34	0	2	20	16	8	4	8	8	0	0
Nawa I Waqat (25)	28 57	5 88	5 04	20 17	4 20	12 61	11 76	3 36	7 56	0 00	0 84
Jang (26)	20 18	11 01	2 75	39 45	13 76	2 75	3 67	3 67	0 00	1 83	0 92
English newspapers (104)	31 88	7 85	4 06	16 05	15 41	4 91	7 08	6 41	5 73	0 64	0 00
Urdu newspapers (51)	24 38	8 45	3 90	29 81	8 98	7 68	7 72	3 52	3 78	0 92	0 88
All newspapers (155)	29 38	8 05	4 00	20 63	13 26	5 83	7 29	5 45	5 08	0 13	0 29

Notes a International issues such as reports on Bosnia India Kashmir etc

b Coverage of recent political events such as the Sind situation announcements of the prime minister president, PDA, NDA, MOM, PPP, etc

c Coverage of an social event—crimes functions community related events—because of the importance of the event and not because a politician graced the occasion

d Investigation of crimes government misdemeanours or reports of causes of various social phenomenon, or complaints of citizens

e Factual piece reporting government figures without much analysis e g, report of the annual budget

f Report of an analysis of economic policy or an economic phenomenon or event

g As the name suggests articles affirming certain platitudes that are held dear in our society In the social areas, these would be ones that continue to decry our declining values or corruption in our society and role of the army or how we should become better Muslims In economics, articles that continue to issue clarion calls for self reliance reduction of poverty etc without any concrete analysis are included in this category

than the current political situation There is hardly any comment on the opinion pages on court decisions or court proceedings to the extent that the matter is not *sub judice*

Letters to the Editor

'Letters to the Editor' section of a news paper is the opinion page of the ordinary reader These are written by the little people who are not known and who have a viewpoint but do not wish to write lengthy pieces to air their viewpoint The views range from grandiose thoughts about the destiny of the country to complaints about the every day problems of the ordinary people For example all of us are familiar with the perennial plea in the letters to the editor section on government overbilling for services such as electricity or telephone Or the pleas for post ponement of examinations Given the lack of an efficient system of justice and the consequent reliance on bureaucratic arbitrariness for redress writing a letter to the editor remains an important means for attempting to seek justice As a result it would be an important area for future research to study this section of the newspaper in some detail For example the editorial selection process could be studied or the follow-up if any could be investigated The attitudes of the bureaucracy to the complaints that are voiced by this means should be examined

Despite the editorial selection that takes place in determining what gets printed in this column this section perhaps reflects best the

Table 3 Opinion Page

(As per cent of total news on the page)

Newspaper (# Sampled in 1992)	International[a]	Current Political Situation[b]	Religion	Social: Conventional Wisdom/ Dogma[g]	Social: Factual or Coverage of Significant Event	Social: Investigative or a Report of Public Complaint[d]	Economic: Conventional Wisdom/ Dogma[g]	Economic: Factual or Coverage of Significant Event	Economic: Investigative or a Report of Public Complaint[f]	Court Proceeding: Political	Court Proceeding: Economic/ Social
The News (26)	43 18	2 27	4 55	22 73	21 59	0 00	1 14	2 27	2 27	0 00	0 00
The Nation (27)	28 57	6 12	6 12	23 47	8 16	7 14	8 16	3 06	9 18	0 00	0 00
The Frontier Post (25)	35 06	3 90	14 29	16 88	9 09	7 79	1 30	0 00	11 69	0 00	0 00
The Dawn (26)	41 77	6 33	10 13	20 25	11 39	5 06	1 27	1 27	1 27	0 00	1 27
Nawa I Waqat (25)	21 62	6 76	8 11	51 35	5 41	2 70	1 35	1 35	1 35	0 00	0 00
Jung (26)	15 38	3 08	5 38	63 08	3 85	2 31	3 85	2 31	0 77	0 00	0 00
English newspapers (104)	37 15	4 66	8 77	20 83	12 56	5 00	2 97	1 65	6 10	0 00	0 32
Urdu newspapers (51)	18 50	4 92	6 75	57 21	4 63	2 51	2 60	1 83	1 06	0 00	0 00
All newspapers (155)	27 83	4 79	7 76	39 02	8 59	3 75	2 78	1 74	3 58	0 00	0 16

Notes a International issues such as reports on Bosnia India Kashmir etc
b Coverage of recent political events such as the Sind situation announcements of the prime minister president PDA NDA MOM PPP etc
c Coverage of an social event—crimes functions community related events because of the importance of the event and not because a politician graced the occasion
d Investigation of crimes, government misdemeanours or reports of causes of various social phenomenon or complaints of citizens
e Factual piece reporting government figures without much analysis e g report of the annual budget
f Report of an analysis of economic policy or an economic phenomenon or event
g As the name suggests, articles affirming certain platitudes that are held dear in our society In the social areas these would be ones that continue to decry our declining values or corruption in our society and role of the army or how we should become better Muslims In economics, articles that continue to issue clarion calls for self reliance reduction of poverty etc without any concrete analysis are included in this category

Table 4 Analysis of Letters to Editor Columns

(As per cent of the total number of letters sampled)

Newspaper (# Sampled in 1992)	International	Current Political Situation[b]	Religion	Social: Conventional Wisdom/ Dogma[g]	Social: Factual or Coverage of Significant Event[c]	Social: Investigative or a Report of Public Complaint[d]	Economic: Conventional Wisdom/ Dogma[g]	Economic: Factual or Coverage of Significant Event[e]	Economic: Investigative or a Report of Public Complaint[f]	Court Proceeding: Political/ Election	Court Proceeding: Economic/ Social
The News (26)	7 38	1 64	9 84	31 15	27 05	13 93	3 28	4 10	0 82	0 00	0 82
The Nation (27)	3 28	1 64	6 56	38 52	10 66	22 13	7 38	3 28	5 74	0 00	0 82
The Frontier Post (25)	10 78	3 92	4 90	26 47	11 76	24 51	2 94	1 96	12 75	0 00	0 00
The Dawn (26)	6 59	2 40	5 39	31 74	15 57	17 96	10 78	5 99	3 59	0 00	0 00
Nawa-I-Waqat (25)	1 27	0 00	6 33	43 04	12 66	16 46	3 80	2 53	13 92	0 00	0 00
English newspapers (104)	7 01	2 40	6 67	31 97	16 26	19 63	6 09	3 83	5 72	0 00	0 41
Urdu newspapers (51)	1 27	0 00	6 33	43 04	12 66	16 46	3 80	2 53	13 92	0 00	0 00
All newspapers (155)	5 86	1 92	6 60	34 18	15 54	19 00	5 63	3 57	7 36	0 00	0 33

Notes a International issues such as reports on Bosnia India Kashmir etc
b Coverage of recent political events such as the Sind situation announcements of the prime minister president PDA NDA MOM PPP etc
c Coverage of an social event—crimes functions community related events— because of the importance of the event and not because a politician graced the occasion
d Investigation of crimes government misdemeanours or reports of causes of various social phenomenon or complaints of citizens
e Factual piece reporting government figures without much analysis e g report of the annual budget
f Report of an analysis of economic policy
g As the name suggests articles affirming certain platitudes that are held dear in our society In the social areas these would be ones that continue to decry our declining values or corruption in our society and role of the army or how we should become better Muslims In economics articles that continue to issue clarion calls for self-reliance reduction of poverty etc without any concrete analysis are included in this category

concerns of the ordinary reader. In that sense, content analysis of this section should provide an interesting contrast to the opinion page which the intellectual, social and economic elite dominates and the editorial page which is purely at the discretion of the editor. Such a comparison would serve to illustrate how well the editors are complying to the need of their readership. Table 4 presents the results of the content analysis. Results of only five newspapers are presented in this table since *Jang* does not have a letters section.

The results show that the writers of these letters do not share the internationalist perspective of editors and their elite clientele. Only about 6 per cent of all the letters covered in our total sample from all newspapers are related to some international event. Of these the English letter-writers tend to have a more internationalist perspective than Urdu writers. International perspectives constitute about 7 per cent of all English letters and only about 1 per cent of all Urdu letters.

Table 4 suggests that the letter writers in Pakistan are quite fond of pontification. About 34 per cent of all letters, 43 per cent of Urdu letters, and 32 per cent of English letters, are focusing on some platitude which is what we call conventional wisdom or dogma. Much of this pontification is of a socio-political nature. Economic pontification constitutes only about 6 per cent of all letters, 4 per cent of Urdu letters, and 6 per cent of English letters.

Another interesting contrast with the other sections is that letter-writers exhibit greater concern for social, political and economic ills. About 26 per cent of all letters are concerned with analysing an issue of a, or presenting a complaint of, a social, political and economic nature. Interestingly enough, Urdu writers show more concern with such issues: about 22 per cent of English writers and about 27 per cent of Urdu writers are concerned with social, political and economic issues. Furthermore, Urdu writers are more concerned with economic issues or complaints since 14 per cent of their letters are concerned with economic issues whereas only the comparable figure for English newspapers is only 6 per cent.

An element of editorial discretion is also worth commenting on. It seems that *The Frontier Post* is a newspaper that clearly appears to favour the publication of letters that relate to investigating, analysing, or complaining about an economic, social or political issues. *Dawn* appears to favour economic pontification while the *Nawa-i-Waqat* appears to have a strong bias for publishing letters related to the complaints of, or analytical issues relating to the economy.

Our simple content analysis has yielded some interesting conclusions: (a) Newspaper editors as well as elite columnists and opinion page writers are very internationalist in their perspectives. It would be interesting to make an international comparison to see if our hypothesis is borne out that we devote an inordinately large amount of newspaper space to international issues.

(b) The easiest approach to journalism appears to be to follow politicians for statements. A large fraction of the newspaper space is made available to be political newsmakers and their various press conferences and rallies.

(c) Opinion seems to be quite cliche-ridden with very little informative or analytical content. Most of the writers in the country appear to be comfortable in their notions. There is little that is written that challenges the priors of society.

(d) Very little attention is paid to economic issues or court related proceedings. Hardly any reporting of these serious issues in the main pages takes place. Some newspapers have business pages and even a weekly legal page. However, given the gravity of economic and judicial matters, there is no reason to not give them a larger space to them in the more important areas of the paper that we have analysed.

(e) Hardly any analytical or investigative work is printed. Issues of public concern or public maladministration do not receive the attention that they merit.

(f) As evidenced by the letters to editor, it would seem that the ordinary reading public do not share the views of the editors. Very little is written on international matters and on politicians. The people appear to be more concerned with (a) airing their views, and (b) voicing their complaints in the vain hope that they will be heard.

Why is it that the newspapers in Pakistan reflect these biases that alienate them from their readers? Certainly, they are not irrational and are responding to certain incentives. Three hypotheses can be suggested as possible explanations:

(a) Perhaps the easiest course is to print international wire services and politicians' statements.

(b) It is more profitable to print this innocuous international material and that related to press conferences and rallies of politicians. The bulk of the advertisement is that of the government as well as the bulk of the subscription. Moreover, most economic favours such as plot licences and preferential credit are also doled out by the government. Thus, why reflect socio-economic concerns and perhaps incur the wrath of the most important patron.

(c) The old McCaulay tradition of creating men of letters of us colonial gentlemen, has left a deep-rooted mark on the Pakistani intellectual. These intellectuals are now more internationalist in perspective. Their love for the aesthetic and the more poetic makes them romantic and fond of truisms. Certainly, as a society, we have placed no premium on the development of analytical or investigative skills. Consequently, it is not surprising that newspapers in Pakistan do not reflect any such skill.

Unfortunately, because of lack of resources our research had to be quite restricted. We were, however, able to cover the major newspapers—six in all, four English and two Urdu—but did not undertake to study any of the news magazines. For the selected papers we covered only the more important sections such as the main headline, the opinion page, the editorials and the letters to the editor. Our simple analysis also overlooks another important dimension of understanding newspapers and their contents, that of the quality of the material presented. For example, simple exercises such as the extent to which opinion is well researched and the headline reflects fact and limits sensation, could be done. In that sense, the paper should be regarded as a pilot or an illustrative exercise. It is hoped that this would catalyse a larger research project that will refine some the analysis presented, increase the coverage of the print media, and adjust the quantification for quality.

We have been able to develop a simple but meaningful classification for categorising news, opinion and analysis appearing in newspapers. In ideal circumstances of a well funded research, perhaps all the sections of the newspaper would be classified on a daily basis in terms of the actual space that was devoted to each category. Such a research would be able to develop many more categories and could even assign pieces to multiple categories. The data base that would be developed in this manner would with the help of personal computers and sophisticates statistical packages allow many interesting trends in newspapers to be analysed.

Perhaps if someone is able to develop this database on a continuing basis we could play watchdog on the newspapers in Pakistan. Maybe by exercises such as this, it will be possible to reorient the journalistic community from their currently excessively global or internationalist perspective to a keener interest for domestic concerns. In the same manner, such quantification might help to show that hard information, evidence and analysis of society and its problems is needed for developing ideas for social change. In that sense, opinion and cliche cannot be expected to substitute for hard work.

Notes

1 Even in this relatively frugal study, we have covered all the major newspapers. *Dawn* is the largest circulating English daily in Pakistan, while *Jang* is the largest circulating Urdu daily. Between *Jang* and *Nawa-i-Waqat*, we have captured probably the overwhelming majority of the Urdu readership. Similarly, the four English papers that we study are the most widely read in the country.

2 Foreign policy issues and external events play an important role in Pakistani politics. Zulfiqar Ali Bhutto's tenure as foreign minister, his policy on China and performance at the UN were all important factors in giving him stature eventually providing him with the leadership of the country

3 Traditional and feudal politicians, therefore have to do nothing to earn a headline. This may be an important factor in arresting political development in Pakistan. If headline space is distributed according to lineage and traditional political standing, the induction of fresh blood into politics becomes more difficult.

4 Some newspapers have special pages devoted to economic and legal issues. However, there are grounds for expecting that prime space, such as that on editorial and opinion pages, should also be allocated to these issues.

Traditional Science and Technology

Learning from Legacy

L Kannan

N VENUGOPAL RAO's critique of the Traditional Sciences Congress ('Learning from a Legacy: How and What?', February 5) is disappointing, not so much because the event is beyond criticism, but because he does such an inadequate job of it. It is typical of the effete intellectual reflex to look at everything through archaic doctrinaire goggles, that it precludes any meaningful debate. Nevertheless, it must be clarified at the outset that the choice of the term 'traditional', rather than 'people's', is deliberate. It is meant to assert the validity of the epistemology that evolved independent of the modern western metaphysical paradigm. On the other hand, what passes for 'people's science' is often a condescending exercise to make modern science intelligible to ignorant masses who are otherwise thought to be wallowing in millennia-old superstitions. The only outcome of such a people's science is to replace one priesthood with another. Contrary to what Rao contends, it is only by a re-assertion of tradition that one can break the hegemony of value-loaded modern S and T. Talk of S and T in modern India has remained nothing but an attempt at cultural terrorism aimed at bamboozling the public with feigned omniscience It declares as inadmissible the opinion of anybody other than 'experts', while the ruling elite goes about perpetrating holocausts like the green revolution, nuclear projects and mega-dams. It usurps the right to re-fashion society for 'public good', cowing down dissent with dire warnings about 'scientific temper'. An example of such epistemic hooliganism (that is so rampant in intellectual slums) is found in another article in the same issue of *EPW* on the banning of animal-slaughter. While welcoming the ban, the author bemoans that it was done on the initiative of 'rabid Ahimsa—advocacy by Jains', not on 'solid scientific and ethical' grounds.

Rao's carping about the definition of tradition is juvenile. The act of defining can only be undertaken as a post-mortem: not on something living and dynamic. Leave alone tradition, Paul Feyerabend (in 'Against Method') has pointed out the absurdity of trying to define even the oft-invoked 'modern scientific method'. Rao however betrays a gross lack of understanding not only about traditions, but also about the way modern S and T works For instance, his paranoia about science getting 'tainted with religious overtones' at the Congress is amusing, to say the least. One has only to read Newton's *Principia* to know the theological underpinnings of his work. Kepler's intuition could not have flowered but for his unshakeable faith in astrology and the occult powers of geometrical shapes In more recent times, Einstein turned his back on mounting scientific evidence to declare, "God does not play dice" He also insisted that science without religion is blind, and religion without science is lame Science has always been 'tainted',* often contributing to its creative ferment. If the ilk of Rao had insisted that practising, creative scientists should justify themselves by 'aiming at the positive aspects only', or by listing out the 'negative dimensions' of their endeavours, science would never have got off the ground. In fact, all this antiseptic talk about exorcising religion from science is hogwash, propounded by bandicoots in scientific bureaucracies and by technocrats—not by those who 'do' science. The success of such a strategy of self-aggrandisement has been such that today the compulsions of *realpolitik* have forced religions to taint themselves in scientific overtones. C V Seshadri, incidentally, is in the illustrious company of the likes of pythagoras and Ramanujan when he associates numbers with mystic concepts.

The opinion of Tapan Ray Chaudhuri (which Rao accepts as the gospel-truth)—about the position of an artisan in traditional Indian society—is a dogma that is as unsubstantiated by historical evidence as any other. For instance, the fact that a handloom weaver continues to play a socially and economically useful function after more than 5,000 years of his existence is a tribute to his creativity and entrepreneurship. Only someone whose mind is sick enough to judge a traditional artisan on the basis of fickle stock market bacchanalia will be blind to such unparalleled resilience. It is not surprising that Dharampal, who transcended such sterile interpretations of history with seminal contributions as early as 1971, should be the object of 'extravagant respect' at the Congress. His opinion on the Babri masjid, if expressed elsewhere, is irrelevant to the context of the Congress. Would Rao similarly assess the value of the Theory of Relativity in terms of its propounder's Semitic-Hindutva convictions? Einstein was a Zionist—a term equated until recently by the UN with racism. In this respect Einstein may be considered kindred to Murali Manohar Joshi, a professor of physics, who is today a flag-bearer of the Hindutva ideology!

Instead of resorting to the comfortable tokenism of 'accommodating major, minor and local' traditions as Rao recommends, the Congress went about the affair in the spirit of Deng Xiao Ping's dictum, "How does it matter whether the cat is black or white, so long as it catches mice?" It was left to armchair intellectuals to compute inanities like the 'percentage of representation to Qutab Minar in the conference'.

What the Congress has highlighted is that it is relatively easy to establish the value of specific scientific and technological traditions. The discourse now needs to be carried forward to address larger questions like the reorganisation of society and polity. However, any fresh possibilities will be foreclosed by demanding that ritual obeisance be paid to dark shibboleths like 'caste-oppression', 'women's exploitation', 'land-ownership' and 'inequality'. To take just one example of such colonial voodoos that fly in the face of facts, it is obvious that the participation of women in traditional technologies is far greater (and on a vastly more 'equal' footing) than that in their modern counterparts. But a debate on this will remain superficial unless the very notion of 'equality' is scrutinised. The naive western view of society as a race-track for a rat-race leads to futile efforts to get everybody at the same starting line. Eastern societies, on the other hand, were organised more like a volley-ball team where the players occupied different positions, but sought to complement each other harmoniously in tandem action. This is the essence of 'swadharma', meaning, that which flows from 'swabhava', one's innate physical and psychological characteristics, not mere birth—that Chaudhuri and Rao seek to crudely malign. Unfortunately, a slavish adherence to alien ideological baggage by our intellectuals has left the field open to hijacking by the very forces of Hindutva that Rao is so anxious to avoid.

Insistence on preserving the form of a borrowed scientific spirit has atrophied Indian creativity. In fact, while talk of 'scientific-

temper' and 'popularisation of scientific-outlook through literacy' has increased in post-independence India, productivity in modern science was decidedly superior prior to that (Bose, Raman and Saha, to name a few) Today we unabashedly import technology to make aerated water and potato chips Thus, an objective examination of the facts constrains us to scientifically conclude that there is an inverse correlation between scientific-temper and scientific-creativity Niels Bohr, who carried a yin yang symbol in his coat of arms, was fond of underscoring the need for an undogmatic approach to science His favourite anecdote was about a fellow scientist who kept a horse shoe, considered a good-luck charm by the 'unscientific', in his laboratory On being questioned about his belief in such a superstition, the scientist replied unfazed, "I am told it works even if I don't believe in it" Bohr went on to insist that while the opposite of a correct statement is a false statement, the opposite of a profound truth is often another profound truth Thus it is that whereas modern science considers the heart muscles to be involuntary, yogis routinely stop their heart-beats for long periods Saying with Mao, 'Let a thousand flowers bloom, let a thousand schools of thought contend", China has guiltlessly used acupuncture side by side with modern medicine Japan's progress is an instance of combining western science with a Zen world-view It is remarkable that since eastern philosophy is inward-looking it does not clash with any scientific paradigm—in contrast with western religion that collapses whenever an experiment is performed No wonder, there has been no Galileo in the Indian context In fact, today's dogma of science is a mere caricature of the atheistic and atomistic Samkhya philosophy, which in turn is only one of the 'shad-darshanas' (six schools of Indian philosophy)

The enfeebling of creativity by the hegemonistic sway of science-dogma is palpable India's scientific enterprise does not even have the robustness of the Indian film industry or Indian classical music Tied to the apronstrings of western science, our scientists are reduced to writing footnotes in journals of international repute' Wilting under increasing challenges, their response has been more pathetic than that of Doordarshan to satellite TV If religion was the opium of the masses, science has become the LSD of today's moribund intellectuals The pitfalls of their restrictive dogma are similar to what happened in Stalin's Soviet Russia when a wrong economic theory (Marxism) was elevated to the level of a philosophy of science We are in for a debilitating denouement of Lysenkoism

It is perhaps too much to expect our modernists to snap out of their petrified time-warp at this late hour It is likely that their past 'karma' has condemned them to eternal citizenship of that intellectual underworld which Peter Medawar calls 'Pluto's Republic'

Note

* While Leibnitz spent much of his time in political wheeling dealing, Cauchy was a royalist at the time of the revolution who diligently converted people to the Roman Catholic faith Lavoisier was sent to the guillotine for oppressing people as a tax collector Stark and Lennard (Nobel physicists) were rabidly anti Jewish Teichmuller, after whom a whole area of research in complex variables is named, was an ardent Nazi, while Pascual Jordan, one of the fathers of quantum mechanics, was a Nazi sympathiser Heisenberg adopted a neutral position in Hitler's Germany, and participated in the (unsuccessful) German nuclear bomb project Hamilton was a student of Sanskrit, with a deep interest in Indian philosophy, and Schrodinger was a keen student of the Upanishads, which he believed were consistent with quantum mechanics Sakata, whose research pre-dated Gelman's work on the Quark-model, claimed that his physics was guided by dialectic materialism Ramanujan was convinced that the goddess of Namakkal gave him mathematical theorems in his dreams Brian Josephson, who did his Nobel prize winning work on the Josephson Junction in his 20s, is now an ardent follower of Maharishi Mahesh Yogi's school of Transcendental Meditation In our own time, the Russian mathematician Shafaravich, considered the greatest number theorist today, is propounding anti-Jewish, anti western rhetoric, espousing a return to what he calls 'Russian values' in the post-Gorbachev era

Froman, a researcher into the cultural context which led to the flowering of revolutions in physics (namely, relativity and quantum mechanics) has come to the conclusion that the translation of eastern religious texts into German led to dramatic consequences

SICOM

STATE Industrial and Investment Corporation of Maharashtra (SICOM) has achieved a record performance in 1993-94 in terms of sanctions of term loans and participation in equity of medium- and large-scale units in the assisted sector as well as disbursements and recovery It sanctioned Rs 280 7 crore by way of term loans, direct subscription, underwriting support and leasing assistance which is an increase of 37 per cent over the previous year Further, the total recovery of principal and interest during the year was 18 per cent higher at Rs 122 5 crore Short-term loans and bridge loans sanctioned by it touched Rs 68 2 crore and the recovery of principal and interest in respect of these loans was Rs 60 5 crore

SICOM received commitments from the entrepreneurs to set up 369 new medium- and large-scale industrial projects involving an aggregate capital investment of Rs 3,733 crore Among these is a Rs 615 crore project for tractors at Sanaswadi in Pune, a Rs 67 crore automobile components project at Bhosari near Pune, a Rs 35 crore project for milk products at Nashik, a Rs 32 crore aquaculture project at Palghar in Thane, a Rs 38 crore project for bulk drugs and pharmaceuticals at Khalapur in Raigad district, a Rs 40 crore project for manufacturing tyres at Waluj in Aurangabad, a Rs 400 crore sponge iron project at Ghugus near Chandrapur in Vidarbha and a Rs 90 crore galvanised sheets project in Nagpur An aggregate amount of Rs 580 crore is expected to be catalysed through NRI and direct foreign investment in the state following commitments to set up projects from 31 NRI entrepreneurs and 17 companies with direct foreign investment from abroad These projects cover a wide range of products in the fields of photographic equipment, knitted fabrics, polycrylamides and other speciality chemicals, sophisticated drip irrigation systems, speciality oils, food products, marine food processing, etc

During the year SICOM also acted as lead manager/co-manager/advisor to 16 public/rights issues and provided underwriting assistance of Rs 95 crore to 90 companies in addition to completing 11 assignments relating to project appraisal, loan syndication, mergers/amalgamations, project counselling and restructuring services

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038

Regd No M H-By/South-325

ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs. 12.00 Vol XXIX No 25 June 18, 199

- MODES OF HISTORY WRITING: NEW HINDU HISTORY OF AYODHYA
- ADJUSTMENT PROGRAMMES AND INTEREST RATE POLICY
- OUTLAWING ORAL DIVORCE: REFORM THROUGH COURT DECREE?
- CHIAPAS: COLONIAL HISTORY OF NEW WORLD DISORDER
- GANDHARI, THE REBEL
- OPTIMAL FUEL-MIX IN RURAL ECONOMY
- POVERTY AND INCOME DISTRIBUTION IN INDIA
- DEBT AND DEMOCRACY IN BRAZIL

TO SEE HOW WE'LL BE PERFORMING LOOK AT WHAT WE'VE DONE.

Take a look at the results of our past growth schemes. And judge for yourself.

Name of the Growth Schemes	Face Value (Rs)	Date of Allotment	Dividend for the period ended (% p.a)				NAV as on 31/03/94 (Rs.)	Annual compounded rate of return (% p.a)
			31/03/91	31/03/92	31/03/93	31/03/94		
IND RATNA	10	23/02/90	17.00	25.00	27.00	30.00	23.48	40
IND MOTI	10	01/09/91	NA	NA	15.00	18.00	14.83	29
IND SAGAR	100	01/09/91	NA	NA	CUM	CUM	212.86	33

Annual compounded rate of return on Face Value (Internal rate of return). = The discount rate at which present value of dividends and Net Asset Value (31.3.94) equals the Face Value.

CUM-Cumulative Scheme, surplus is reinvested. NA-Not Applicable.

Presenting yet another pure growth scheme

IND NAVRATNA

EQUITY GROWTH SCHEME

- Capital appreciation likely.
- Assured allotment.
- 5 year scheme.
- No ceiling on investment. Minimum investment is Rs. 1000 (100 units).
- No tax deduction at source. Tax benefits under Section 80L, 112, 11(5) & 115E of IT Act 1961.
- NRIs, FIIs & OCBs get full repatriation benefits.
- Listing on Bombay & Madras Stock Exchanges.

The scheme is open from **15th to 25th June**

Date of allotment of units **1st July**

Application forms available & accepted at all branches of Indian Bank.

Indian Bank MUTUAL FUND
Principal Trustee: Indian Bank

Mutual Fund investments are subject to market risks. Past performance is not necessarily indicative of future results. Ind Navratna is only the name of the scheme [illegible] manner indicate either the [illegible] prospects or the returns. [illegible] offer document before investing.

ECONOMIC AND POLITICAL WEEKLY

Founder-Editor Sachin Chaudhuri

Vol XXIX No 25 June 18, 1994

ECONOMIC AND POLITICAL WEEKLY
[illegible] House
284 [illegible] Road, Bombay 400 038
Phones [illegible] Grams [illegible]
Editor Krishna Raj

[illegible] Editor Rustam S[illegible]
Editorial [illegible] Claudius Antony, Prabha Pillai
[illegible]
[illegible] A [illegible] S Sharma
[illegible] S Subramanian
[illegible]
[illegible]
C 212, [illegible] Estate, Kandivli (East)
Bombay 400 101 Phone 887 3038/3041
Director
[illegible]

New Hindu History

The popular Hindu account of the history of Ayodhya has been completely transformed in recent years The distinguishing mark of the earlier Hindu account of this history was its metaphorical quality Ayodhya was a metaphor, as Ram was a metaphor, that stood for much more than the literal truth of the existence of a particular man/god or the geographical location of his capital. The new account of the history of Ayodhya and its association with Ram promoted by the right-wing Hindu movement of the last decade is in line with much of the 'modern' Indian effort to establish the historicity, rationality and masculinity of India and its religion(s). In fact it carries very much farther the positivism and literalism inherent in the understanding of modernity that has informed that tendency 1523

Poverty and Structural Adjustment

Policies to accelerate agricultural growth and infrastructure development and provide better access to subsidised food, along with measures to control inflation, promise to be most effective in reducing rural poverty in India On the other hand, structural adjustment, resulting in low priority to agriculture, slashing of public expenditure on the social sectors, including subsidised food, etc, will be detrimental to the poor and threatens to reverse the negative trends in rural poverty after 1969-70 1544

The Rebel

Gandhari is regarded as a symbol of the devoted wife who had even blindfolded herself because her husband was blind But was she really subservient to her blind husband who was, in the real sense, blind to all injustice and immorality? 1517

Interest Rates

The policy of imposing high interest rates on a stagnant economy is the direct result of the present policy-makers' preoccupation with success in the financial markets rather than with the growth of the real economy 1501

Reform by Decree

The Allahabad High Court's judgment on triple talaq not only trivialises the judicial system but also arrogates to the courts the task of reforming a minority y's personal laws. 1509

The pro-Narmada [illegible], buttressed by liberal state support, are turning aggressively anti-democratic in their attempts to thwart all expression of opposition to the project 1508

Debt Toll

Brazil's agreement with its international creditors on 'restructuring' $ 49 billion of commercial debt, though reached without the IMF's official stamp of approval, constitutes a final lethal blow to the country's social programmes, already in an advanced stage of decay as a result of successive 'shock therapies' 1506

Fuel Policy

A fuel-mix which can strike a balance between commercial and non-commercial energy sources is essential if the growing population is to be provided more energy even while energy is to be conserved in view of the exhaustible nature of commercial energy sources 1529

Without Food

Severe malnourishment and high mortality are characteristic features of the child population in the tribal villages of Birbhum district 1513

New World Disorder

The rebellion in Chiapas, Mexico, provides a glimmer of hope that the 'new world order' will not so easily be put into place 1514

LETTERS TO EDITOR

Zapatista Declaration

THE following is the full text of the declaration from the Lacandon jungle by the Zapatista Army of National Liberation It may be of interest to readers

We are a product of 500 years of struggle first against slavery, then during the war of independence against Spain led by insurgents, then to avoid being absorbed by North American imperialism then to promulgate our constitution and expel the French empire from our soil and later the dictatorship of Porfirio Diaz denied us the just application of the Reform laws and the people rebelled and leaders like Villa and Zapata emerged, poor men just like us We have been denied the most elemental preparation so they can use us as cannon fodder and pillage the wealth of our country They do not care that we have nothing absolutely nothing not even a roof over our heads no land no work no health care no food nor education Nor are we able to freely and democratically elect our political representatives nor is there independence from foreigners, nor is there peace nor justice for ourselves and our children

But today, we say enough is enough We are the inheritors of the true builders of our nation The dispossessed we are millions and we thereby call upon our brothers and sisters to join this struggle as the only path so that we will not die of hunger due to the insatiable ambition of a 70-year dictatorship led by a clique of traitors that represent the most conservative and sell out groups They are the same ones that opposed Hidalgo and Morelos, the same ones that betrayed Vicente Guerrero, the same ones that sold half our country to the foreign invader, the same ones that imported a European prince to rule our country the same ones that formed the scientific Porfirsta dictatorship the same ones that opposed the petroleum ex propriation, the same ones that massacred the railroad workers in 1958 and the students in 1968, the same ones that today take everything from us, absolutely everything

To prevent the continuation of the above and as our last hope, after having tried to utilise all legal means based on our constitution, we go to our constitution, to apply article 39 which says 'National Sovereignty essentially and originally resides in the people All political power emanates from the people and its purpose is to help the people The people have, at all times, the inalienable right to alter or modify their form of government'

Therefore, according to our constitution, we declare the following to the Mexican federal army, the pillar of the Mexican dictatorship that we suffer from, monopolised by a one-party system and led by Carlos Salinas de Gortari, the maximum and illegitimate federal executive that today holds power

According to this declaration of war we ask that other powers of the nation advocate to restore the legitimacy and the stability of the nation by overthrowing the dictator

We also ask that international organisations and the International Red Cross watch over and regulate our battles, so that our efforts are carried out while still protecting our civilian population We declare now and always that we are subject to the Geneva Accord, forming the EZLN as our fighting arm of our liberation struggle We have the Mexican people on our side we have the beloved tri coloured flag highly respected by our insurgent fighters We use black and red in our uniform as our symbol of our working people on strike Our flag carries the following letters, 'EZLN Zapatista Army of National Liberation and we always carry our flag into combat

Beforehand we refuse any effort to disgrace our just cause by accusing us of being drug traffickers, drug guerrillas thieves or other names that might be used by our enemies Our struggle follows the constitution which is held high by its call for justice and equality Therefore, according to this declaration of war, we give our military forces the EZLN the following orders

First Advance to the capital of the country, overcoming the Mexican federal army protecting in our advance the civilian population and permitting the people in the liberated area the right to freely and democratically elect their own administrative authorities

Second Respect the lives of our pris and turn over all wounded to the International Red Cross

Third Initiate summary judgments against all soldiers of the Mexican federal army and the political police that have received training or have been paid by foreigners, accused of being traitors to our country, and against all those that have repressed and treated badly the civil population and robbed or stolen from or attempted crimes against the good of the people

Fourth Form new troops with all those Mexicans that show their interest in joining our struggle, including those that, being enemy soldiers, turn themselves in without having fought against us, and promise to take orders from the general command of the Zapatista Army of National Liberation

Fifth We ask for the unconditional surrender of the enemy's headquarters before we begin any combat to avoid any loss of lives

Sixth Suspend the robbery of our natural resources in the areas controlled by the EZLN

To the people of Mexico We, the men and women, full and free are conscious that the war that we have declared is our last resort but also a just one The dictators are applying an undeclared genocidal war against our people for many years Therefore we ask for your participation, your decision to support this plan that struggles for work, land, housing food, health care education, independence, freedom, democracy, justice and peace We declare that we will not stop fighting until the basic demands of our people have been met by forming a government of our country that is free and democratic

C R Bijoy

Coimbatore

Subscription Rates
Inland
(including Nepal and Bhutan)

(*in rupees*)

	Six months	One year	Two years	Three years
Institutions	–	475	900	1325
Individuals	200	375	700	1025
Concessional Rates				
Teachers/Researchers	–	250	–	–
Students	–	195	–	–

Concessional rates are available only in India To avail of concessional rates, certificate from relevant institution is essential

Remittance by money order/bank draft/postal order requested Please add Rs 14 to outstation cheques towards bank collection charges

Foreign (*in US $*)

	Air Mail		Surface Mail	
	Institutions	Individuals	Institutions	Individuals
Pakistan Bangladesh & Sri Lanka	60	30	40	20
USA Canada UK Europe Japan New Zealand Australia & Russia	125	80	70	40
All other countries	80	50	50	30

All remittances to **Economic and Political Weekly**

Shaky Recovery

THE latest projections on the prospects for the world economy this year and the next seem to present a brighter picture than earlier ones Agencies such as the International Monetary Fund (IMF), the United Nations, the Bank for International Settlements (BIS) and the Organisation for Economic Co-operation and Development (OECD) had been initially taken aback by the rapid and widespread onset of recession in 1990 (1988 for the UK), just as they were surprised by its persistence till 1993, for four years running They have also been making predictions of recovery year after year which have proved to be over-optimistic All their projections, made till last year, of the growth-scenario for 1993 and 1994 have had to be revised downwards Now, however, there is a change with the IMF's *World Economic Outlook*, released last month, projecting a rise in world output of 3 per cent in 1994 and 3 7 per cent in 1995 after modest increases of 1 8 per cent and 2.3 per cent in 1992 and 1993 respectively The UN's *World Economic Survey 1993*, published some months back, had placed world output growth in 1992 at a mere 0 6 per cent and 1 5 per cent in 1993

But even as signs of an economic recovery are being flashed, a number of features of the world economy are far from reassuring First, in earlier trade cycles, say in the early 1980s, the growth of world output in the recovery phase had been much sharper, after four years of recession during 1978-82, world output had grown by 0 5 per cent in 1982, 2.6 per cent in 1983 and 4 5 per cent in 1984, compared to 0 6 per cent in 1991, 1 8 per cent in 1992, 2 3 per cent in 1993 and probably 3 per cent in 1994 This is only partly explained by the sharper output losses in earlier recessions

Second, the latest recovery is yet not widespread enough Among the major industrial countries, the US, Canada and the UK and among the rest only Australia have experienced a return to vigorous growth. For the other industrialised countries, the recovery projected last year has proved elusive In particular, the performance of Germany and Japan continues to be disappointing While US output is expected to expand by 3 9 per cent in 1994 and 2 5 per cent in 1995 and UK's by 2 5 and 2 8 per cent, output growth in Japan and Germany is likely to be within the 0 7-0 9 per cent and 2 1-2 3 per cent range in the two years. The European Union (EU) as a whole registered a negative growth of 0 3 per cent in 1993 and the projections for 1994 and 1995 are modest at 1 3 per cent and 2 5 per cent. The factors contributing to the American recovery have included the early resolution of the household debt question, reduction in interest rates and spurring of residential construction, as also stepped-up equipment purchases by business enterprises, sharp depreciation of the dollar and impetus to exports On the other hand, the Japanese economy continues to be constrained by the persistent strength of the yen and the severe contractionary effects of decline in asset prices. Business enterprises in Germany face high cost of borrowing owing to the country's tight monetary policies pursued for fear of inflation. In fact recoveries have occurred in the US and UK after they deviated from traditional monetarist policies—expansionary policies in the US and a fiscal stimulus package combined with lower interest rates in the UK The pound's withdrawal from the EC's exchange rate mechanism also freed the UK of its commitment to maintain a virtually fixed parity with the deutsche mark

Third, while the industrialised countries have achieved substantial reduction in inflation rates, the high social cost of the effort is reflected in the peaking of unemployment at 35 million in these countries as a whole in 1993 Current unemployment rates in the European countries are, as the IMF has noted, three to four times what they were in the 1960s and 1970s Unemployment in the European Community was expected to rise to 10 5 per cent in 1993 and to remain there in 1994 Economic growth over the past decade and more, except perhaps in the US, has been appropriately described as jobless growth Even in the US, where the unemployment rate has declined somewhat to a little over 6 per cent, some 30 million people now live below the poverty line

Fourth, a major contribution to world output growth has come from the developing countries which as a group have registered growth rates of 5 9 and 6 1 per cent in 1992 and 1993, respectively, and are expected to grow further by 5 5 and 5 8 per cent in the next two years But this achievement is attributable to China and a narrow band of countries in south-east Asia A majority of the countries of Latin America, Africa and south Asia as well as the entire group of so-called economies in transition, the countries of eastern Europe and the erstwhile USSR, remain mired in economic difficulties The African LDCs grew by just 0 1 and 1 1 per cent in 1992 and 1993, whereas the economies in transition suffered absolute declines in output of 15 5 per cent in 1992 and 8 8 per cent in 1993, in 1994 they are expected to show a further output loss of 6 1 per cent

Further, despite the higher growth rates of the developing countries during the past decade, the structure of the world economy has moved in favour of the developed market economies As per the latest UN data, their share in world GDP, 72 6 per cent in 1982, had risen to 74 4 per cent by 1992 True, the gain has been at the cost of the transition economies whose share of world GDP dwindled from 11 4 per cent to 7 8 per cent But the increase in the share of the developing countries was hardly dramatic, from 16 per cent to 17 8 per cent

The extent to which the developed market economies have benefited from the collapse of the former socialist countries is evident from the fact that the latter's share in the former's exports has gone up from 29 3 per cent in 1980 to 42 9 per cent in 1991. The bulk of the developed market economies' imports takes place within the group, such intra-group trade has in fact gone up from 66 7 per cent in 1980 to 77 3 per cent in 1991 There has been some increase in the intra-group trade of the developing countries, but it has not been as significant as that amongst the developed economies The LDCs' share of world imports rose modestly from 30 8 per cent to 34 6 per cent between 1980 and 1991 Overall, there can be no gainsaying that the developed market economies' domination of the world economy continues to grow

KASHMIR

An Opportunity

PUBLIC postures of inflexibility by both the Indian and Pakistan prime ministers negate whatever little efforts or gestures are made to bring about normalcy in Kashmir, the latest such gesture being the release of the JKLF leader Yaseen Malik on bail.

While Narasimha Rao in Washington tried to impress American congressional page-boys (who, according to the US press, filled in for the absent legislators and packed the hall for Rao's address to the joint session of the US Congress) by comparing their Texas with 'our' Kashmir (implying that accession in both cases was final), Benazir Bhutto at around the same time told a US newspaper that Pakistan could never agree to an independent Kashmir, implying that her government would covertly continue to train terrorists and smuggle them into the valley. In order to force its accession to Pakistan, this is obviously the only course left to Bhutto since, as she herself admitted during the same newspaper interview, given a choice all Kashmiri Muslims may not opt for joining Pakistan. Thus both Rao and Bhutto, in blatant disregard of the wishes of the people of Kashmir, are bent on imposing on them their respective political arrangements. Ironically, both enjoy their present positions thanks to electoral exercises conducted in both the countries that allowed their respective citizens to express their political choices. Yet neither of them is prepared to grant the Kashmiris their right to choose the type of political status and administration that they might want. As far as New Delhi is concerned, 'democracy' for the people of the valley can be exercised only within the straitjacket of the settled fact that Kashmir is a part of India, thus denying them the right to choose other options. As for Islamabad—which all these years never bothered to pay even lip-service to the principles of 'democracy'—a democratically elected prime minister today has no qualms in reverting to the traditional military autocratic strategy of forcing the people of Kashmir to accede to Pakistan. While New Delhi uses its security forces to keep the Kashmiris within the Indian Union, Islamabad uses its armed mercenaries to force them to accede to Pakistan. These mercenaries are recruited from among the Afghan and west Asian stragglers, bereft of any ideological cause after the fiasco of the Islamic fundamentalist adventure in Afghanistan on the one hand and the expected end to the Palestinian conflict on the other. Judging by reports, it is these foreign mercenaries who are now calling the shots in the valley, marginalising the indigenous Kashmiri militants who went for military training to Pakistan in the sincere belief that the latter would help them win independence.

The home ministry's decision to allow the JKLF leader Yaseen Malik after his release to visit Kashmir, where he was given a tumultuous welcome, acquires political significance at this juncture. Malik, addressing the crowd of his supporters in Srinagar, offered an olive branch when he said that the guns in Kashmir can be silent if New Delhi agrees to unconditional talks with all the parties involved in the Kashmir dispute—the various militant groups in the valley, the Hindu 'pundits' and the official representatives of Pakistan, as well as intellectuals and human rights groups who had been concerned about cases of human rights violation in the valley.

But are the bureaucrats in the home ministry and the ministries of external affairs and defence, who work at cross-purposes in framing their Kashmir policy, capable of advising their respective ministers how to take up the gauntlet thrown by Yaseen Malik? Do the ministers themselves have any political will and sincerity to listen to the voices of the Kashmiri people? Besides, will Benazir Bhutto be able to restrain the irresponsible ISI officials from beefing up the Hizbul Mujahideen? Rigidity and incompetence in policy decisions on both sides of the border will continue to plague the valley.

BANKING

A System at Stake

THE country's financial system is in disarray. The much-vaunted achievement in what may be termed financial engineering with the setting up of the all-India term-lending and investment institutions and in particular the nationalisation of the commercial banks is in jeopardy. There were two specially notable characteristics of this erstwhile achievement: first, the supply-leading role assigned to the banking and financial system and, second, the decisive place of societal goals in the policies and programmes of the financial system.

The new banking policies that are succinctly described in the RBI's latest *Report on Trend and Progress of Banking in India* leave little room for the pursuit of these objectives any more. True, if infrastructural development is poor and if real economic conditions, such as land and other asset distribution, leave much to be desired, the financial system is bound to face serious constraints. Likewise, there can be little doubt that in the long run it is the strength and vitality of the banking and financial system that will determine its ability to play the societal role expected of it. But the notion that serving the interests of the vulnerable sections and underdeveloped regions should necessarily be uneconomic is far from proven.

The misgivings regarding the direction in which the financial system is being led are induced by a number of considerations. First, while the new reform policy would also promote financial engineering, it would be such as to foster massive absorption of funds in stock market assets and treasury operations of banks and financial institutions. The entire discussion in the *Trend and Progress* on profitability of banks and their investment management gives overwhelming importance to the risk-reward perceptions of banks on their advances and investments in government securities. It is claimed that the introduction of capital-to-risk-weighted ratios for banks as a capital adequacy measure based on developed country standards "has resulted in the banks becoming more prudent in extending additional credit, unlike in the past when excessive credit had been widely prevalent". But there is little concern over the banks' reluctance to make advances precisely at a time when more bank credit is essential for reviving the recession-hit economy. The RBI's report shows no awareness of the dangers of applauding banks' risk-reward perceptions to the neglect of their role in financing economic development. Investment in the abundant supply of government securities available at bureaucratically-determined high yield rates, financing share market assets directly or indirectly and a marked preference for treasury operations will all fetch high rewards; they will also absorb the bulk of bank funds so that banks' need to soil their hands in lending to the productive sectors will be minimised. That these developments are bound to cause serious harm to the development process is evidently no concern of the RBI.

Second, while the report is expansive in dealing with the various aspects of financial sector reform, such as capitalisation of banks, rationalisation of the interest rate structure and identification of non-performing assets, it is distinctly short on issues concerning the societal dimensions of banking policy. For instance, there has been a continuous decline in the proportion of bank lending to the priority sectors, from 39.5 per cent in June 1991 to 37.1 per cent in June 1992 and further to 34.4 per cent in June 1993. Likewise, as against the norm of 18 per cent of total net bank credit, agricultural advances constituted 15.6 per cent, 15 per cent and 13.9 per cent, respectively, on the above dates. Except providing details of relaxation of priority sector norms, there is no critical evaluation of the reasons for the uniform failure of all groups of banks to fulfil their social obligations, let alone any assessment of what it implies for the country's economic development. This is also true of the details provided on assistance rendered under the government's special employment and asset-creating programmes, namely, the IRDP, SEEUY and SUME. Bank lending has consistently declined under all these programmes. More significantly, the credit-deposit ratios in many of the [illegible] like Kerala, [illegible] West [illegible] and [illegible] Pradesh and some [illegible] have further come down. True, a few [illegible] forces have been constituted to study the reasons but concern over such developments is not reflected in the broader perception of the banks' role in economic [illegible] the RBI report.

Finally, there is little analysis in the report of the problem of the banks' non-performing assets and sickness in industry The report for the previous year had placed the aggregate domestic non-performing advances of all public sector banks at 13 59 per cent of total outstanding advances as at the end of March 1991 and at 14 46 per cent as at the end of March 1992, the absolute amount was Rs 17,389 crore for the latter period The latest report puts non-performing assets at as much as Rs 36,588 crore or 24 2 per cent of aggregate outstanding advances of Rs 25,000 and above as at the end of March 1993 At least another Rs 1,000 crore have to be added on account of non-operating small advances of less than Rs 25,000 each To what extent is this more than doubling of non-operating assets as reported by banks within a year due to genuine transpareney as required by the new prudential system of income recognition asset classification and provision of bad debts and how much is it due to laxity on the part of banks in recovering their dues? The question remains unanswered in the report That there is more to it than meets the eye is indirectly evident from the data on sick and weak industrial units reported by banks for the years 1990, 1991 and 1992 The total outstanding bank credit blocked in such units (both SSI and non-SSI) was only Rs 9 930 crore, Rs 10,768 crore and Rs 11 533 crore, respectively, in the above years The inflated estimate of non-performing assets suggests that banks wish to pre-empt the possibility of the specially constituted Recovery Tribunals making them recover loans from their more difficult (or more favoured) borrowers The RBI s tolerant attitude to banks' risk reward perception will only go to strengthen their lackadaisical approach to recovering their past loans

INDUSTRIAL RELATIONS

Employers' Offensive

RUNGTA, a senior vice-president of FICCI the New Delhi-based apex body of India's chambers of commerce and industry, placed a charter of demands before the West Bengal government at a press meet in Calcutta on June 6, which sounded almost like an ultimatum Exemption of all new industries from the purview of the labour laws for at least five years, making gherao a cognisable offence, guaranteeing new industries exemption from power rationing for five to seven years—these were some of his major demands He complained that in West Bengal "labour laws have not been applied in the manner they should have been" This, of course, is true, but not in the speaker's sense In reality it is the employers who have been guilty of violating—and with impunity—many vital labour laws They have been flouting provident fund rules and defaulting to deposit nearly Rs 200 crore on this account, nearly two-thirds of the total amount of default in the whole country Lock-out by employers generally accounts for about 90 per cent of the mandays lost in the state and mostly in violation of the legal provisions

Whatever the reality, the FICCI vice-president, however, has a star witness in his favour Jyoti Basu, the state chief minister, himself has been persistently running down the working class and their movements in this state from employers' as well as workers' platforms Although, as already mentioned, strikes account for only about 10 per cent of the mandays lost, Jyoti Basu never misses an occasion to advise workers to use this weapon with restraint and discrimination He also has been advising them to change their outlook and improve their work culture, whatever that may mean Disparagement by the chief minister who also happens to be the seniormost vice president of the CITU the CPI(M) s trade union centre, combined with the general climate of ascendancy gained hy the employers under the present NEP regime has given the employers' apex hody confidence to launch a new offensive against the workers right to action in self-defence in the face of the tightening pincer squeeze of inflation and loss of employment West Bengal, being viewed as the foremost centre of militant trade unionism (which in fact is a dated notion), the employers have targeted it for muzzling in the first instance, with a view to ultimately enabling union labour minister P A Sangma to push his anti-labour bills through parliament The latest ultimatum, therefore, has grave national implications

Against this backdrop, the recent conference of the CPI led AITUC assumes particular significance This session, attended by the party s national leaders, expressed highly critical opinions about the West Bengal government s labour policies In a resolution the conference observed that the state government had failed to help workers when they were retrenched factories were locked out and managements had defaulted in depositing provident fund dues In an implied reference to the chief minister's dictum, a veteran CPI leader and one of the pioneers of the communist movement in the country, Ranen Sen, now in his mid 80s, asked "Who is going to teach work culture to the owners?"

It is, however not very likely that the CPI-AITUC's caveat will have much impact on the West Bengal government's policies and practices The test of the CPI's sincerity in defence of the working class interests therefore, lies in the party's follow-up actions Will it carry forward this struggle within the West Bengal government and the Left Front, of which it is a partner—even if this adversely affects the party in the ministerial stakes?

NUCLEAR SAFETY

Case for Inquiry

THE mishap at the Kaiga nuclear power plant when a part of the reactor dome under construction collapsed, and the subsequent decision of the Atomic Energy Regulatory Board (AERB), following an inquiry, to order the suspension of containment construction work on all the sites draws attention to the implications of risk factors in nuclear power generation In the course of the inquiry, the AERB found that there appeared to be a discrepancy between the approved design and construction methods and those that were being followed at Kaiga Pending a parallel check and review of these factors at all the sites, the AERB has, perhaps for the first time in its existence, decided to take the momentous step of suspending construction work on nuclear projects which have aroused so much protest and are already long delayed

Curiously, the project authorities initially tried to dismiss the accident as being of little consequence However they have been overruled hy the AERB's wiser decision For, the point is that assessment of risk in a nuclear power plant is altogether different For instance, while equipment failure or 'human error may cause a limited accident in conventional plants in a nuclear plant their potential for damage is manifold and extensive in time and space

While the nuclear establishment has often claimed that the number of accidents or 'incidents' which have occurred in the history of nuclear power generation in India are remarkably few, there have been increasing reports of numerous averted accidents from equipment failure or human error According to the International Atomic Energy Agency's cumulative data on the operating experience of nuclear power reactors all over the world equipment failure accounts for about a quarter of the outages in power plants However, in the Indian plants equipment failure accounts for over 80 per cent of outages This means that most outages are unplanned and add to the unreliability of power from these plants It is no wonder that all these plants produce less than their rated power output

More importantly, except in Tarapur 1 equipment failure has been most often in the main reactor area such as reactor cooling systems, reactor accessories auxiliaries, fuel handling and storage systems reactor control systems and instrumentation etc This is true not only in old plants like Tarapur or very new plants but even in those which are supposed to be in their peak performance stage Certainly these failures are not accidents or even 'incidents but they are an indication of the possible risks due to poor design or quality of construction which the nuclear establishment however vigilant cannot guard against While supporters of nuclear power have been extraordinarily proud of the successful indigenisation and innovation in design and construction in the area, it is perhaps time for the AERB to inquire into the excessive equipment failures

The AERB's role is due for restructuring with the finalisation of the IAEA convention on nuclear safety, after three years of deliberations While the convention the first of its kind, has been heavily criticised by

groups like Greenpeace for its "total lack of enforceable safety standards or penalties", and for the fact that it covers only civilian land based power reactors excluding the 300-odd research reactors, and the military installations, it nevertheless provides a template for creating criteria for safety standards in member countries For instance, the mandatory data sheets on nuclear plants which member countries submit to the international body will have to be substantially enlarged in scope and this will mean a more comprehensive understanding of what constitutes risk

POLITICAL PARTIES

Few Urban Allies

A RECENT convention of 'some 800 farmers and intellectuals' in Bombay is reported to have decided to launch a new party, modelled on the extinct Swatantra Party founded by C Rajagopalachari, with the able support of M R Masani way back in 1959 Masani, appropriately, appears to be an inspirer of the recent move while the farmer-leader Sharad Joshi is its key organiser This new move clearly aims at linking the interests and actions of propertied elements in the rural and urban sectors Here lies the essential commonality between the old Swatantra Party and the new venture But their divergences will perhaps be more significant

Rajaji s offspring evolved out of the convergence of the Ganatantra Parishad of the feudal princes and the fiercely anti Nehruvian Forum of Free Enterprise of Bombay industrialists Behind the new venture at the moment stands only Sharad Joshi's farmer base limited primarily to the Maharashtra region The urban link at the moment is apparently supposed to be provided by 'intellectuals' a rather nondescript category The press report did not mention any name from this cerebral sector Its industrial connection also is equally tenuous, if not totally missing at present With the bonanza of the ruling NEP the industrialists being the recipients of the most favoured treatment from the powers that be do not need any pressure group for promoting their general interests In other words, with enemies like the present government, the industrialist class will hardly need friends ! Hence Sharad Joshi is unlikely to ecure any effective urban allies from that quarter

Moreover the history of the old Swatantra Party is a mixed story It shone in the Indian political firmament rather dimly and for a while only soon to withdraw from the scene without a trace After a modest debut with 18 members in the Lok Sabha in the 1962 (third general) elections the Swatantra Party made a moderately spectacular appearance in 1967 with 44 Lok Sabha members only to be cut down to eight in the following round in 1971 The next step was its self-liquidation through the merger with other forces, ironically including fierce socialists like George Fernandes, to form the Janata Party in 1977

Even at its zenith, the old Swatantra Party had its bases only in the feudal-dominated regions of Gujarat, Orissa and Rajasthan Rajaji and Masani had failed to give it any significant urban connection Today Sharad Joshi and his fellow-travellers may provide the party with a more consolidated farmer base in some areas, but not many urban allies, who have clearly identifiable contradictory interests, at least over the terms of trade of agricultural commodities

Hence, if the old Swatantra Party had begun with a whimper to meet an early extinction, its reincarnation this time may be a cripple at birth itself!

YEMEN

Chimera of Unification

WHILE the UN initiative to diffuse the crisis in Yemen has only just begun and will take some time to yield fruit there is ground to suggest that a longer term solution to the Yemen problem need not necessarily be based on a unity of the north and the south At the same time, reports indicate a lack of popular enthusiasm for the war even in the south, from which it follows that the war must be brought to an early end However, the strategic situation on the ground is such that it would take some effort and time to persuade the militarily dominant northern side to agree to a permanent ceasefire

Already the northern forces have overrun a substantial portion of the territory of the south and are now surrounding the city of Aden, the southern capital, from three sides The calculation of the northern leaders seems to be to stall the beginning of the process of negotiations till they have captured Aden, so that after that point they could negotiate for a reunified Yemen in which they would continue to hold their currently dominant position In the unlikely event that this calculation fructifies the grounds for the conflict between the north and the south would continue to exist, for it was precisely this dominant position of the northern leaders in the government of the unified Republic of Yemen and the consequences it had for the people as well as the leaders of the south that has led to the present war

The Republic of Yemen had all the trappings of a democratic regime The latter came into being as a result of elections held in April 1993, three years after the unification But in a country of 14 million people, of whom only 2 2 million belong to the south, the south based Yemeni Socialist Party (YSP) could win only 56 seats in the 301-seat assembly The largest number of seats (121) went to the conservative Peoples' General Congress (PGC) of Ali Abdullah Saleh of the north which then formed a tacit alliance with the Yemeni Gathering for Reform (YGR), an Islamic fundamentalist outfit that won over 60 seats Although a number of posts in the unity government were given to the YSP, its leader Ali Salem al Beidh was yet to be sworn-in as vice-president nine months later Other members of the YSP were kept in the government on humiliating terms For example, the authority of the prime minister, who hailed from the south, was so little that he could be kept waiting by the military police before being allowed into the capital city, Saana. There were attempts to eliminate the members and supporters of the YSP through political murders Between May 1990 and January 1994, 152 members of the YSP, including a cousin of al Beidh, had been killed The government of president Ali Abdullah Saleh suspected the loyalty of the people from the south Therefore no efforts were made to unify the formerly independent armies, nor were troops removed from the old north-south border Finally, vice-president al Beidh had proposed an 18-point formula to reform the economy and the administration, the proposal was accepted but was never implemented

Given mounting international pressure, in which the US, Britain, the Gulf Co-operation Council (GCC) except Qatar and Egypt have joined ranks against Saleh, and the threat of intervention by Saudi Arabia in favour of the south, it is possible that the north Yemeni side would make at least an appearance of abiding by resolution 924 of the Security Council which calls for a ceasefire Already Lakhdar Brahimi, the special UN envoy to Yemen, who went on a fact-finding mission has reported 'slight progress' According to him, both north and south Yemen have agreed to the institution of a ceasefire monitoring commission The north, after initial reluctance, has even accepted the south's demand for foreign officials to be included in the commission

However, while the likely composition and the exact brief of the commission are not yet clear, if it bases its proposal for a permanent ceasefire on condition of a unified Yemen, it would not have achieved much For, the issue in Yemen is not the war between the two Yemens but an equitable existence for the people of south Yemen Such existence they were denied during the nearly four years of the unification with the north and it can only rest on proportionate distribution of the economic and administrative resources between the two A reunification of what are once again two separate Yemens is not the only way this distribution can be ensured Therefore, a continuation of the present arrangement, provided the south is able to regain the territories it has lost to the north during the present war, may well be just the solution that is required To make this solution viable what is needed is international recognition of the southern Democratic Republic of Yemen, which seceded from the north on May 21, and pressure on the north to return the captured territories of the south

›ngview Tea

LONGVIEW TEA COMPANY, a Calcutta-based Deepak group company which started off with a single tea estate in 1879, today has six gardens under its wing which are spread over Darjeeling and the plains of North Bengal The company which has a production of over 30 lakh kgs comprising of all varieties of tea—Darjeeling, CTC as well as Green—has now embarked on a growth plan which will increase its production by 60 per cent In addition to setting up two new tea estates in the districts of North Dinajpur and Cooch-behar in West Bengal the growth plan also envisages a massive expansion-cum-diversification programme for its existing tea estates The programme is also expected to lead to a substantial improvement in the quality of tea produced in addition to higher production thereby resulting in lower costs and increased realisation To part finance these projects the company plans to enter the capital market with a public issue of 13,72,000 equity shares of Rs 10 each at a premium of Rs 55 per share on June 29 The issue aggregating Rs 8 9 crore which includes reservations for India Magnum Mutual Fund, Morgan Stanley Mutual Fund, Kothari Pioneer Mutual Fund, UTI, IRBI and shareholders of Deepak Spinners, will be lead managed by SBI Capital Markets

Indo Holland

Indo Holland Agro Exports is entering the capital market with a public issue of equity shares aggregating Rs 3 5 crore to part finance its floriculture project The company is setting up a modern sophisticated greenhouse complex with climatic control systems near Gurgaon with production and post-harvest facilities for growing and export of exotic varieties of cutflowers to Europe and west Asia The complex is being set up in technical and marketing collaboration with Flodac BV, a well known Dutch floriculture company which will also make available a senior consultant for supervising the entire production harvest, post-harvest and export logistics at critical times The company plans to utilise the latest equipment and facilities from Holland and Israel for setting up an 'unbroken cold chain' including modern computer controlled high humidity cold storage and reefer vans for transportation to the international airport situated nearby The company has entered into a five-year agreement with Flodac BV for arranging auction of cutflowers at major Dutch auction houses or direct sale to any European country While production of rose plants has already started, commercial production is expected to commence in October which is also the beginning of the export season

Ind Navratna

Encouraged by its performance in 1993-94 Indian Bank Mutual Fund (IBMF) has launched Ind Navratna a five-year pure growth scheme aimed at generating substantial capital appreciation The scheme which ensures full allotment is the first scheme from IBMF which is open to non resident Indians overseas corporate bodies and foreign institutional investors on repatriation basis The company's other growth schemes namely Ind Ratna Ind Sagar and Ind Moti presently have net asset values of around Rs 23 9 Rs 21 2 (face value Rs 100) and Rs 14 5, respectively entailing an annualised yield of 57 per cent, 41 per cent and 32 per cent respectively The scheme is open between June 15 and 25 and its units will be listed on the Bombay and Madras stock exchanges

Asia Pacific Financial

Asia Pacific Financial Services (formerly SIFCO Finance) is presently engaged in trading in shares, corporate merchant banking and investment services, financial services, project consultancy, investment counselling and specialised services to NRIs The company now plans to carry on other activities such as merchant banking, investment banking, investment broking, international financial advisory services foreign fund advisory services and portfolio management To consolidate its capital base, augment long term resources to meet the needs of its expanding business as also to give a greater thrust to its non-fund based activities the company plans to enter the capital market on June 27 with a public issue of equity shares at par The issue aggregating Rs 2 8 crore will be lead managed by Prudential Capital Markets

Fem Care Pharma

Fem Care Pharma which is engaged in the production of cosmetics and pharmaceuticals and markets its products under the brand names 'Fem', 'Bambi' and 'Saka', plans to enter the capital market on June 20 with a public issue of equity shares at a premium of Rs 30 per share The issue is to part finance the company's expansion-cum-diversification programme which envisages the expansion of its existing capacity from the present 120 mt to 675 mt per annum setting up of facilities for ayurvedic and allopathic creams and ayurvedic tablets with an installed capacity of 325 mtpa and a developed tissue culture project to cultivate alone with a micro biological testing laboratory The company plans to source its raw material requirements for herbal juices in ayurvedic products from its proposed cultivation project

Jumbo Bag

A Madras based company incorporated in 1990 Jumbo Bag is entering the capital market with a public issue of equity shares at par on June 22 The issue is to part finance the setting up of a 100 per cent export unit for the manufacture of flexible bulk packaging made of synthetic fabrics The project which is estimated to cost Rs 10 7 crore is being set up in technical collaboration with Structure Flex UK The company has also signed MOUs with Sidian Trading, UK, and Langston USA for marketing four lakh bags and three lakh bags per annum, respectively After commencing commercial production in October this year the company hopes to achieve a capacity utilisation of 60 per cent in the first year of production The promoters who have over two decades' experience in the packaging industry will have a 56 14 per cent stake in the post issue equity

Starchik Specialities

Starchik Specialities a Hyderabad-based company engaged in the production of dressed/frozen chicken and animal feed is now setting up a broiler processing plant with an installed capacity to process 1,500 birds per hour and produce 4 050 mt of dressed/frozen chicken per annum In addition the company also proposes to manufacture 18,000 mtpa of animal feed on franchise basis at three units located at Hyderabad, Rajahmundry and Vijayawada The project which is estimated to cost Rs 5 4 crore is to be financed entirely through a public issue of equity shares at par which opens for subscription on June 21 The company which will market its animal feed under the brand name 'Starfeed', has signed an MOU with Alburq Exports, Dubai for the export of 40 per cent of its processed meat for a period of five-years The project is expected to commence commercial production in August 1994

There has been a slight edging down of the over the year inflation rate but the underlying inflationary pressures on food items persist Amongst the consumer price indices the largest rise has occurred in the index for agricultural labourers Though there is some moderation in the growth of M_3 it cannot be said that liquidity bulge of the past year is being unwound for this year RBI credit to the government is being replaced by other banks credit to government While scheduled commercial banks' deposit growth has accelerated credit growth continues to be sluggish Equity prices have again resumed their upward trend with the BSE sensitive and national indices now recording more than 85 90 per cent increases over the 12 month period

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82 100)	Weights	May 28 1994	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92	1990 91
All Commodities	100 0	263 5	0 6	10 6	7 2	2 0	2 2	10 8	7 0	13 6	12 1
Primary Articles	32 3	269 6	1 4	12 8	4 0	4 1	3 0	11 5	3 0	15 3	17 1
Food Articles	17 4	296 5	2 3	8 4	3 3	5 7	1 9	4 4	5 4	20 9	18 9
Non Food Articles	10 1	286 2	0 1	24 9	2 0	2 1	2 1	24 9	1 4	8 1	19 3
Fuel Power Light and Lubricants	10 7	278 0		10 4	17 7		2 4	13 1	15 2	13 [illegible]	14 4
Manufactured Products	57 0	257 4	0 3	9 4	7 3	1 3	1 7	9 9	7 9	12 6	8 9
Food Products	10 1	266 4	2 6	11 7	8 9	5 7	6 3	12 3	6 8	10 2	13 2
Food Index (computed)	27 5	285 4	2 4	9 5	5 1	5 7	3 3	7 0	5 8	17 2	16 8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1993 94	Fiscal Year So Far 1992 93	1992 93	1991 92	1990 91	1989 90
Industrial Workers (1982 100)	267[1]	0 8	9 9	6 1	9 9	6 1	6 1	13 9	13 6	6 6
Urban Non Man Emp (1984 85 100)	220[11]	0 9	7 3	9 6	7 3	6 8	6 8	13 6	13 4	8 0
Agri Lab (July 60 to June 61 100)	1175	0 8	11 6	0 7	11 6	0 7	0 7	21 9	16 6	1 0

Money and Banking (Rs crore)	May 13 1994	Over Month	Variation (Per Cent): Fiscal Year So Far 1994 95	Fiscal Year So Far 1993 94	1993 94	1992 93	1991 92
Money Supply (M3)	453690	5466 (1 2)	20124 (4 6)	17443 (4 8)	65827 (17 9)	49344 (15 5)	51653 (19 4)
Currency with the Public	91961	4779 (5 5)	9763 (11 9)	7880 (11 5)	15159 (22 2)	7175 (11 7)	8050 (15 2)
Deposits with Banks	359669	2470 (0 7)	10829 (3 1)	6637 (2 2)	50112 (16 9)	41741 (16 3)	43392 (20 5)
Net Bank Credit to Govt	214152	2623 (1 2)	10366 (5 1)	11154 (6 3)	27623 (15 7)	17975 (11 4)	18070 (12 9)
Bank Credit to Comml Sector	240593	–1583 (–0 7)	3390 (1 4)	3836 (1 7)	15577 (7 1)	32141 (17 1)	16225 (9 4)
Net foreign exchange assets of the banking sector	58133	3541 (6 5)	4406 (8 2)	1278 (5 1)	25912 (103 8)	3747 (17 7)	21205 (100 4)
Reserve Money (May 20 94)	149540	3231 (2 2)	10918 (7 9)	13436 (12 1)	26577 (24 0)	11274 (11 3)	11726 (12 4)
Net RBI Credit to Centre (May 20 94)	99874	517 (0 5)	3091 (3 2)	14811 (15 3)	1334 (1 4)	2175 (2 3)	5904 (6 7)
Scheduled Commercial Banks (May 27 94)							
Deposits	326874	2015 (0 6)	13060 (4 2)	8447 (3 1)	45242 (16 8)	37814 (16 4)	38216 (19 8)
Advances	167304	475 (0 3)	3682 (2 3)	3729 (2 5)	11640 (7 7)	26390 (21 0)	9291 (8 0)
Non food advances	155131	2502 (1 6)	2416 (1 6)	836 (0 6)	7476 (5 1)	24317 (20 1)	120922 (8 4)
Investments	143707	2213 (1 6)	11414 (8 6)	6 (Neg)	26737 (25 3)	15460 (17 1)	15031 (20 2)

Index Numbers of Industrial Production (1980 81=100)	Weights	Feb 1994	Average for Fiscal Year So Far 1993 94	Average for Fiscal Year So Far 1992 93	Variation (Per Cent) Fiscal Year Averages 1992 93	1991 92	1990 91	1989 90	1988 89	1987 88	1986 87
General Index	100 0	240 0	221 9 (3 4)	214 5 (3 3)	1 6	–0 2	8 4	8 6	8 7	7 3	9 1
Mining and Quarrying	11 5	258 0	222 7 (2 8)	216 6 (0 2)	1 7	0 4	4 5	6 3	7 9	3 8	6 2
Manufacturing	77 1	230 3	212 3 (2 9)	206 3 (3 5)	0 9	–1 8	9 1	0 6	8 7	7 9	9 3
Electricity	11 4	287 1	266 5 (7 0)	267 7 (5 0)	4 9	8 5	7 8	10 8	9 5	7 7	10 3

Capital Market	June 17 1994	Month Ago	Year Ago	1994 (So Far) Trough	1994 (So Far) Peak	1993 Trough	1993 Peak	End of Fiscal Year 1993 94	1992 93	1991-92
BSE Sensitive Index	4283	3867	2234	2095	4299	2037	3455	3779	2281	4285
(1978 79=100)	(85 4)	(35 4)	(–33 2)					(65 7)	(–46 8)	(266 9)
National Index	2015	1878	1043	988	2073	934	1659	1830	1021	1968
(1983 84=100)	(90 5)		(–30 1)					(79 2)	(–48 1)	(234 1)
			((–31 9)							

Foreign Trade	Apr 1994	Cumulative for Fiscal Year So Far 1994 95	Cumulative for Fiscal Year So Far 1993 94	1993 94	1992 93	1991-92	1990-91	1989-90
Exports Rs crore	6237	6237 (12 8)	5528 (39 6)	69547 (30 4)	53351 (21 1)	44042 (35 3)	32553 (17 6)	27681 (36 8)
US $ mn	1988	1988 (12 6)	1766 (28 9)	22173 (20 4)	18421 (3 1)	17866 (–1 5)	18143 (9 1)	16626 (19 0)
Imports Rs crore	6144	6144 (13 8)	5401 (4 4)	72806 (15 7)	62923 (31 5)	47851 (10 8)	43193 (22 0)	35416 (25 4)
US $ mn	1959	1959 (13 5)	1725 (–3 6)	23212 (6 8)	21726 (11 9)	19411 (–19 4)	24073 (13 2)	21272 (9 1)
Balance of Trade Rs crore	91	91	127	–3259	–9,572	–3,809	–10,640	–7,735
US $ mn	29	29	40	–1039	–3,305	–1,545	–5,930	–4,646

Foreign Exchange Reserves	June 3 1994	Mar 31, 1994	Variation Over: Month	Year	Fiscal Year So Far 1994 95	Fiscal Year So Far 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Rs crore	48629	47626	570	28725	1003	–292	27430	5385	10223	–1383	–795	–647
US $ mn	15483	15176	216	9156	307	–125	8724	731	3383	–1137	–854	–1386

Industrial Production

Index Numbers of Industrial Production: Use-based Classification (1980-81=100)	Weights	Average for April-February 1993-94	Average for April-February 1992-93	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Basic industries	394.1772	238.7 (4.1)	229.3 (2.4)	234.6 (3.4)	226.8 (6.4)	213.1 (6.9)	199.4 (5.4)	189.2 (9.9)	172.2 (5.5)	163.2
Capital goods industries	164.2713	244.9 (–3.9)	254.8 (2.8)	263.0 (–1.5)	267.1 (–8.4)	291.7 (16.0)	251.4 (21.7)	206.6 (7.1)	192.9 (16.0)	166.3
Intermediate goods industries	205.0679	202.1 (11.5)	181.2 (5.0)	179.5 (3.1)	174.1 (–1.6)	176.9 (4.8)	168.8 (4.2)	162.0 (11.8)	144.9 (2.9)	140.8
Consumer goods industries	236.4835	195.5 (2.4)	190 9 (0.3)	184.3 (0.6)	183.2 (–3.0)	189.0 (6.7)	177.0 (6.5)	166.2 (3.9)	160.0 (9.8)	145.7
Consumer durables	25.5001	357.4 (14.7)	311 6 (–0.7)	314.7 (–2.7)	323.5 (–10.1)	359.7 (10.7)	325.0 (2.4)	317.5 (22.3)	259.6 (7.6)	241.3
Consumer Non-Durables	210 9635	175.9 (–0.2)	176 3 (0 5)	168.5 (1.3)	166.3 (–1.2)	168 3 (5.7)	159.1 (7.6)	148.0 (0.0)	147.9 (10.3)	134.1

Groupwise Index Numbers of Industrial Production (1980-81=100)	Weights	Average for April-February 1993-94	Average for April-February 1992-93	Average for April-February 1991-92	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
20-21 Food products	5.33	151.6 (–8.9)	166.5 (–2.7)	171.1	167.8 (1.0)	166 2 (–2.1)	169.8 (12.5)	150.9 (1.6)	148.5 (6.8)	139.0 (4.4)
22 Beverages, tobacco and tobacco products	1.57	130.3 (16.6)	111.7 (–7.1)	120.3	114.2 (–4.0)	118.9 (13.5)	104.8 (1.7)	103 0 (11.8)	92.1 (8.5)	84.9 (–13.8)
23 Cotton textiles	12.31	155.3 (4.2)	148.9 (7.5)	138.6	131.6 (4.3)	126.2 (–0.3)	126.6 (12.7)	112.3 (4.2)	107.8 (–3.1)	111.2 (–1.2)
25 Jute, hemp and mesta textiles	2.00	103.9 (21.0)	85.8 (–9.4)	94.8	86.7 (–4.1)	90.4 (–11.0)	101.6 (4.3)	97.4 (–4.4)	101 9 (12.0)	91.0 (–10.0)
26 Other textiles (incl wearing apparel other than footwear)	0.82	73.4 (–3.1)	75.8 (–22.7)	98.1	76.0 (–21.8)	97.2 (–5.8)	103.2 (–32.0)	151.7 (13.0)	134.2 (46.2)	91 8 (5.4)
27 Wood and wood products, furniture and fixtures	0.45	200.3 (4.0)	192.6 (3.3)	186.5	193.2 (4.4)	185.0 (–6.2)	197.2 (12.0)	176.0 (2.5)	171.7 (6.2)	161.7 (–34.3)
28 Paper and paper products and printing, publishing and allied industries	3.23	224.8 (6.7)	210.6 (1.8)	206.9	212.0 (1.1)	209.6 (5.9)	198.0 (9.1)	181.5 (6.0)	171.3 (3.0)	166.3 (1.9)
29 Leather, leather and fur products (except repair)	0.49	197.1 (4.6)	188.4 (–0.6)	189.6	195.5 (–0.6)	196.7 (1.2)	194.3 (3.2)	188.3 (6.2)	177.3 (–4.4)	185.5 (4.4)
30 Rubber, plastic, petroleum and coal products	4.00	174.4 (–0.2)	174.7 (2.3)	170.8	176.8 (2.3)	172.9 (–0.6)	174.0 (0 3)	173.5 (3.1)	168.3 (8 5)	155.1 (3.7)
31 Chemicals and chemical products except petroleum and coal products	12.51	297.5 (8.2)	275.0 (5.8)	256.0	276.7 (5.3)	262.8 (3.4)	254.1 (2.6)	247.6 (4.6)	236.6 (17 8)	200.9 (14.5)
32 Non-metallic mineral products	3.00	211.9 (3.3)	205.2 (1.0)	203.2	209.1 (1.9)	205.2 (6.3)	193.1 (1 7)	189.9 (2.9)	184.6 (16.8)	158.1 (–1.4)
33 Basic metal and alloy products	9.80	176.4 (6.1)	166.3 (–0.3)	166.8	174.2 (3.4)	168.5 (6.1)	158.8 (10.5)	143.7 (–0.8)	144.9 (6.9)	135.6 (6.9)
34 Metal products and parts except machinery and transport equipment	2.29	126.7 (1.3)	125.1 (–8.4)	136.6	126.2 (–9.9)	140.0 (–2.2)	143.1 (0 4)	142.6 (6.8)	133.5 (3.0)	129.6 (4.2)
35 Machinery, machine tools and parts except electrical machinery	6.24	186.2 (5.2)	177.0 (–1.0)	178.7	176.3 (–4.4)	184.4 (–1.3)	186.9 (8.7)	171.9 (6.7)	161.1 (15.7)	139.2 (–1.8)
36 Electrical machinery, apparatus and appliances, etc.	5.78	443.2 (–3.7)	456.0 (3.5)	444.3	477.8 (–3.2)	493.6 (–12.4)	563.6 (2.7)	459.2 (31.9)	348.2 (3.9)	335.2 (31.6)
37 Transport equipment and parts	6.39	209.7 (8.4)	193.4 (2.9)	188.0	197.4 (3.1)	191.5 (–0.5)	192.5 (6.3)	181.1 (5.0)	172.5 (13.6)	151.8 (4.8)
38 Other manufacturing industries	0.90	263.8 (–2.8)	271.5 (3.6)	261.9	273.7 (1.4)	269.9 (–16.1)	321.8 (–3 4)	333.2 (9.0)	305.6 (12.3)	272.1 (15.6)
Total manufacturing	77.11	212.3 (2.9)	206.3 (2.4)	201.5	207.1 (2.	204.6 (1.1)	207.8 (9.0)	190.7 (8.6)	175.6 (8.7)	161.5 (7.9)

Production of Synthetic Fibres	Feb 1994	Variation Over Month	Variation Over Year	Cumulative for Fiscal 1993-94	Cumulative for Fiscal 1992-93	1992-93	1991-92	1990-91
Synthetic Fibres								
1 Viscose filament yarn (tons)	4037	–789 (–16.3)	166 (42.9)	48029 (9.0)	44079	47950 (–9.0)	52687 (3.4)	50943 (3.5)
2 Viscose tyre yarn (tons)	800	15 (1.9)	–15 (–1.8)	9586 (27.0)	7546	11977 (12.6)	10634 (3.1)	10314 (–31.0)
3 Polyester staple fibre (tons)	16444	–1717 (–9.5)	2720 (19.8)	181257 (23.2)	147169	161034 (18.3)	136136 (1.4)	134207 (5.6)
4 Nylon filament yarn	3305	–398 (–10.7)	614 (22.8)	34711 (16.6)	29782	32467 (6.4)	30477 (664.2)	3988 (–87.7)
5 Acrylic staple fibre (tons)	6130	152 (2.5)	2080 (51.4)	61957 (21.0)	51190	56467 (21.4)	46505 (8.6)	42823 (71.1)
6 Polyester filament yarn (tons)	23484	–2274 (–8.8)	1553 (7.1)	262998 (17.8)	223345	245013 (19.4)	205162 (10.8)	185247 (18.4)
7 Nylon tyre yarn (tons)	2972	–693 (–18.9)	–403 (–11.9)	39064 (3.1)	37899	39483 (5.0)	37617 (–12.6)	43031 (29.3)
8 Caprolactum (tons)	9756	325 (3.4)	3680 (60.6)	81730 (56.4)	52246	55000 (19.6)	46000 (70.4)	27000 (28.6)

ts: (i) Superscript numeral denotes month to which figure relates, e g, superscript 7 stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) –; ieans zero.

TITAN INDUSTRIES

Rising Market Share

TITAN INDUSTRIES (TI) (formerly Titan Watches) has emerged as a major manufacturer of quartz watches in the country with a 60 per cent market share Coupled with the 15 per cent market share of Timex Watches (whose production is sold and marketed by TI) the company's effective market share stood at 75 per cent of Indian market quartz analog watches and about 15 per cent of the estimated 18 million watches sold in the country every year including mechanical quartz and digital watches from all indigenous and imported sources both legal and otherwise Belonging to the Tata group of companies TI has the country's largest integrated quartz watch and component plant employing 2 000 people and using the latest technology For the year 1992 93 while the company's net sales rose by [illegible]4 per cent over the previous year operating profit improved by 2 8 per cent However the company's margins were under pressure due to the recession in the consumer durable market high interest rates increase in operating cost and the sharp increase in excise levies and consequently net profit fell by 2 5 per cent During the year the company's equity capital rose by 57 5 per cent following conversion of its 12 5 per cent convertible debentures and the rights issue of equity shares in December 1992 The debenture conversion and rights issue have added nearly Rs 61 7 crore to the company's reserves taking its book value from Rs 14 53 to Rs 28 41 Despite the fall in net profit and the rise in equity capital the company hiked the dividend rate from 20 per cent last year to 22 per cent involving a proportionately higher dividend outgo

Production during the year touched 2 7 million movements 1 5 million cases and 2 6 million watches which represented a growth of 5 per cent [illegible]4 per cent and 15 per cent, respectively over the previous year with the case plant at Hosur and assembly unit at Dehra Dun achieving full rated capacity Despite the recession in the consumer durable market the company managed to increase sales in volume terms by 15 per cent to 2 57 million (2 24 million) watches while sale realisation increased by 23 per cent over the same period Meanwhile exports rose significantly by 75 per cent to Rs 6 crore with the company continuing to expand its coverage of west Asia Though imports for 1992 93 amounted to Rs 37 5 crore the company expects to become a net foreign exchange earner in 1994 95 and also expects to enter the UK market The company's ongoing capital expenditure plan which is estimated at around Rs 225 crore constitutes Rs 107 crore for capacity expansion and indigenisation Rs 23 crore for jewellery watches Rs 33 crore for the jewellery manufacturing unit Rs 35 crore for infrastructural support and Rs 27 crore for investment in associated companies including Timex Titan Time Products and Titan Properties In line with its strategy to go global TI plans to launch a range of watches and jewellery in Europe in January 1995 for which it has floated a wholly owned subsidiary in the Netherlands Titan Holdings BV with an approved investment of $ 2 million It plans to move an application for an additional capital infusion of $ 6 7 million The foreign exchange will be utilised for setting up European operations and to purchase the Titan brand name which is at present held by Andimesa a Spanish family of watchmakers

Meanwhile the company's plans to increase its capacity to 3 5 million watches through productivity improvements and by the addition of balancing equipment Case manufacturing capacity which has already been enhanced in 1992-93 from 1 2 million to 1 6 million cases per annum is again to be increased to 2 2 million and the case plant now plans to concentrate on more sophisticated and expensive cases

For the year 1993 94 the company notched a turnover of Rs 228 8 crore while net profit soared to Rs 19 1 crore Meanwhile the company's Hosur plant has run into rough weather with the management declaring a lock out at both its watch factory and jewellery unit Production had been affected since June 1 due to a flash strike by a section of the labourers who are demanding reinstatement of a female trainee

WOCKHARDT

Seeking Offshore Funds

Wockhardt the Bombay based pharmaceutical company which went public in early 1993 saw a 40 per cent rise in net sales and a 29 7 per cent rise in operating profit in 1992 93 After a 8 4 per cent decline in interest charges and a rise of 10 7 per cent in depreciation provision, net profit fell to Rs 19 6 crore for the year The fall in net profit was somewhat deceptive for, there was a large non operating income last year at Rs 16 2 crore on account of write-back of depreciation which does not appear this year A net foreign exchange earner, the company's exports during the year rose by 25 per cent to touch Rs 13 2 crore Over the last five years its sales have grown three times, profits by seven times and fixed assets base by 2 5 times Further, it plans to invest an estimated Rs 100 crore in a new plant and newer technologies in the next three years With the company spending more than one per cent of its net sales on R and D its existing facilities are ranked among the finest in the country Its new Rs 10 crore R and D centre for research into pharmaceuticals, bulk drugs, biotechnology nutrition ayurveda and packaging development was expected to be commissioned in December 1993 The company's public issue which was made at a hefty premium has added more than Rs 53 crore to its reserves taking its book value to a phenomenal Rs 83 77 (Rs 43 53)

The company's new bulk drugs plant at Ankleshwar was commissioned three months ahead of schedule in April 1993 and its LVP plant expansion was expected to become operational in early 1994 It has plans to set up a subsidiary in the UK christened, Wockhardt Europe, which will explore the avenues for importing goods from India and selling them in the European and American markets Wockhardt International a wholly owned subsidiary of the company saw a more than 300 per cent rise in net sales and a 100 per cent rise in net profit

With the successful completion of the company's recent $ 75 million global depository receipts (GDRs) issue it has become the first Indian pharmaceutical company to raise offshore funds and the first Indian company to do so at a P/E multiple of 22 The issue which was made at a 3 per cent premium on the current market price, will increase the company's equity by Rs 17 5 crore and enlarge its net worth to Rs 390 crore, which it claims is the highest in the industry The proceeds of the issue will go towards part financing the company's diversification plans in bulk drugs and other research projects

Meanwhile for the six months ended December 1993 the company earned a net profit of Rs 16 5 crore on net sales of Rs 85 4 crore

MERIND

Diversification Plans

Merind, incorporated in technical and financial collaboration with Merck and Company of the US, is engaged in the manufacture of chemicals and pharmaceuticals The company's net sales for 1992-93 rose by 33 per cent over the previous year while operating profit increased by 32 6 per cent A sharp rise in interest charges and tax provision however led to a lower rise of 16 4 per cent in profit after tax Despite the rise in profits the company's margins continue to remain low as the products manufactured by it fall under the Drugs (Prices Control)

The Week's Companies

(Rs lakh)

Financial Indicators	Titan Industries March 1993	Titan Industries March 1992	Wockhardt June 1993	Wockhardt June 1992	Merind March 1993	Merind March 1992	Kesar Enterprises March 1993	Kesar Enterprises March 1992	Tri-Star Soya Products March 1993	Tri-Star Soya Products March 1992
Income/appropriations										
1 Net sales	19121	15501	12840	9181	7392	5558	6955	5536	7586	7214
2 Value of production	19644	16497	13373	9883	7206	5801	8023	5942	8129	7270
3 *Total income*	19804	16546	13846	9919	7324	5853	8461	6386	8167	7635
4 Raw materials/stores and spares consumed	9591	8529	6778	4532	2092	1670	4325	3334	6445	6139
5 Other manufacturing expenses	202	114	1035	716	2031	1590	1294	1155	415	210
6 Remuneration to employees	1280	815	742	670	1157	919	531	457	93	73
7 Other expenses	5075	3532	2498	1847	1467	1239	813	528	753	672
8 *Operating profit*	3656	3556	2793	2154	577	435	1498	912	461	541
9 Interest	1846	1772	586	640	273	177	859	468	172	172
10 *Gross profit*	1805	1784	2248	3134	317	260	619	440	289	380
11 Depreciation	723	674	290	262	71	57	408	344	60	49
12 *Profit before tax*	1082	1110	1958	2872	246	203	211	96	229	331
13 Tax provision	0	0	0	0	125	99	0	0	29	37
14 *Profit after tax*	1082	1110	1958	2872	121	104	211	96	200	294
15 Dividends	689	537	382	11	49	45	91	73	83	83
16 Retained profit	393	573	1576	2861	72	59	120	23	117	211
Liabilities/assets										
17 Paid-up capital	4228	2684	1453	1130	180	180	360	360	416	416
18 Reserves and surplus	7782	1215	11021	4100	514	441	1108	983	948	832
19 Long term loans	9840	7256	1718	2151	318	311	1624	983	447	555
20 Short term loans	1604	4816	151	1633	1154	940	3318	2457	722	7
21 Of which bank borrowings	1104	2128	148	1459	598	466	2711	1800	722	7
22 Gross fixed assets	15888	11565	6533	5648	1219	1114	5130	4590	1104	926
23 Accumulated depreciation	2751	2046	1351	1053	582	521	2164	1759	317	258
24 Inventories	8639	7163	3440	2884	1232	1349	4031	2973	1143	750
25 Total assets/liabilities	27057	19532	16445	10427	3310	2643	8718	7023	3257	2550
Miscellaneous items										
26 Excise duty	0	0	761	636	380	327	482	374	0	0
27 Gross value added	5132	4544	3683	6132	1857	1393	1957	1345	530	576
28 Total foreign exchange income	665	379	1331	1064	494	302	1235	1509	4103	2791
29 Total foreign exchange outgo	4491	2835	1090	773	546	452	22	14	14	15
Key financial and performance ratios										
30 Turnover ratio (sales to total assets) (%)	70 7	81 7	78 1	88 1	223 3	210 3	79 8	78 8	232 9	282 9
31 Sales to total net assets (%)	81 5	97 1	89 5	101 9	341 3	296 9	108 5	115 7	299 5	398 6
32 Gross value added to gross fixed assets (%)	32 3	39 3	56 4	108 6	152 3	125 0	38 1	29 3	48 0	62 2
33 Return on investment (gross profit to total assets) (%)	6 7	9 4	13 7	30 1	9 6	9 8	7 1	6 3	8 9	14 9
34 Gross profit to sales (gross margin) (%)	9 4	11 5	17 5	34 1	4 3	4 7	8 9	7 9	3 8	5 3
35 Operating profit to sales (%)	19 1	22 9	21 8	23 5	7 8	7 8	21 5	16 5	6 1	7 5
Profit before tax to sales (%)	5 7	7 2	15 2	31 3	3 3	3 7	3 0	1 7	3 0	4 6
Tax provision to profit before tax (%)	0 0	0 0	0 0	0 0	50 8	48 8	0 0	0 0	12 7	11 2
38 Profit after tax to net worth (return on equity) (%)	9 0	28 5	15 7	54 9	17 4	16 7	14 4	7 1	14 7	23 6
39 Dividend (%)	22 0	20 0	30 0	1 0	27 0	25 0	26 0	21 0	20 0	20 0
40 Earning per share (Rs)	2 56	4 14	13 48	25 42	6 72	5 78	6 09	2 75	4 81	7 07
41 Book value per share (Rs)	28 41	14 53	83 77	43 53	38 56	34 50	42 12	38 49	32 79	30 00
42 P/E ratio (based on latest and corresponding last year's price)	58 6	16 4	57 9	9 5	40 2	20 8	12 1	19 6	9 4	6 9
43 Debt-equity ratio (adjusted for revaluation) (%)	81 9	186 1	14 1	43 7	45 8	50 1	110 6	73 2	32 8	44 5
44 Short term bank borrowings to inventories (%)	12 8	29 7	4 3	50 6	48 5	34 5	67 3	60 5	63 2	0 9
45 Sundry creditors to sundry debtors (%)	191 8	297 9	41 9	41 6	88 1	162 1	486 1	797 3	10 4	618 2
46 Total remuneration to employees to gross value added (%)	24 9	17 9	20 1	10 9	62 3	66 0	27 1	34 0	17 5	12 7
Total remuneration to employees to value of production (%)	6 5	4 9	5 5	6 8	16 1	15 8	6 6	7 7	1 1	1 0
48 Gross fixed assets formation (%)	37 4	15 8	16 6	13 7	9 4	23 5	11 8	16 2	19 2	7 8
49 Growth in inventories (%)	20 6	14 3	19 3	0 0	–8 7	48 6	35 6	22 3	52 4	0 7

Order, 1987. It is creating new lines of business (LOBs), namely, production of bulk synthetic chemicals, exports and immuno-diagnostics. While viable processes for two bulk drugs based on in-house R and D are in the final stages of development, the company recently launched 'inras'—an antihypertensive and also commenced production of the bulk drug cyproheptadine. Presently it meets the total national demand for vitamin B-12. Export during the year increased by 64 per cent and the company plans enter the sophisticated user markets of the western world in the near future.

For the year 1993-94 the company expected production to go up following the commissioning of a new sterile manufacturing facility for injectibles in May 1993. Further, it has signed a co-marketing agreement for vaccines with Indian Immunologicals, a unit of National Dairy Development, and a memorandum of understanding with ICI India in the area of veterinary formulations. During 1993-94 the company introduced three new pharmaceutical modules and initiated steps to obtain ISO 9000 certification. In a bid to restructure its capital structure through a better balance between owned and borrowed capital and to reduce the high interest costs, the company entered the capital market with a rights issue of equity shares at a premium of Rs 60 per share in the ratio of one share for every share held. The company's equity capital has doubled following the rights issue while reserves have been strengthened by a hefty Rs 110.5 crore. For the year 1993-94 the company's total income has risen to Rs 77.4 crore while net profit has more than doubled to Rs 2.6 crore. The rise in profit is somewhat due to a decline in operating expenses and interest charges. The company has raised the dividend rate from 27 per cent in 1992-93 to 30 per cent which represents a higher dividend outgo due to the rise in equity capital.

TRI-STAR SOYA PRODUCTS

Technology Upgradation

Tri-Star Soya Products which is engaged in the processing of soyabean and manufacture of refined oil saw a drastic fall in profitability in 1992-93 in spite of achieving a higher capacity utilisation of 67 per cent as against 59 per cent achieved last year. There was a steep decline in the price of finished goods without a corresponding decline in the price of soyabean and consequently, despite a 5.2 per cent rise in net sales, the company's operating and net profits fell by 14.8 per cent and 32 per cent, respectively, over the previous year. Though sale of refined/degummed oil increased by 77 per cent from 3,918 mt last year to 6,937 mt, sale realisation rose only 36 per cent from Rs 12 crore to Rs 16.4 crore over the same period. Sale of crude oil was also lower at 7,023 mt (Rs 16.9 crore) as against 10,460 mt (Rs 30.7 crore) sold last year. The company managed to show a rise in net sales mainly due to the higher realisation on de-oiled cake/powder (which saw a 43.2 per cent rise over the previous year despite a 9 per cent lower sale in volume terms) and a 47 per cent rise in exports which constituted up to 54 per cent of net sales as against 39 per cent in 1991-92.

Meanwhile, in tandem with its strategy to go in for value addition as a process of forward integration, the company has switched over from the production of normal quality soyabean meal to HIPRO quality soyabean meal through technological upgradation. In order to achieve economies of scale the company undertook expansion of its existing soyabean processing capacity from 500 mtpa to 1,000 mtpa in two phases at a total cost of Rs 8 crore. The first phase of the project was expected to commence commercial production in October 1993. In order to cater to the growing demand for texturised soya proteins and its fairly good acceptability in normal diet by all classes of consumers, the company is implementing a Rs 8 crore modern texturised soya protein manufacturing plant in two phases, the first of which was expected to commence operations in January 1994. Further, the first phase of the company's 10,000 mtpa vanaspati manufacturing unit which is being set up at a total outlay of Rs 9 crore, was expected to be operational by April 1994. The company also plans to enter the consumer market for the sale of texturised soya protein, soya flour, vanaspati and refined oil in consumer packs.

For the first half of 1993-94, the company's net sales and net profit stood at Rs 23.7 crore and Rs 0.8 crore, respectively. With its expansion-cum-modernisation programmes expected to become operational in the second half of 1993-94, the company's performance is expected to be better in the latter half of the year.

KESAR ENTERPRISES

Improved Performance

Following a steady decline in net profits over the last three years, Kesar Enterprises has managed to improve its performance in 1992-93, its diamond jubilee year. The company is engaged in the manufacture of sugar through the double sulphination process and alcohol spirits at its sugar factory and distillery in Uttar Pradesh. The modernisation carried out at its sugar factory earlier led to a higher crushing rate of 4,200 tcd in the crushing season of 1992-93 and actual production of sugar rose by 22 per cent over the previous year to 73,303 mt. Sale of sugar was also higher by 24.4 per cent at 67,803 mt as against 54,494 mt sold in the previous year while sale realisation rose by 35.6 per cent due to the higher prices obtained. Production of rectified spirit at the distillery division rose by 50 per cent over 1991-92 to 10,868 kl while that of spiced country liquor rose to 4,206 kl as against 59 kl produced last year. Though production and sale of denatured spirit in volume terms was lower during the year, sale realisation rose by more than 10 times over the previous period. The company's ENA and IMFL plants, after initial difficulties, also commenced production during the year.

On the financial front, while the company's net sales rose by 25.6 per cent in 1992-93, operating profit rose by 64.3 per cent and net profit more than doubled to Rs 2.1 crore. Despite the rise in profits the company's net profit margin remained low at 3 per cent mainly due to the higher interest burden which amounted to 12.4 per cent of net sales. Encouraged by its improved performance the company raised the dividend rate from 21 per cent last year to 26 per cent. The benefits of decontrol of molasses and alcohol by the central government however could not be availed of by the company due to the policy of the state government which banned the export of molasses and alcohol out of the state. The company, which won the Export Promotion Award for the year 1991, saw a 18.4 per cent decline in its alcohol exports to Rs 12.3 crore in 1992-93.

For 1993-94 the company expects crushing to be somewhat less due to the reduction in the area under cane crop nor is the production of alcohol expected to increase significantly. However, the distillery is expected to perform better as the production of country liquor, ENA and IMFL will add to profitability. The government's policy of liberalisation is also expected to give a fillip to imports and exports of bulk liquid chemicals.

Following the conversion of fully convertible debentures in July 1993, the company's equity capital has risen to Rs 6.2 crore. Kesar Marble and Granite, a 100 per cent export-oriented unit and a wholly-owned subsidiary of the company, commenced commercial production in October 1992. Due to certain teething problems and non-availability of electric supply from the state electricity board, however, the company suffered a loss following intermittent and below capacity production for the six months ended March 1993. The company has already exported a few consignments and response to its product quality has reportedly been encouraging. For the first six months of the current year, the company suffered a net loss of Rs 2.1 crore on net sales of Rs 37.3 crore.

Adjustment Programmes and Interest Rate Policy

Arun Ghosh

The policy of imposing high interest rates on a stagnant economy is the direct result of the obsession of the present policy-makers with success in the financial markets rather than in the matter of growth of the real economy.

THE standard IMF prescription for restoring balance to an economy in balance of payments difficulties is two-fold: devalue the currency and tighten up the monetary policy. Currency devaluation is expected to repress import demand and encourage exports. Tight monetary policy is, likewise, expected to reduce investment demand at home and thereby dampen inflationary trends.

It needs hardly to be re-stated that these policies are: (a) typically suited to industrially developed countries, and (b) a strictly monetarist approach to the problem of disequilibrium (between aggregate demand and aggregate supply) in a developed economy.

To these two standard planks of policy, the World Bank has traditionally added a third, and of late a fourth. The structural adjustment of developing countries—which are typically short of capital—calls for raising the price of capital through an increase in interest rates. This is on the premise that the raising of interest rates would promote more labour-intensive methods of production. Finally, of late, the World Bank has added a fourth policy dimension: privatise all economic activities because government is by definition a less efficient economic agent than private enterprise. Needless to say, this philosophy has gained ascendancy only recently, since the 80s, and has got a shot in the arm as a result of the collapse of the socialist regimes in the east European countries.

There are numerous studies on the effect of these programmes, as observed in different countries following the Fund/Bank prescriptions. Quite a few of the studies are highly critical; quite a few others somewhat apologetic. It may be added that most studies relating to the impact of the (externally dictated) adjustment programmes have been undertaken by researchers from within the Fund/Bank; quite a few studies have been made by independent experts (some times commissioned by the Fund or the Bank); and a few by economists from the affected countries. By and large, with a few exceptions, the pursuit of these 'externally dictated' programmes has been found to have accentuated rather than alleviated the economic problems of developing countries.

It is not proposed here to go into the theoretical construct—and the inappropriateness—of these Fund/Bank dictated adjustment programmes. Nor is it necessary to detail the actual experience of different countries pursuing the strategy laid down by the Fund/Bank. The success stories, let it be stated for the record, can be counted on the fingertips. That is neither here nor there. This essay purports to deal with only one aspect of the structural adjustment policies, the problem of interest rates, which is a major element in the programme of adjustment recommended by the IMF/World Bank.

Monetarist Approach

The idea of playing around with interest rates is essentially a part of the 'monetarist approach' to economic management, namely, to control money supply through credit regulation. Nobody would deny that extremely liberal credit could help fuel inflation. But somehow, along the line, Keynes' devastating critique of the interest rate as the regulator of money supply and the mediator of equilibrium between savings and investment has been forgotten. After the experience of the decade of the 70s, when diverse factors made nonsense of Keynesian pump-priming policies in the OECD countries, and when 'stagflation' became the order of the day, the attention of policy-makers got riveted to the need to tame inflation as the first priority.

It is difficult in economic matters to establish clear causal relationships, something easily done in physical sciences, which follow certain immutable laws. The sudden and steep oil price hike of November 1973 had an immediate inflationary impact on the industrialised countries because of their heavy (and increasing) dependence on hydrocarbons as the primary source of energy. It was then that the developed countries of the west woke up to the urgent need for economy in the use of energy for their industrial processes; meanwhile, as a counter to inflation, their simple remedy was a tight monetary policy and deflation. This got reflected in a sudden decline in the demand for primary products, which led to a steep decline in primary product prices and a sharp deterioration in the terms of trade of developing countries (which also felt the effect of rising prices of manufactured products, especially capital goods, following the oil price hike). Thus, the developed (industrialised) countries were able to pass on the cost (to them) of the oil price hike to non-oil-producing developing countries. But that is a separate story, though in a sense linked to the present theme, because the standard recipe for 'adjustment' (in the textbooks of the IMF and the World Bank) was the same for all countries: devalue the currency externally and deflate the currency internally. In fact, since the result was further deterioration in the terms of trade of developing countries, the remedy helped only to accentuate their problems. That, in general, sums up the historical evolution of the 'wrongly directed' adjustment programmes introduced by developing countries generally, at the instance of the IMF/World Bank, in the 70s and the 80s.

We need not go into the evolution of the Reagan-Thatcher policies during the 80s. This essay is not concerned with the successive policy reorientations of the developed countries, which have helped them to aggrandise most of the benefits of trade during the two decades of the 70s and 80s, at the cost of primary producers in the world in general, and in Africa and Latin America in particular. Let us get back to the main theme—the issue of interest rate policy—and relate the same to the extant policies in India.

Under the Fund/Bank economic philosophy, the interest rate plays a crucial role in the 'adjustment' of an economy in disequilibrium. The Fund sees the interest rate as the primary instrument for regulating credit supply, and therefore as the means of taming inflation. In an industrialised country which may be 'overheated'—whatever the reason—this makes sense. But in a developing country, where the basic structural problem is that of low productivity and/or the underemployment of the labour force, the remedy is totally unrelated to the disease; in fact, the doctor is merely prescribing a drug intended to bring down blood pressure to a patient suffering from malnutrition.

Deshmukh's Insight

Years back, in 1935 when the Reserve Bank of India was first constituted, Chintaman Deshmukh introduced what was then known as the 'cheap money' policy,

Item 1	1980 81 2	1985-86 3	1990-91 4	1991-92 5	1992-9 6
		A Short-term Rates			
ank Rate (a)	9 00	10 00	10 00	12 00	12 0(
Treasury bill rate (b)					
(i) 91-day	4 60	4 60	4 60	4 60	4 6(
(ii) 91-day (b)					8 80-10 61
(iii) 182-day			9 95 10 08	8 77-10 08	7 80-8 4(
(iv) 364 day					9 88-10 2
2 DFHI s Discount Rate					
(i) 182 day treasury bills bid			10 00 13 80	8 75-14 00	9 75-12 0(
– offer			9 35 11 20	8 20 13 50 *	9 25-11 0(
(ii) 364 day treasury bills – bid					10 30-10 7
– offer					9 50-10 2
(iii) Commercial bills bid			12 00 22 00	15 00-25 00	14 50-22 0(
offer			11 00-21 00	14 00-24 00	14 00-20 0(
II 1 State Bank of India Demand Loan Rate (c 1)					
(i) Scheduled commercial banks	0 19 40	17 50	16 50	16 50-22 50	21 5(
(ii) Co operative banks					
2 Major Commercial Banks Call Money Rates (c 2)					
(i) Bombay	7 12	10 00	15 85	19 57	14 42
(ii) Calcutta r	8 28	10 00			
(iii) Madras	9 42	10 00			
IV Discount Rate (State Bank of India (c 3)	13 00 15 00	17 00-17 50	15 50	15 50-19 00	18 00
V Commercial Bank Rates					
1 Deposit rates (d) (e) (Ceiling)					
(i) 1 year [1] to 3 years [2]	7 50[1]-8 50[2] (March 2)	8 50[1]-9 00[2] (April 8)	9 00 10 00	12 00	11 00
(ii) Over 3 years and up to 5 years	10 00[1] (March 2)	10 00[1]	11 00	13 00 (October 9)	11 00 '
(iii) Above 5 years	10 00	11 00[4]	11 00	13 00	11 00
2 Lending Rates					
A State Bank of India advances rate (f)	16 50	16 50	16 50	16 50	19 00
B Key lending rates as prescribed by RBI (All commercial banks including SBI)					
(i) Ceiling rate general (g)	19 40 (July 1) 19 50 (March 2)	17 50 (April 1)			
(ii) Minimum rate general	13 50 (July 1) (March 2) (h)		16 00 (Minimum)	19 00 (Minimum)	17 00 (Minimum) (March 1)
(iii) Minimum rate Selective credit control	16 70 19 40 (July 1) '7 50 19 50 (March 2)	16 50-17 50 (April 1)	16 00 (Minimum)	19 00 (Minimum) (March 2)	17 00 (Minimum) (March 1)
C Minimum rate bill finance					
(i) Drawers bills	11 85 (July 1)				
(ii) Drawees bills	13 50 (July 1)				
D Ceiling rate					
(i) Export credit (Other than deferred payments)	11 85[5] (July 1) 12 50-17 50 (March 2)	12 00-16 50[5]	7 50-15 50[5]	15 00-24 00[5][6]	3 00-22 00
(ii) On deferred payments	8 65 (July 1)	8 65	8 65	15 00 (October 9)	13 00
E Ceiling rate Food procurement	11 85 (July 1) 12 50 (March 2)	14 00	16 00 (September 22)	19 00	

(Continued)

TABLE J STRUCTURE OF INTEREST RATES (Continued)

Item	1980 81	1985 86	1990 91	1991 92	1992 93
1	2	3	4	5	6
		B Long-term Rates			
VI Prime Lending Rates of Term Lending Institutions					
(i) IDBI	14 00	14 00	14 00 15 00	18 00 [illegible] 00	17 00 19 00[13]
(ii) IFCI	14 00[5]	14 00[5]	11 00 15 00	18 00 20 00	[illegible] 00 19 00[5]
(iii) ICICI	14 00[5]	14 00[5]	14 00 15 00	18 00 20 00	17 00 19 00[13]
(iv) IRBI	9 15 (June 18)	12 50	14 00 15 00	18 00 20 00	18 50 21 00[13]
(v) SIDBI			6 50 11 50	7 00 15 50	5 50 17 00
			6 50 12 50	8 50 17 00	5 00 20 00
(vi) SFCs[6]	12 00 16 00	11 50 16 50			
	(12 00 14 50)	(11 50 16 50)			(11 50 [illegible] 00)
VII Ceiling Dividend/Interest Rates Fixed by the Controller of Capital Issues					
(i) Preference shares	11 00	15 00	14 00	14 00	14 00
		10 00	10 00	10 00	10 00
(ii) Debentures	13 50	13 50	12 50	12 50	
		15 00[8]	14 00	14 00	
(iii) Public sector bonds		14 00	13 00	13 00	
(iv) Public sector bonds (tax free)			9 00	9 00	10 50
VIII Units of UTI[11] (Year July June)					
(i) Dividend rate	11 50	15 25	17 50	5 00	26 00
(ii) Yield rate[12]	9 62	11 75	14 03	16 40	19 06
IX Company Deposit Rates (Deposits Accepted from Public)					
1 By well established private sector companies					
(i) 1 year	9 00 13 50	10 00 15 00	10 50 14 00	10 50 1[illegible] 00	12 00 15 00
(ii) 2 years	10 00 14 50	12 00 15 00	12 00 14 00	12 00 15 00	12 00 15 00
(iii) 3 years	13 00 15 50	13 00 15 00	13 50 14 00	14 00 15 00	15 00
(iv) 5 years[4]	15 00 16 00				
2 By public sector companies					
(i) 1 year	11 00	11 50 12 00	10 50 12 00	10 50 15 00	13 00
(ii) 2 years	12 00	12 00 13 00	11 50 13 00	11 50 15 00	14 00
(iii) 3 years	13 50	13 50 14 50	13 00 14 00	13 00 15 00	15 00
X Annual (Gross) Yield[10]					
(a) Average yield ordinary shares	5 88	5 21	59		1 69
(b) Redemption yield government of India securities					
(i) Short term (1 to 5 years)	4 74 6 01	5 42 9 84	7 04 21 70	8 37 26 26	7 08 23 77
(ii) Medium term (5 to 15 years)	5 80 6 75	6 49 9 50	9 44 12 70	9 50 13 42	9 50 11 78
(iii) Long term (15 years and above)	6 44 7 49	8 38 11 50	10 86 12 04	9 91 12 38	5 82 12 47

Notes Dates given in brackets represent dates from which changes in rates have been effected

(1) For deposits for 1 year and above but less than 2 years Deposit rate raised from 8 00 per cent to 8 50 per cent with effect from April 8 1985 Effective April 1 1987 deposit rate raised to 9 00 per cent

(2) For deposits for 2 years and above but less than 3 years Deposit rate for 2 years and above raised to 10 00 per cent with effect from April 1 1987

(3) For deposits for 3 years and above

(4) For deposits for 5 years and above

(5) Depending on the type of facility and period of credit

(6) Figures in brackets indicate lending rates charged to small scale industries

(7) Interest on 'Rights' debentures issued by public limited companies to augment their long term working capital resources was fixed at the rate of 10 50 per cent up to 7 years maturity and 11 00 per cent on the maturity period from 8 to 12 years as per the guidelines issued by the government in September 1978 The ceiling on interest rate on public issue of debentures was raised from 11 00 per cent to 12 00 per cent from October 1980 and further to 13 50 per cent from March 2 1981

(8) While the existing ceiling on interest rate of 13 50 per cent was maintained for issue of convertible debentures the ceiling rate was raised to 15 00 per cent from April 17 1982 in the case of non convertible debentures

(9) The acceptance of deposits for periods more than 3 years has been prohibited with effect from April 1 1978 in terms of the Companies (Acceptance of Deposits) Rules 1975 but companies are permitted to retain such deposits accepted prior to April 1 1978 till maturity

(10) Yield data in respect of ordinary shares from 1984 85 onwards relate to revised series The annual redemption yield is calculated on the assumption that the average price relates to the middle of the period Also see footnotes to Statement 83 Gross Yields on Government and Industrial Securities—All India

(11) Relates to Unit Scheme 1964 proper Reinvestment Plan and Children s Gift Plan

(12) Dividend as percentage of weighted average sale price during the year worked out with weights proportional to the number of units sold at different prices

(13) Raised to 11 85 per cent from July 1 1980 and further to 14 00 per cent with effect from March 2 1981 A two tier interest rate structure was adopted from August 1 1990 The first tier interest rate of 14 per cent per annum was made applicable for an initial period of two years or the construction period of the project, whichever is shorter Thereafter when industrial projects are expected to be in production the second tier interest rate would apply For the second tier, normal rate of interest would be 15 per cent per annum Effective August 16 1991 the interest rates have been made flexible with minimum rate of 15 per cent

Source Reserve Bank of India, *Report on Currency and Finance 1992 93*

the Bank Rate in India being pegged to 3 per cent Chintaman Deshmukh was not an economist he belonged to the Indian Civil Service, but in this farseeing act of his, he proved himself to be a far better economist than the galaxy of Indian economists of post-second world war vintage What was the basic problem of India then? Lack of credit for agriculture, the Indian cultivator being in the clutches of the local money-lender There was also inadequate investment in industry, certainly not in keeping with India's resources The pressing need of the hour was, therefore, to stimulate investment, increase and improve credit supply

Note the dates Keynes' *General Theory* was published in 1936, when Keynes effectively repudiated the classical notion of the interest rate as the best mediator of equilibrium between savings and investment C D Deshmukh's 'cheap money' policy dates back to 1935 What the Indian cultivator required was timely and adequate credit at a reasonable rate What Indian industry required was capital for investment, again at a reasonable rate, so that the incentive to invest were not affected adversely

What is the picture now? In 1980-81, the Bank Rate was 9 per cent In 1990-91—before the crisis of the summer of 1991—the Bank Rate was 10 per cent In 1991-92, the Bank Rate was raised, in two successive steps, to 12 per cent, and the State Bank of India's 'minimum' advance rate (other than for certain designated types of borrowers) from 16 5 per cent to 19 5 per cent

Or, again, let us get back to 1980-81 The minimum lending rate (for commercial banks) prescribed by the RBI was 13 5 per cent in 1980-81 16 per cent in 1990-91, and 19 per cent in 1991-92 The ceiling rate, even for export credit was 11 85 per cent up to July 1, 1980, it had varied between 7 5 per cent and 15 5 per cent, in 1990-91 it shot up to 15 per cent to 24 per cent (All figures taken from the RBI, *Report on Currency and Finance* 1992-93, vol II, p 86) True, the export credit rates have been brought down—in selected cases dramatically—to 3 per cent to 22 per cent in 1992-93, but look at the ceiling rate even for export credit, 22 per cent!

For small industries not able to secure working capital assistance within the narrow limits set for 'lending to the priority sector', effective interest rates today vary from 22 per cent to 25 per cent

Which industry, which small producer, can make a return higher than 25 per cent? If our 'structural adjustment programme' leads to a deep recession in industry, it is because the IMF/World Bank mind-set has permeated into the ministry of finance and the Reserve Bank of India Our economic policy-makers—all of them eminent economists in their own right—have been brainwashed by two intellectually carcinogenic influences 'supply side economics' of Ronald Reagan, and the die-hard, strict monetarism of Milton Friedman (There is now a third insidious—and even more carcinogenic—influence, the policy of 'minimum government' recommended by Friedrich von Hayek, and practised by Margaret Thatcher, but let us leave that aside for the moment Let us focus on interest rate policy)

Let us briefly look at the dimensions of production activity (reflected in net output) and the volume of credit advanced The figures readily available (for 1991-92, in the *Currency and Finance Report* referred to earlier) indicate the following dimensions Agriculture contributed Rs 1,60,860 crore to the GDP (at factor cost) of Rs 5,41,888 crore in 1991-92, or a little under 30 per cent of the national product The contribution of large- and medium-industries was Rs 60,333 crore, or a little more than 11 per cent In other words, agriculture (excluding fishery, forestry, etc) contributed almost three times the contribution of large- and medium-industries to the national product

Total scheduled bank credit to agriculture in 1991-92 was Rs 19,884 crore, to medium- and large-industries was Rs 58,627 crore In other words, the total working capital credit disbursed to agriculture was almost one-third of credit disbursed by the organised financial sector to large- and medium-scale industry Add the advances made to agriculture by co-operatives, Regional Rural Banks (RRBs) and state governments and you have another Rs 6,734 crore advanced to the agriculture sector in 1991-92 You must then reckon the advances made to industry by central term-lending financial institutions (like the IDBI, ICICI, etc) and other agencies (like the UTI, LIC) to the large- and medium-industry sector The amount 'disbursed' by these financial institutions (not including the lending by state financial institutions, which are primarily made to small industries was Rs 15,054 crore in 1991-92 Thus, total development finance (other than from scheduled banks, already reckoned earlier) received by agriculture—employing nearly two-thirds of the workforce—was less than 31 per cent of the total 'development finance' received by the organised industrial sector

The above, however, reflects in a sense the focus of the present administration But the issue we are currently discussing is interest rate policy What is the present structure of interest rates in India? And how do these rates compare with interest rates abroad? What precisely is the effect on Indian production activity as a result? Finally, is it really true that a high interest rate leads to more labour-intensive methods of production, and also increases the rate of saving? Apart from theory, and the experience of other countries, what is our own experience?

Structure of Interest Rates

The Reserve Bank of India (and the ministry of finance) have, of late, claimed a lot of credit for reducing the plethora of interest rates in the country The number of

interest rates in the organised money market has indeed been reduced. But two points need to be added in this connection. First, let us see the present structure of interest rates in India (*vide* RBI, *Report on Currency and Finance*, 1992-93, vol II, see Table 1):

We see from Table 1 that short-term rates, in the organised money market, varied from 3 per cent to 22 per cent even for export credit, while long-term rates varied from 8.50 per cent (for small industries financed by the Small Industries Development Corporation) to 21 per cent for IRBI loans to sick industrial units. (The latter is somewhat strange, considering the IDBI rate for large units varying between 17 per cent and 19 per cent.) Interest rates paid by well-established companies, for term deposits from the public, varied from 12 per cent to 15 per cent.

It is in the above context that the Euroequities (or Global Deposit Receipts) issued by Indian firms abroad become relevant. The interest rates at which these GDRs have been issued by different companies are not known, but one can presume that interest rates around the world being much lower than in India, the borrowing rate from abroad in respect of large Indian companies would be significantly lower than the rates at which short-term working capital funds are available in India.

Even the State Bank of India advance rate is as much as 19 per cent; and now that the RBI prescribes only a 'minimum rate'—which, in general, is 17.0 per cent—and there is no 'ceiling rate', small-scale units have to pay between 22 per cent and 25 per cent to commercial bank, if (and to the extent that) loans are made by banks to small-scale units.

We know that interest rates in the unorganised market, for both agriculture and for industry, vary considerably. Reportedly, in the rural areas of Punjab—a developed part of the country—such interest rates are typically 5 per cent per month (or 60 per cent annually). We know that the borrowing rates of commercial banks vary from 5 per cent on savings accounts to 11 cent on three-year deposits. These are rates at which commercial banks are raising resources from rural areas. And the credit:deposit ratio is quite low in rural areas. Rural savings are being tunnelled by banks to urban areas, and indeed primarily to the metropolitan areas.

In comparison, interest rates abroad vary from 3 per cent to around 8 per cent. For export credits, interest rates are generally quite low. The difference in the interest rate structure must redound adversely on the costs of production in India.

Interest Rates and Capital-Intensity

The World Bank has, over the past many decades, been prescribing a policy of high interest rates in developing countries on the ground that in a capital short economy, we should encourage labour-intensive methods of production, and that the only way to do so would be to raise the price of capital.

There are two basic errors in the above hypothesis. First, since most innovations occur in developed countries, there is a steady worldwide trend towards more capital-intensive production techniques. This is true not only of industry but also of agriculture. The resultant innovative changes make the products manufactured in developed countries cheaper. And those (in developing countries) who wish to compete with such products have to import sophisticated (capital-intensive) equipment from the developed countries. Thus, high interest rates have not prevented the increasing capital-intensity of investments even in developing countries; and indeed, as per the RBI *Report on Currency and Finance*, 1992-93 (vol II, p 17), total employment in large-scale private sector manufacturing declined from 4.67 million in December 1981 to 4.38 million in December 1989 (the latest available), despite significant investment in large-scale industry over these years. Thus, high interest rates have not prevented the influx of capital-intensive methods of production in India.

Secondly, the very logic of high interest rates militates against the widening of the capital base of the economy for improving labour productivity. One could argue in favour of a 'widening' of the capital base before 'deepening' it (in a few sectors). But that does not depend on interest rate policy; it has to be a different, conscious planning decision. This is where the market system fails to deliver. But we need not go into that issue here.

Finally, do high interest rates encourage high savings? From all available empirical evidence around the world, this thesis stands disproved. We need not refer back to Keynes' famous repudiation of this hypothesis, and restate the fundamental linkage between savings and income, as well as on the distribution of income. Even in India, available data on the national accounts (published by the CSO) indicate that savings peaked in 1978-79, when the domestic savings rate exceeded 24 per cent of the GDP. During the 80s, when interest rates have been steadily raised, domestic savings have dipped to a little more than 22 per cent, a decline of something like 2 percentage points over the decade.

It is time to conclude this essay. Economic policy-making in India has, from the mid-80s in particular, depended heavily on the advice of experts from the World Bank/IMF. Of late, economic policy-making under the structural adjustment programme (initiated after July 1991) has been transparently dictated by the Fund/Bank experts. One of the standard IMF recipes for adjustment is the tightening of monetary policy; and a uniformly standard advice of the World Bank to all (capital short) developing economies is to raise the rate of interest.

This advice is not only unsuitable, it is pernicious. It seeks to keep a developing country mired in underdevelopment. Even the argument that a higher interest rate would attract long-term capital inflows is entirely mythical. The inflow of investment capital depends on a host of factors into which we need not delve here. But we must conclude with one comment. The inflow of external capital has been particularly pronounced in India after 1993. The foreign exchange assets of the Reserve Bank of India increased from some $ six billion at the end of March 1993 to $ 15 billion by the end of March 1994 (vide RBI *Weekly Statistical Supplement* to the RBI *Bulletin*, April 9, 1994). This inflow of foreign funds is primarily on two counts: (a) short-term capital to take advantage of the extremely high rate of interest on non-resident deposits in foreign currency, and (b) speculative capital inflow with the express purpose of buying up the highly undervalued assets of public enterprises which are proposed to be disinvested by the government of India, as also for acquiring portfolio investments in blue chip companies, the assets of which are undervalued.

That such capital inflow is not only against the long-term interests of the country, but is in fact tantamount to selling the family property and jewellery for present succour is obvious. That apart, the inherent lack of wisdom in imposing a high interest rate policy on a stagnant economy is a direct result of the obsession of the present policy-makers with success in financial markets rather in the matter of growth of the real economy.

One final word is necessary. Our present policy-makers appear to be believers in shock therapy. A course of strong antibiotics to a patient suffering essentially from malnutrition is never desirable. The objection to high interest rates does not imply that all interest rates should suddenly and precipitately be brought down to levels comparable with, say, Japan. Rather, two steps are necessary. First, a gradual lowering of the interest rate structure. Secondly, and more importantly, putting in place an institutional structure which would make adequate and timely credit available to small farmers, small industries, artisans et al. The ongoing reform of the financial sector is thus wholly misdirected; the reform has to be differently designed and implemented.

Unfortunately, that does not appear to be even part of the agenda of the present government.

COMMENTARY

Debt and Democracy in Brazil

Michel Chossudovsky
Micheline Ladouceur

Under a recent agreement with international creditors on the restructuring of its commercial debt, Brazil will have to put in place reforms which will be a lethal blow to its social programmes which are already in an advanced stage of decay due to successive 'shock therapies'

A HISTORICAL landmark, Brazil was able to meet the 'deadline date' set by her international creditors without the IMF's official stamp of approval On April 15, an agreement was sealed in New York on the 'restructuring' of 49 billion dollars of commercial debt under the Brady Plan The deal had been carefully negotiated by former finance minister Fernando Henrique Cardoso now presidential candidate and Citibank Corp vice-chairman William Rhodes acting on behalf of some 750 international creditor banks The agreement was the culmination of a long drawn-out process, initiated at the height of the impeachment crisis which led to the demise of president Fernando Collor de Mello in 1992 [1]

Major economic and social reforms had been demanded, the IMF had been entrusted with the bureaucratic task of enforcing and monitoring these reforms on behalf of the commercial banks Precise deadline dates had been set for the safe passage of major pieces of 'prescribed' legislation including amendments to the 1988 constitution However despite (former) finance minister Fernando Henrique Cardoso's efforts to manipulate civil society, muster political support and jostle the various reforms through a 'sovereign' parliament, time was running out The March 16 deadline for the signing of a 'letter of intent' with the IMF could not be met A tight schedule, the so-called 'notification deadline' for a deal with the commercial banks' steering committee had been set for March 17

While the April 15 agreement was formally reached against established practice (which requires prior approval of an IMF stand-by loan as collateral for the debt restructuring programme), the economic reforms were, nonetheless, considered "to be on track" IMF managing director Michel Camdessus said that he was impressed with steps already taken and promised to co-operate closely with the government In turn, finance minister Fernando Henrique Cardoso stated that the IMF's promise of further co-operation" (once key elements of the economic programme are in place) should be enough for the debt restructuring deal to go ahead Despite 'unfortunate delays' in the parliamentary process, the main condition—requiring a massive release of state financial resources in favour of the creditors—had been met the legislature had approved the IMF's fiscal reforms including the creation of a 'social emergency fund' (on the World Bank model) The vote in congress (requiring a constitutional amendment) obliged the government to slash the federal budget (including public investment) by 43 per cent while redirecting state revenue towards debt servicing

The measures imposed by the creditors constituted a final lethal blow to Brazil s social programmes, already in an advanced stage of decay as a result of successive shock therapies' The social emergency fund (SEF) is in fact to be "financed from the budget cuts" (implying transfers of funds to the SEF) through the concurrent phasing out of regular government programmes and the massive dismissal of government employees Its inauguration represents an important political landmark sovereignty in social policy is foregone, henceforth budgets and organisational structures will be directly monitored by the Washington-based Bretton Woods institutions acting on behalf of the international creditor banks The collapse and destruction of the state's social programmes and the phasing out of part of the government pension plan (Previdencia Social) were pre-conditions' 'for the signing of the agreement Moreover, the reforms also engineered a squeeze of real wages by establishing 'a salary ceiling' in the public sector,' as well as the 'switching' of all wage contracts into a new currency unit, the URV (real unit of value) (initially operating as an accounting unit) The latter reform, requiring a separate piece of legislation, had been worked out well in advance (in high level meetings behind closed doors) in close consultation with the Washington-based bureaucracy Winston Fritsch, secretary of state in charge of economic policy had inadvertently leaked to the press in October 1993 that he would 'deliver to the IMF, the skeleton of a plan of deindexation" (quoted in *Folha de Sao Paolo*, March 3, 1994, pp 1-10)

The IMF's 'economic therapy' also redefines in a fundamental way the relationship between the central and regional governments entrenched in the 1988 constitution The proposed 'model' of fiscal reform is in this regard analogous to that imposed by the international creditors on the Yugoslav Federation in the late 1980s (prior to its collapse) federal transfers to state and municipal governments earmarked for health, education and housing will be frozen, the regions are to become 'fiscally autonomous', the savings accruing to the federal treasury will be redirected towards interest payments

It is worth mentioning that the macro-economic reforms are carried out "in the name of poverty alleviation" the "Citizens' campaign against famine" ('*Acao da Cidadania contra a Fome a Miseria e pela Vida* ') initially established by the opposition Workers Party (PT) in the last months of the Collor de Mello administration, now provides the government with the necessary ideological backbone as well as a populist mouthpiece The campaign has lost its original momentum as a broad democratic grass roots movement directed against the policies of the state After president Collor's impeachment by the Senate in September 1992, the Workers Party agreed with the new government of president Itamar Franco to broaden the social and political base of the campaign A deal was struck between the leader of the campaign Herberto de Souza ('Betinho') of the Workers Party and Alcyr Callian, president of the Bank of Brazil The Bank of Brazil (a powerful financial arm of the central state) was entrusted with setting up local campaign committees throughout the country At present, more than two-thirds of these grass roots committees are controlled by employees of the Bank of Brazil (*see Veja*, Rio de Janeiro, December 1993) In turn, the powerful business tycoon Roberto Marinho who controls the 'Globo' television network offered to grant free Hollywood-style commercials to the campaign during prime TV time . Poverty and famine are portrayed in a stylised tabloid form in the Brazilian press, with funding in the hands of the financial elites, no pervasive linkage is made between the IMF's 'economic

medicine' and the occurrence of famine. As the economic crisis deepens, the 'citizens' campaign' serves the 'useful' purpose of diverting attention from the real policy issues; it seeks a broad national consensus, avoids controversy and refrains from directly indicting either the government or Brazil's privileged social elites...

The campaign against famine also serves another related function: the main 'poverty indicators' put forth by the campaign are based on the 'estimates' of the government's official 'economic think tank', the Institute of Applied Economic Research (IPEA) now entrusted with supportive 'research' on famine and poverty. Grossly manipulated and falsified, IPEA's 'estimates' suggest that a mere 21 per cent of the Brazilian population is situated below the 'critical poverty' line.[3] Double standards: 32 million people in Brazil against 35.7 million in the US (according to the definition of the US government). In other words, the campaign portrays poverty as pertaining essentially to a 'social minority' thereby vindicating the World Bank's framework of 'selective' "targeting in favour of the poor". It not only distorts but tacitly denies the obvious (amply confirmed by official statistics), namely, that most sectors of society including the middle classes are being impoverished as a result of the economic reforms adopted since the outset of the Collor government.[4] Macro-economic policy has accelerated the 'expulsion' of landless peasants from the countryside leading to the formation of a nomadic migrant labour force moving from one metropolitan area to another... In the cities an entirely new "layer of urban poverty" (socially distinct from that which characterises the 'favelas') has unfolded: thousands of salaried workers and white collar employees hitherto occupying middle and lower class residential areas have been evicted, socially marginalised and often 'excluded' from the slum areas.

Management of Poverty

The SEF requires a 'social engineering', a policy framework for 'managing poverty' and attenuating social unrest at minimal cost to the creditors. So-called 'targeted programmes' earmarked "to help the poor" combined with 'cost recovery' and the 'privatisation' of health and educational services are said to constitute "a more efficient" way of delivering social programmes. Concurrently, the National Institute of Social Security (INSS) is to become increasingly 'self-financing' by substantially raising its premium-contributions from both urban and rural workers...[5] Many programmes under the jurisdiction of line ministries will henceforth be managed by the organisations of civil society under the umbrella of the SEF. The latter will also finance "a social safety net" (in the form of severance payments) earmarked for public sector workers laid off as a result of the constitutional reform process...

The SEF officially sanctions the withdrawal of the state from the social sectors (a process which in any event is already ongoing), and "the management of poverty" (at the micro-social level) by separate and parallel organisational structures. Since the outset of the Collor government, various non-governmental organisations (NGOs) funded by international 'aid programmes' have gradually taken over many of the functions of the municipal governments whose funds have been frozen as a result of the structural adjustment programme. Small-scale production and handicraft projects, subcontracting for export processing firms, community-based training and emplo-ment programmes, etc, are set up under the umbrella of the "social safety net". A meagre survival to local-level communities is ensured while at the same time containing the risk of social upheaval. An example of "micro-level management of poverty" is in Pirambu, a sprawling slum area of 2,50,000 inhabitants in the north-eastern city of Fortaleza. Pirambu is literally 'carved up', each slice of the urban space is under the supervision of a separate international aid or non-governmental organisation. In the Couto Fernandes neighbourhood of Pirambu, the German Aid Agency GTZ supports the establishment of a model of 'community management' (interviews conducted in Pirambu, Fortaleza, July 1993). This 'micro-democracy' installed under the watchful eye of the donor community also serves the purpose of subduing the development of independent grass roots social movements. German funding will finance the salaries of the expatriate experts whereas the investment funds earmarked for small-scale manufacturing will be 'self-financed' through a 'revolving fund' managed by the local community.

The "management of poverty" in rural areas serves the same broad objectives: to subdue the peasant movement on behalf of Brazil's powerful landowning class while ensuring a meagre survival to millions of landless peasants uprooted and displaced by large-scale agri-business. In the north-eastern Sertao, for instance, a region affected by recurrent drought, a minimum works programme (*"frentes de trabalho"*) provides employment (at 14 dollars a month) to some 1.2 million landless farm workers (1993) (interviews with farm workers in the region of Monsenhor Tabosa, Ceara, July 1993). The latter, however, are often hired by the large landowners at the expense of the federal government. The distribution of US grain surpluses financed under PL 480 to impoverished farmers (through government and relief agencies) also serves the related purpose of weakening local level food agriculture and up-rooting the small peasantry. The food distribution programmes are adopted in the name of the "Citizens' Campaign against Famine"...

The expropriation of peasant lands is an integral part of the IMF-World Bank structural adjustment programme. In this context, the National Institute for Colonisation and Agrarian Reform (INCRA) among several government agencies oversees "the rural safety net" through token land distribution programmes and the development of co-operatives for the 'posseiros' (landless farmers). These schemes are invariably established in marginal or semi-arid lands which do not encroach upon the interests of the landowning class. In the states of Para, Amazonas and Maranhao, several international donors including the World Bank and the Japanese Aid Agency (JICA) finance (through INCRA) so-called "areas of colonisation".[6] The latter largely serve as 'labour reserves' for large-scale plantations. It is worth mentioning that the proposed constitutional amendments also imply the *de facto* derogation of customary land rights of the indigenous people, a process which is already under way with the transformation (under the jurisdiction of INCRA) of the 'Indian reserves' in the Amazon into areas of settlement for plantation workers.[7]

Notes

1 See Michel Chossudovsky, 'Le Bresil sous les diktats de ses bailleurs de fonds', *Le Monde diplomatique*, November 1993.

2 The 'salary ceiling' is established in the context of provisional measure no 382, *O Globo*, December 8, 1993, pp 2-11.

3 See Instituto de Pesquisa Economica Aplicada (IPEA), *O Mapa da Fome II. Informacoes sobre a Indigencia por Municipios da Federacao*, Brasilia, 1993.

4 In 1991 80 per cent of the labour force had earnings below 300 dollars a month according to the Brazilian Institute of Geography and Statistics (IBGE)

5 In accordance with the clauses of provisional measure no 381, see *O Globo*, December 8, 1993, pp 2-11.

6 Celia Maria Correa Linhares and Maristela de Paula Andrade, 'A Acao Oficial e os Conflitos Agrarios no Maranhao', *Desenvolvimento e Cidadania*, No 4, Sao Luis de Maranhao, 1992

7 See *Panewa*, Porto Velho, Vol VI, No 18, November-December 1993 and Vol VII, No 19, January 1994.

NARMADA PROJECT

Pro-Dam Groups Obstruct Officials

Bina Srinivasan

The recent incident of pro-dam groups trying to obstruct the movements of the commissioner of scheduled castes and tribes is yet another indication of the scant respect these forces have for democratic norms.

ON June 2, Ram Dhan, commissioner, National Commission for SC-ST, was travelling to Manibeli with his secretary and B D Sharma, former commissioner. The purpose of the visit was reportedly to look into the grievances of the adivasi families of the Narmada valley to be affected by the Sardar Sarovar Project. On the way, his vehicle was stopped at Dewalia Chowkdi by a group of people who demanded that he turn back and return to Baroda. Their argument was that he would have to first meet the people of Gujarat. The commissioner who was apparently determined to go to Manibeli managed to move on. At Garudeshwar they were stopped again by a crowd which resorted to stone-throwing. The SDM Bharuch tried to persuade Ram Dhan to return by pleading that the situation could go out of hand, that he could be forced to give orders to the police to fire at the irate crowd. The commissioner himself moved out of the vehicle and sat on the road in protest. They tried to attack him physically, he alleged. The combined efforts of the police and the mob had him back in the vehicle and he had to return to Baroda.

At the Narmada guest house in Baroda, he sat on a dharna right at the entrance, in protest against what he termed unconstitutional efforts on the part of the pro-dam lobbyists to prevent him from carrying out his duties. A group of about 25-30 people, claiming to represent the tribals and farmers of Gujarat including Suren Choksi, an industrialist, Rajendra Rathod, ex-mayor, Baroda and others gathered aroumd Ram Dhan. Amid slogan-shouting they told the SC-ST commissioner that they had no problems with him, it was B D Sharma they were objecting to. They accused the former commissioner of being a foreign agent, of taking foreign money and trying to sabotage the development of Gujarat. He was corrupt, they said, and anti-national to boot. They said to Ram Dhan, you are a freedom fighter and we do not expect you to behave like a bureaucrat. You must listen to us, we are the majority. You cannot give credence to minority opinion.

Ram Dhan refused to entertain anybody. He said that he was not willing to listen to anybody in this fashion. I had come here expecting to talk to people, instead I was attacked, he said. He also called the people gathered there at the Narmada guest house black marketeers. At this the crowd proclaimed that he had insulted them. It is like being said that we are an effeminate, emasculated lot, they said, using the Gujarati word 'baila'. The commissioner was then besieged by the deputy commissioner of police and the collector, Baroda. They tried to persuade him to move indoors. Ram Dhan had decided that the intervention of a person no less than the CM Chabildas Mehta would serve to end his dharna. In the meantime, B D Sharma was whisked away to the Circuit House (government guest house) under police escort. As he was getting into the police vehicle, one of the onlookers grabbed at his spectacles.

I was present at the Narmada guest house, wanting to cover the event. As B D Sharma left, the crowd turned to me. Who are you, they demanded to know. I explained that I was there as a free lance journalist. We do not know you, they replied. She is an anti-dam activist, one of the Medha Patker's people, they said to the police. I had seen her address a public meeting in Delhi under the NBA banner, one of them said. The entire crowd took up the chant. They had all seen me address various public meetings in Delhi! (needless to say, I have never addressed a public meeting in Delhi for NBA or otherwise). They wanted me out from there. The police and the collector now joined in, asking me to move away as it was not safe. Not satisfied with verbal assault, they tore off the seat of my scooter, removed the rear-view mirror. A police complaint was later filed against them. Ram Dhan ended his dharna late in the evening after telephonic contact was made with the CM Chabildas Mehta.The day-long drama finally ended bringing in its wake a few pertinent questions.

In Gujarat, the state has identified itself with SSP and all those who defend it in the name of development and modernisation. As a result, Ram Dhan as also part of the state, introduced a certain twist to the scenario where normally anti-dam activists are ranged against the pro-dam forces who enjoy state support. So it would seem that on June 2 the state was pitted against itself. In defining his constitutional duty as one that made it obligatory for him to meet the adivasis of the Narmada valley, he clashed with those elements of the state who could not afford to either let him proceed or let him [illegible] to any harm. So while the Baroda collector seemed hard put to ensure his safety, it was also amply clear that the pro-dam forces were being given a wide margin to threaten, bulldoze and 'persuade' Ram Dhan to return to Delhi. A similar conflicting situation had arisen within the state with regard to the review team that had been announced by Kamal Nath, the environment minister. While it is true that there are elements within the state that wish to ensure that constitutional rights and duties be translated into reality with all sincerity, it seems hard not to characterise the state in an overall sense, as anything but coercive. The modern India state has in no uncertain terms aligned itself with the propertied minority of the country. Indeed, it does seem as though the state has been created to serve their interests. There can therefore be no doubt about the direction of its policies and development paradigms. This is not to deny conflicts within various agencies/components of the state or between the long-term and the short-term goals of the state. But even these conflicts in the ultimate analysis are used to further legitimise the role of the state in controlling the lives of the people.

As regard democratic practice, 'rasta rokos' and 'gheraos' are without doubt part of the baggage of democratic tradition. But in this instance, it is noteworthy that the pro-dam forces, the self-appointed majority of Gujarat are, to put it plainly, the rich sections of the Gujarati society. There are, of course, those who are convinced about project of modernisation and for whom the Gujarati identity is synonymous with development—industrialisation (because of which SSP symbolises the greatest achievements of Gujarat). But the more vocal, the more visible are the rich farmers, the industrialists and those who have a stake in the current political scenario. Both pro-and anti-dam forces have the right to take recourse to democratic means to press home their view-points. But contexts vary drastically in each case. The anti-dam movement has made visible the articulation and aspirations of the under-privileged, who have been repeatedly made to pay the price of 'progress'. The pro-dam forces have, on the other hand, shown scant respect for democratic norms and have used such protests to wage an open war against the have nots, to underscore the state support they enjoy and the economic and political clout they wield. That is where the subversion begins. To end with the attempt to obstruct even official channel available to the poor. All of which pose grave questions for those concerned with social justice.

Outlawing Oral Divorce

Reform through Court Decree?

K G Kannabiran

The Allahabad High Court judgment on triple talaq not only trivialises the justice system but attempts reform of a minority community's personal laws—a responsibility it cannot arrogate to itself Such reform can only come about through consensus within the community.

THE judge, a non-elected person sometimes has to play the role of a legislator His independence is assured to him so that he may with a sense of detachment look at issues arising before him in an objective manner and in the assessment ensure that the process of arriving at a decision is equally fair Implied in 'fairness' is also a sense of propriety, an obligation to deal equally with all minority communities who live under the Constitution The independence granted to the judges and judiciary is not to be used in a wreckless and irresponsible manner The sentinel on the Quivive cannot turn himself into a bandit on the highway Nothing the court or judge says or does should savour of prejudice, whim or fitfulness Whatever changes are to be brought about in society by the judiciary have to be done without violently rending the custom or tradition asunder They cannot assume that they have the authority to grant special leave to start an Indian revolution[1] This is more so where there are minorities who are living under threat and are likely to cling to what we consider their outmoded and out of date customs and rules which govern their personal laws as an assertion of their identity

Look at the Tilhari judgment By outlawing oral divorce he has left the Muslim male without any way of getting a divorce As a judgment the effect it is likely to have on earlier oral divorces has not been taken into reckoning The woman in question lost her one unit of land to which she would be entitled if the divorce had been upheld The husband's share cannot be declared as surplus under the present dispensation Above all the judgment trivialised the justice system by gross impropriety The issue of divorce was not directly before the judge at all There have been many Hindus who produced collusive decrees of divorce for saving properties from the land reform laws In none of these cases has the constitutional validity of forms of divorce prevailing in the personal laws been questioned

Judge Tilhari like many Hindus feels that Muslims are backward and they need to be reformed While the first may be true it is not judges from the Hindu community who are competent to bring about this change We must not forget that reforms within the Hindu community were brought about by the social reform movements within the Hindu faith To have a proper perspective on issues like these, some history of codifying Hindu law the resultant laws and their secular character and the judicial policy and its breach needs to be examined

Codification of Hindu Law

The Hindu Widow s Remarriage Act 1856 removed the disabilities imposed on widows on remarriage The Hindu Inheritance (Removal of Disabilities) Act, 1928 was passed to remove the disabilities to inheritance based on disease deformity or certain types of mental or physical defects The Women's Right to Property Act, 1937 improved to some extent the position of the Hindu women in the matter of succession All these legislative interventions were made after deliberation with and within the Hindu community By 1941 several amendments to women's right to property were pending consideration The government of India by a resolution dated January 25 1941 appointed a committee consisting of B N Rau as the chairman and Dwarkanath Mitter, J R Gharpure, Rajaratna Vasudeo Vinayak Joshi as members and their brief was to examine the various bills to amend the Hindu Women's Right to Property Act and to suggest such amendments as would resolve doubts and remove any injustice that may have been done by the act to the daughter They were also to examine and advise on the amendment to Hindu Law of Inheritance, a bill promoted by K Santhanam and Hindu Women s Right to Separate Residence and Maintenance Bill introduced by G V Deshmukh All amendments were introduced by Hindu members of the central legislature

The committee examined the question and was of the opinion that the varied schools and systems of Hindu law need study and an attempt should be made to codify Hindu law The two draft bills on inheritance and marriage were however introduced and they were referred to a joint committee The report of the joint committee suggested that Hindu Law Committee chaired by justice B N Rau be resuscitated and encouraged to complete the task of bringing about a comprehensive Hindu Code as suggested by them Accordingly by resolution dated January 20, 1994 the Hindu Law Committee was revived T R Venkatrama Sastri was included in the place of R V V Joshi that being the only change

This committee set about its work in right earnest and prepared a draft code with an explanatory note and published it on August 5 1944 The explanatory statement said "one of the objects of the Committee is to evolve a uniform Civil Code of Hindu Law which will apply to all Hindus by blending the most progressive elements in the various schools of law which prevail in the different parts of the country The achievement of uniformity necessarily involves the adoption of one view in preference to others on particular matters The committee desire that the code should be regarded as an integral whole, and that no part should be judged as if it stood by itself"

The Hindu Law Committee travelled all over the country meeting with a cross section of the people recording their views and minuting the discussions and the final draft was ready by February 1947 The bill was introduced in the constituent assembly (legislative) which in turn referred it to the select committee in 1948 B R Ambedkar the then law minister formed a committee consisting of himself as chairman, K Y Bhandarkar G R Rajagopal of the ministry of law and S V Gupte of the Bombay bar to examine the draft The committee revised the bill without making substantial changes Before the bill came up for consideration before the constituent assembly (legislative) the publicity it received gave rise to a lot of controversy among the members of the public There was a cry of religion being in danger Ambedkar the democrat he was convened a conference in 1950 to which he invited scholars well read persons and pundits from Benares and other places to canvas support for the steps initiated towards codifying the Hindu law He held another conference at Trivandrum to consider whether the Marumakathayam and Aliyasanthana laws could be made part of the proposed Hindu Code Despite all these efforts the draft code met with rough weather when it came up for consideration in the assembly on February 5, 1951 The passage was blocked by amendments galore The debate which was inconclusive was taken up in September 1951 The differences could not be ironed out After the 1952 elections the provisional parliament lapsed and regular parliament came into existence and the Hindu Code Bill lapsed It was followed by the four piecemeal legislation codifying certain areas of Hindu law

As an aside it would be interesting to know the reasons for opposing equal rights to women in property

(a) She always gets a substantial share in the family property in the shape of jewellery

and as dowry at the time of her marriage;

(b) it will introduce a stranger into the family, i.e. the son-in-law and this is very undesirable;

(c) it will lead to friction between the brother and the sister;

(d) it will lead to further fragmentation of the estate;

(e) as her affections are transferred to her husband's family it is not desirable to give her a share in her father's property.

The committee set up in 1941 continued its work till 1948; the Draft Hindu Code was pending in the central legislature, the constituent assembly (legislative) and finally lapsed in 1952 after the first Lok Sabha came into existence. During the pendency of the code what is worth noting is the anxiety of the persons concerned particularly Ambedkar for securing a consensus on the necessity for a Hindu Code Bill. Even the introduction of a clause prohibiting bigamy was opposed. The reaction as recorded by history—the prolonged deliberation, the publicising of the proposals, the convening of conferences of scholars—all these indicate the respect for the feelings of the concerned and above all the understanding they had of the nature and character of what goes by the name of personal law and the hold these rules of personal and domestic relationship have on the people, that are governed by these rules. These rules have been seen as part of religion. This also illustrates the difficulties faced in bringing about even a uniform Hindu Code to govern a professedly homogeneous community.

The four acts which were piloted with skill by Pataskar and are governing Hindus today are they secular at all or are they basically Hindu? Can they be then pronounced unconstitutional?

Unconstitutional?

Under the Hindu Marriage Act, 1956 conversion from Hindu religion immediately provides a ground for divorce for the other spouse. The question of reconciliation during the pendency of proceeding as a step to avert divorce is of no avail and judicial separation as an interim measure to enable the separated couples to rethink their stand and come together is not available either. Difference in religion creates incompatibility and the statutory provision encouraging divorce is both anti secular and is in derogation of Article 25.

Under the Hindu Adoption and Maintenance Act one must be a Hindu to be able to adopt and the person capable of being adopted should also be a Hindu. Thus the principle that persons belonging to two religions can live together is not even tolerated.

Under the Hindu Minority and Guardianship Act ceasing to be a Hindu deprives either spouse to claim guardianship over the children. The law of succession though it does not deprive right to succession to a convert, the children and the descendants of the convert are denied the right to succeed to the property of the Hindu relative unless such children or descendants are Hindu when succession opens.

These are certainly not secular nor do they permit all the freedom of religion which Article 25 visualises. It is well to recognise that whatever improvements we have consented to is within the Hindu framework. In fact the community has progressed so much that it is possible now for both the spouses to secure a divorce on the ground that the marriage has irretrievably broken down. All these measures were brought about because of the compulsions of modern life. These were brought about by the Hindu majority and not at the suggestions of any outside community. No other community from outside tried to influence the course of reform within the Hindu community.

Courts have not till now struck down any provision or rule either enacted or otherwise in any personal law. In the first few years of the Constitution the state enactments prohibiting bigamy came in for challenge in some state high courts. One such case came up in the Bombay High Court when Chagla was the chief justice. The Bombay Prevention of Bigamous Marriages Act was under challenge. The argument was that a son is an absolute necessity if a Hindu is to attain salvation and that therefore polygamy was an integral part of the Hindu religion; one becomes polygamous in pursuit of a son and not for any other reason. Secondly, only the Hindu community has been picked up for this discriminatory treatment and the Muslims are left free to practise polygamy. "It is only with considerable amount of hesitation that I would like to speak about Hindu religion", that is how he began the discussion on the questions raised.

On the issue of discrimination Chagla held, "The institution of marriage is differently looked upon by the Hindus and the Muslims. Whereas to the former it is a sacrament, to the latter it is a matter of contract. That is also the reason why the question of dissolution of marriage is differently tackled. While Muslim law admits of easy divorce, Hindu marriage is considered indissoluble and it is only recently that the state passed legislation permitting divorce among Hindus. The state was also entitled to consider the educational development of two communities. One community might be prepared to accept and work for social reform, another may not be yet prepared for it; and Article 14 does not lay down that any legislation that the state may embark upon must be of an all embracing character. The state may bring about legislation by stages and the stages may be territorial or they may be communitywise." Gajendragadkar who was later to be the chief justice of India articulated more or less the opinion of Chagla and both of them held that personal laws do not come within the meaning of 'laws inforce' under Article 13(1) of the Constitution. The view that personal laws of communities are beyond the pale of the Constitution has been holding the field at the apex level from the beginning of the Constitution.

The Supreme Court towards the end of 1979 had before it the question whether the high court was right in holding "that the strict rule enjoined by the *Smriti* writers as a result of which sudras were considered to be incapable of entering the order of 'yati' or 'sanyasi' has ceased to be valid because of the fundamental rights guaranteed under part III of the Constitution.

The learned judges of the Supreme Court overruled the principle referred to above. In their opinion the learned judge of the high court failed to appreciate that part III of the Constitution does not touch upon the personal laws of the parties. In applying the personal laws of the parties, he could not introduce his own concepts of modern times but should have enforced the law as derived from recognised and authoritative sources of Hindu Law, i e, *Smritis* and commentaries referred to, as interpreted by various high courts, except where such law is altered by any usage or custom or is modified or abrogated by statute. Abrogating personal laws was never considered as falling within the jurisdiction of the court. It was always felt that scriptures and religious texts are not subject to judicial review.

Shah Banu interpreted Quran and that became objectionable. Shah Banu came up for hearing at a time the major minority community was already under threat. At the time of arguments the stand of the government on the question of Muslim personal law as expressed in the parliament by Ram Niwas Mirdha, the then minister of state for home affairs, was brought to the notice of the judges. The debate was on the provisions of Cr PC 1973. He said "We would not like to interfere with the customary law of Muslims through the Criminal Procedure Code. If there is a demand for change in the Muslim personal law, it should actually come from the Muslim community itself and we should wait for the Muslim public opinion on these matters to crystallise before we try to change this customary right or make changes in their personal law."

When this part of the debate was brought to the notice of the court the response was:

> We understand the difficulties involved in bringing persons of different faiths and persuasions on a common platform. But, a beginning has to be made if the Constitution is to have any meaning. Inevitably the role of the reformer has to be assumed by the courts because it is beyond endurance of sensitive minds to allow injustice to be suffered when it is so palpable.

No person who has some acquaintance with the principles and practice of democracy would assign the role of a reformer to a judge. One may not have serious differences with the end result but that cannot be permitted to be secured by perverse means.

More than interpreting Quran the judges should have indicated their understanding of what they mean by a uniform civil code. When we are talking of a uniform civil code it is necessary to define our terms. By uniform civil code do we mean similar but different statutes covering the field now covered by the personal laws of the respective minorities? Or is it a common civil code where all the communities will forgo their religious and ethnic identities and will be governed by one statute covering all the personal laws? Are all these going to be achieved by a democratic process of working out a consensus? Or is it going to be statutorily imposed? Or is it going to be judicially declared?

When we talk about reform we ordinarily understand it as an act of transformation for the better. The old, the outdated is replaced by a new one. The reformer has to delineate the alternative, etc, for people to understand what the alternative is like. This effort should lead to a public debate. The court has neither the equipment nor is it suited to don the reformist role. Thus when the Supreme Court donned the reformist role it ended up by pitting the Code of Criminal Procedure against the Quran and interpreted Quran in terms of the Criminal Procedure Code. This was objectionable. Judge Tilhari's approach is no better. Like the Queen in *Alice in Wonderland* with one stroke he seems to have struck down Sha'riat Act, 1937 and the oral talaq.

All of us agree that we should abolish the caste system which has given rise to almost all the problems we are facing today. There was an excellent occasion to deal with this question squarely in the Reservations case (Indira Sawhney vs Union of India). In fact there is an elaborate discussion on the evils of caste system and the periodical revolts against it throughout history. The Supreme Court could have declared the caste system as wholly invalid. After all sensitive minds should be equally uneasy of the iniquities and the injustices perpetuated by the caste system. There could not have been a better occasion for the court to don the reformer's role. But till now the caste question was never addressed in terms of the Constitution by the courts.

The debates in the Constituent Assembly inform us of the apprehension of the minority communities and dalits at the time when the Constitution was on the anvil and the assurance extended by the leaders of the majority community. Secularism and politics of a secular nature were assured to the members. We were all for a secular polity. Implied in the term secularism is not just a legal commitment to formal equality, it also recognises the claim of religious and other minorities to a right to equality. It is a right to be treated as an equal in all respects with the majority community including with regard to share in the power structure. This equality in content wholly receded to the background. The majority community has assumed the role of a dominant community, a conqueror's role.

The minority's resistance to reform and a reluctance to change its outmoded ways has to be seen as a symbol of resistance to the dominant culture. The increasing number of Muslim youth rushing with skull caps on into the mosque morning, noon and evening appears is more like a political statement of a community under threat than a mere growth of fundamentalism. The latter may very well be the means by which the community has decided to fight the dominant culture's design to override the minority and its identity. It is the vindication of their right to be different and a visible expression of their otherness. In the present climate a few more judgments like judge Tilhari's may lead to situations which may well become irretrievable. Some may welcome such decisions on the ground that it is, after all, just. As Cordozo puts it so well "That might result in benevolent despotism if the judges were benevolent men. It would put an end to the reign of law."

Karnataka Cabinet Reshuffle: Unviable

Ambrose Pinto

The cabinet reshuffle by Veerappa Moily was a political rather than an administrative exercise.

DISSIDENT activities that have characterised the Congress Party in Karnataka did subside somewhat after the implementation of the Jagannath Mishra plan of January 1994. Mishra met the various dissident factions and promised them a share of the cake of power. As a first step to curb the dissident activity, Rajshekar Murthy, the leader of the powerful Lingayat faction and a contender for the post of chief minister, was promoted to become an MP through the Rajya Sabha. S M Krishna, the leader of the Vokkaliga faction, was continued as deputy chief minister in spite of the wranglings between him and the chief minister. The leaders of both the dominant castes were assured that their followers would be provided sufficient amount of places in the ministerial reshuffle. Hence when Veerappa Moily announced his 46-member ministry on April 14, the largest the state has ever had, it was perceived as a political rather than an administrative exercise.

One out of every five Congress(I) members in both the houses have found a berth in the cabinet. Out of 210 members in the legislature (180 in the assembly and 30 in the council), 46 have become ministers. The representatives of Rajshekar Murthy, S M Krishna and the KPCC president Krishna Rao factions have been accommodated with a view to satisfy the dissidents. The chief minister has claimed that the ministry is representative of all castes and regions of the state.

Caste groups are well-represented. The two dominant groups of Lingayats and Vokkaligas have received more than what they had bargained for. There are six Lingayats and eight Vokkaligas in the ministry. The brahmins have two representatives. In the panchayat elections a sizeable number of SCs had abandoned the Congress to join the Janata Dal. To win them over to the Congress, six SC and three ST members have been inducted into the ministry. Bangarappa, ex-chief minister of Karnataka and president of Karnataka Congress Party, through his massive public rallies, has made inroads into the traditional Congress votes of the BCs. Twelve members of the BCs have been accommodated in the ministry by Moily to counteract the influence of Bangarappa. There are two Reddys, one Bunt, three Muslims, one Kodava and one Christian in the ministry. The speaker belongs to the Lingayat community while the deputy speaker comes from a scheduled caste.

The chief minister has observed that all districts have been given representation. His own district of South Kanara has been favoured with five ministers. There are four ministers each from Gulbarga, Bangalore (city) and Bangalore (rural). While there are three ministers each from Chitradurga, Tumkur, Mandya and Dharwad, Bijapur, Kolar, Hassan. Kodagu and Chikmagalur have two representatives each. Districts of Mysore, Uttara Kannada, Shimoga, Bidar, Raichur, Bellary and Belgaum are represented by one person each. Moily is expected to accommodate the other legislators to various boards and corporations as chairpersons.

The cabinet has two controversial ministers "Anyone under cloud should not continue in the cabinet", Moily had observed when S Ramesh, the minister for culture, was forced to resign from the Bangarappa cabinet for his involvement in the firing at Kunigal during the by-election of Karnataka assembly in which one person was killed and three were injured. Moily had also ordered an inquiry against Ramesh for his alleged involvement in land-grabbing under the Ashraya programme. Surprisingly, Ramesh

has found a berth in Moily's cabinet. A Bangarappa supporter, Ramesh has conveniently changed his loyalty to Moily.

So has Kagodu Thimmappa. Soon after assuming office as chief minister, Moily had ordered an inquiry against him to investigate the charges of misappropriation of funds amounting to Rs 15 crore under the Ashraya programme. The inquiry has not yet completed its work. Yet Thimmappa finds a place in the ministry.

Neither the loyalists nor the dissidents wanted these men in the cabinet. How did they then find a place? Ramesh is perceived to be the leader of the brahmin community. The Brahmana Mahasabha in a recent statement had requested the entire community to back him. The man has the backing of some bigwigs in Delhi too. On the other hand, the decision to induct Thimmappa is to counter the Bangarappa's influence on the electorate. Thimmappa hails from the same district as Bangarappa and belongs to the Idiga community of the latter.

The ministry has been criticised for its size by all sections of political parties and the public. Moily might say that the Constitution does not mention about the size of ministry. However, the Administrative Reforms Commission has regarded 10 per cent of the total membership of the assembly as an ideal size. Accordingly, a ministry of 25 should have been ideal for Karnataka. Deve Gowda, the state Janata Dal president, commented on the pathetic state of helplessness of the chief minister. "Never before in the country", he said, "has a chief minister been rendered so helpless by AICC president by not allowing him to execute responsibility independently". Deshpande, the leader of the opposition in the assembly, described the ministry as "elephant-sized" and "worth nothing". He found it unfortunate that at a time of severe financial crisis through which the state was passing, such a big ministry had to be constituted at the expense of the common man. Bangarappa lashed out at the Congress president, Narasimha Rao, for allowing the biggest ever ministry in Karnataka. State president of BJP's farmers' wing criticised the induction of Ramesh and Thimmappa.

More vociferous were some of the Congress MPs very close to the chief minister. Both Hari Prasad and Chandraprabha Urs, a source of strength to Moily during the attack on him by the dissidents, felt that the party's reputation had suffered by Moily's induction of legislators facing various charges. Hari Prasad openly declared that it had been a blunder on his part that he had supported Moily at one time. The union railway minister Sharief expressed his dissatisfaction at the 'airbus ministry'. Subbaiaha, a Congress MLA, discovering that criminals had found a place in the ministry threatened to canvas against the Congress in the November elections to the legislature. The Moily loyalists are upset over the inclusion of some persons and the exclusion of some others. The dissident core group is so dissatisfied that they seem to be on the verge of divorcing their leaders—Rajshekar Murthy, S M Krishna and Krishna Rao.

The ministry was, no doubt, constituted with the coming polls in mind. Moily was perceived as an honest politician in spite of his inability to translate his pronouncements into action. But with the reconstitution of the ministry the clean image that he enjoyed has been sullied.

The ministry may not charm the public into voting the Congress back into power. With the induction of Ramesh, Thimmappa and a few other legislators with unfavourable past records, the tarnished image of the Congress has suffered even further.

It is true that the ministry is not of Moily's making. But can a chief minister abdicate his responsibility to provide a clean and efficient government to the people of a state? Further, it raises the question of the powers the prime minister has arrogated to himself to interfere into the affairs of the states. It is a pity that a federal system like ours permits such excessive interference of a party's high command into the affairs of the states.

Financially, the ministry is not viable. State governments spend on an average over Rs 5 lakh a month on a minister and his establishment. The government of Karnataka would be spending a whopping Rs 4 crore on maintaining the ministry every month, which is a conservative estimate. Annually, it would come to Rs 48 crore. This at a time when the state government has borrowed Rs 200 crore from Peerless agency at 18 per cent rate of interest!

By inducting Ramesh and Thimmappa into the ministry, the chief minister may have exonerated both these ministers. But would the people exonerate them? For the first time, the legislators from ruling and opposition parties and the public are asking Moily the very same uncomfortable questions Moily had asked Bangarappa as a chief dissident about probity in public life. As it is, the Congress did not have much of an image in Karnataka due to squabbles and infighting. Now the chief minister, who was expected to lead the party out of the mess it was in, has landed himself in the same mess.

A message the Congress people have been given by the reshuffle of the ministry is that dissidence pays rich dividends. Not only have a majority of the dissident ministers been accommodated, some of their friends who were not in the ministry have too found a place. Instead of chopping the dead wood, Moily has added more. A new Congress culture is evolving even in the southern states!

Nutritional Status of Tribal Children in Birbhum District

Ruby Saiu

Untimely death and severe malnourishment are characteristic features of the child population in tribal villages of Birbhum district

MALNUTRITION and undernutrition constitute a serious hazard to the growth and development of people, particularly children Although poverty is a major cause of malnutrition, there are also socio-cultural factors that have kept large population groups in need of an adequate level of nutrition

Nutritionally, the worst sufferers are children, expectant and nursing mothers Undoubtedly, improved purchasing power can upgrade nutrition but it will take a long time before the benefits of the development process can reach those groups in the low income levels The basic causes of malnutrition in our country are the non-availability of nutritionally balanced and acceptable foods, low in cost to the poor

According to FAO reports there are about 460 million people—15 per cent of the world's population excluding China—who are malnourished of which about 300 million live in South Asia where they constitute one-third of the population What makes that situation most serious is that the main victims of malnutrition are children under 5

The problem of malnutrition is more acute among the children of backward communities whose parents are deprived of socio-economic rewards Backward communities people are still a deprived community They are still the victims of social, economical and political helplessness and hopelessness Due to lack of education they also fail to appreciate the nutritional knowledge and as a result they do not serve the food which may be available cheaply and easily and which would be nutritionally correct

We explored the problem of nutrition and hunger among the Santals living in three villages of Birbhum district Educationally, most family members in three villages (62 73 per cent) are illiterate Only a very few (8 22 per cent) had studied up to the primary and junior levels Only 0.19 per cent were found to be literate in the strict sense Regarding occupational status the majority of the population (28 68 per cent) in three villages are engaged in agricultural labour work A very small percentage, 4 59 per cent are engaged in agriculture-related jobs The spatial distance does not reflect any influence on occupational choice and status The distribution of the family income shows that a large proportion of the families (26 83 per cent population in Aynadanga village, 34.09 per cent in Upparkhara village and 55 56 per cent in Mostala village) fall within the income range of Rs 301 Rs 500 per month Only 7 32 per cent families in Aynadanga village, 4 55 per cent in Upparkhara village and 5 8 per cent in Mostala village earn comparatively higher, i e, Rs 1,100 and above per month The trend yields that the village nearest the town, i e, Aynadanga has a comparatively better economic status

Our results show that of the total population of three villages 40 per cent of malnourished are children of the age group 0-12 years In Aynadanga village which is within 5 km from the nearest subdivisional town 44 68 per cent male children and 35 14 per cent female children are of 60 to 75 per cent of the standard weight, i e, they suffer from grade II (moderate) degree of malnutrition 27 66 per cent male and 13 51 per cent female children are of less than 60 per cent of standard weight, i e, suffer from grade III (actue) malnutrition which requires immediate medical attention Only 12 77 per cent male and 18 92 per cent female children are normal In Upparkhara village which is within 15 km of the nearest town 6 67 per cent male and 10 per cent female children are of more than 90 per cent of standard weight, i e, they are normal In Mostala village, which is 15 km and above from the town only 5 88 per cent female children are in normal condition, 26 67 per cent male and 29 41 per cent female children are on the verge of malnutrition It is very striking to note that a very few children (12 77 per cent male and 18 92 per cent female children in Aynadanga village, 6 67 per cent male and 10 per cent female children in Upparkhara village and 5 88 per cent female children in Mostala village) are nutritionally sound but the great majority of the children are partial and full victims of malnutrition

A large proportion of the population under study (34 15 per cent in Aynadanga village, 29 55 per cent in Upparkhara village and 44 44 per cent in Mostala village) consume less than the minimum of 2,800 calories Only 21 95 per cent population in Aynadanga village, 18 18 per cent in Upparkhara village and 16 67 per cent of Mostala village consume more than 2,800 calories

Among tribal population of three villages deficit of calorie consumption (per day) from actual daily requirement (on the basis of sex, age and work) shows the following picture. In Aynadanga village, 31 58 per cent (12+) population have regular deficit of calories from actual requirement of about 500 and above and 31 58 per cent in the same age and sex, group population have a per day deficit of consumption of less than 100 calories In Upparkhara village, which is within 15 km from the town, among 50 per cent male population (12+) regular deficit of calorie consumption is 500 and above In Mostala village, which is more than 15 km from the town, among 60 per cent male population (12+) per day deficit of calorie consumption is 500 and above In the case of women (12+) of Aynadanga village 38.46 per cent and in Upparkhara village 46 67 per cent have a regular calorie deficit of 500 and above In the case of Mostala village this deficit is found only among 10 per cent of the female (12+) population In case of male children of 0-12 years of age group 24 per cent of Aynadanga village, 30 30 per cent of Upparkhara village and 50 per cent of Mostala village have a regular calorie deficit of 500 and above In the case of female children of 0-12 years age group 27 78 per cent of the village 5 km distance from the town, 45 16 per cent of the village 15 km distance and 50 per cent of 15 and above km distance village from the town have a regular deficit of calories consumption of about 500 and above Most of the children in three villages have a constant and sometimes increasing calorie deficit of 500 calories and above which may be one of the indicators of malnutrition

Nutrition consciousness regarding introduction of supplementary foods in infants' diet from four months onwards reflects interesting features in the three villages Only 4 55 per cent families in Upparkhara village have a favourable attitude regarding introduction of supplementary foods in infants' diet The result relating to feeding habits, in Aynadanga village 34 15 per cent mothers, in Mostala village 27 78 per cent mothers regularly give food to their children not allowing other's interference In Upparkhara village which is within 15 km from the nearest town, 95 45 per cent mothers give food directly to their children

Mortality of children between 0-12 years of age group shows that in the three villages under study 96 per cent male and 100 per cent female children died within 0-48 months and mortality rate is higher for females among the tribal people Among tribal male children fever accounted for 52 per cent of deaths Besides 16 per cent of male children died due to diarrhoea and dehydration In the case of tribal female children 47 06 per cent died of fever and few of tetanus, diarrhoea and fever with cough and cold

Rebellion in Chiapas

Colonial History of a New World Disorder

Vinay Lal

The rebellion in Chiapas, Mexico, provides a faint glimmer of hope that the 'new world order' will not so easily be put into place.

JUST hours into the new year, several hundreds—and possibly as many as 2,000—armed peasants attacked and briefly occupied four towns, San Cristobal de Las Casas, Ocosingo, Altamirano, and Las Margaritas, and the Rancho Nuevo regional military base in the southern state of Chiapas, Mexico. Constituting themselves into the self-styled Zapatista National Liberation Army (EZLN), which takes its name after Emiliano Zapata, a legendary figure in Mexican history for his defence of the rights of the poor and the landless, these guerrillas issued a 'Declaration of War', and stated their intent to "advance to the capital of the country" after engaging and overcoming the Mexican Federal Army.[1] Although the government of president Carlos Salinas de Gortari at first indicated that it would be willing to negotiate with the rebels and accordingly did not go on the offensive, within a couple of days the Mexican army was brought into Chiapas, and the guerrillas retreated into the hills and the safety of dense forests. Over a hundred casualties had been reported in the first few days of fighting. Amidst widespread reports of atrocities committed by troops and of summary executions of captured rebels,[2] the government appears to have moved swiftly to silence its critics and appease the poor peasants of Chiapas, promising new food programmes, farm subsidies, and other aid. By the early part of the second week, between 10,000-15,000 soldiers had been moved into the area, and the four towns had been retaken by the army. Casualties had mounted swiftly; the bombing by air of many villages, and the death of numerous civilian non-combatants, evoked much criticism. Salinas removed the interior minister, Patrocinio Garrido, formerly the governor of Chiapas, and chose Manuel Camacho Solis, formerly mayor of Mexico city and Salinas' foreign minister, to negotiate with the rebels. On January 12, the government declared a unilateral cease-fire, and offered the rebels amnesty, an offer to which Commandante Marcos, the masked leader of the Zapatas in whose name the guerrillas have released their communiques, responded with the following words: "What are they going to pardon us for? For not dying of hunger? For not keeping quiet in our misery? For not having humbly accepted the weighty historic burden of scorn and abandonment?"[3] Fighting nonetheless came to a standstill, and in mid-February the rebels even released their prize hostage, Absalon Castelanos Dominguez, the 70-year old former governor of Chiapas whose administration was infamous for corruption and abuses of human rights, and whom a tribunal convened by the rebels had sentenced to "a life of hard labour in one of the communities that had suffered under his rule".[4] There has been some reluctance on part of the leaders of the rebellion to engage in direct negotiations with the government, for the precedent of 1919, when the government of Mexico arranged for the assassination of Emiliano Zapata while pretending to bring him to the negotiation table, has very much been on their mind as their written communications suggest.[5] However, as of early March, negotiations had been commenced.

The rebellion in Mexico, as many commentators have noted, could not have come at a more embarrassing moment for the government of president Salinas. When Salinas first came to power, he almost at once initiated a programme for the economic transformation of Mexico. Although not a 'Chicago boy',[6] Salinas was trained at Harvard, another notorious seat of unimaginative economic thinking and political and intellectual conservatism, and he proceeded to implement his plan to set Mexico on the path of a free market economy by auctioning state-owned firms, opening the economy to virtually unhindered foreign investment, drastically cutting import tariffs from 100 per cent to no more than 20 per cent, and repudiating the constitutionally-ordained obligations of the government to provide for the redistribution of land. In a report furnished by the Bank of Mexico, it is revealed that Mexico in 1992 had only 217 state-owned firms, compared to 1,555 in 1982: among the state industries which had been sold are telephone companies, Aeromexico (Mexico's international airlines), and Mexicana (the state airlines). The largest private-sector employer in Mexico today is General Motors; and if in 1974 wages were one-fourth of what they were in the US, by early 1990 they had decreased to 10 per cent. Foreign investment in Mexico had risen five-fold from $ 10 billion in 1980 to over $ 50 billion in 1992.[7] Section X of the Mexican constitution of 1917, which guaranteed peasants "communal land", even if it entailed in expropriation of land at the expense of the federal government, was repealed in 1992. Thus, while three years ago there were 25,000 unresolved land claims in Mexico, today there are fewer than 3,000 of these cases, the vast majority of them having been resolved by turning down the claims.[8] The crowning achievement of Salinas, as he himself saw it, was Mexico's entry into the North American Free Trade Agreement (NAFTA). With the ratification of NAFTA, Salinas imagined that Mexico had been set on the irreversible path towards greatness as a modern, industrialised nation, a fantasy that he shares with many third world leaders; the rebels saw it quite differently, for as Commandante Marcos put it, "The free-trade agreement is a death certificate for the Indian peoples of Mexico, who are dispensable for the government of Carlos Salinas de Gortari. We rise up in arms against this death sentence from Carlos Salinas".[9] Thus, when the rebellion broke out, just hours after NAFTA went into effect and in the year when national elections are due to take place, it was a rude reminder of the presence of what Jorge Castaneda (and others) call the "Other Mexico".[10] This is the Mexico where, despite vastly increased social spending by the government, and the initiation of widely-touted anti-poverty programmes such as 'Solidarity', 16 per cent of the population is officially described as living in "extreme poverty", and another 27 per cent as "poor"; a quarter of the labour force is out of work, but Mexico now has seven billionaires, as many as in Britain.[11]

As in many countries that have agreed to come under the tutelage of the US and the IMF, the disparities in Mexico have increased enormously; 10 per cent of the population controls 41.4 per cent of the national wealth.[12] But to understand why the rebellion took place in Chiapas and why it has taken its present (somewhat archaic) form, given the demise of the left throughout the world and particularly guerrilla-type left movements in Latin America, we need to embed the rebellion both in the history of Chiapas since the conquest of Mexico by the Spanish conquistadores, and in the geopolitics of the new world order today. The colonial past of Chiapas may appear to lie at a great remote, but as the guerrillas of the Zapatista army stated in their 'Declaration of War', "We are a product of 500 years of struggle: first against slavery, then during the war of independence against Spain led by insurgents, then to avoid being absorbed by North American imperialism."[13] One of the four towns captured by the rebels, San Cristobal de Las Casas, takes its name from the Dominican friar Bartoleme de las Casas, who was to accompany Cortes on his conquest of Mexico, and subsequently acquired fame as the protector of the rights of Indians. In 1544, when he was already 70 years old, Las Casas agreed to take charge of the poor and little-known bishoporic of Chiapas, presumably to aid Dominicans in their effort to preach the faith without the use of force, a subject on which he had already written his treatise, *The Only Way of Attracting All People to the True Religion*.[14] Las Casas came to Chiapas bearing in hand the New Laws signed by Charles V of Spain, which governed the conduct of the Spanish colonists

in the Americas, and forbade them to enslave Indians. The 'encomenderos', the colonists and descendants of conquistadores, inveighed against the New Laws, an attempt is said to have been made on Las Casas' life. In 1547, Las Casas returned to Spain, a few years later, he was to take part in a memorable debate at Valladolid between Juan Gines de Sepulveda and himself on the two-fold question of whether some men are (as Aristotle had maintained) 'slaves by nature', and whether a just war could be waged against the Indians. Las Casas won that debate, he was now to devote the rest of his long life to exposing the cruelties perpetrated by the Spanish upon the Indians.

Las Casas could achieve very little, however, when we consider that it was not until the early 1980s that Indians were allowed on the side-walks of San Cristobel de Las Casas.[15] The history of Chiapas has been a gravely troubled and unfortunate one from the earliest days, what remained of the Indian population after the conquest was further decimated by disease, a measles epidemic in 1529 taking a heavy toll. Two-thirds of the indigenous population of Chiapas and Guatemala is estimated to have been wiped out between 1540 and 1582 on account of smallpox, pneumonia, bubonic plague, and famine. The traditional social structures were being rendered obsolete, on the other hand, a struggle for the control of the Indian population and the right to direct the local social and political transformations was being waged between the encomenderos, the descendants of the conquistadores who had acquired large properties in land, and the Dominicans who insisted on promulgating the teachings of Las Casas.[16] Among the Indian elites who were thought to have converted to Christianity, many continued to indulge in "idolatrous worship" in their private lives, offering traditional ceremonies to ancient gods. Thus originated the 'Conspiracy of the Twelve Apostles', a reference to 12 men of principal Indian lineages who, though known to be Christians, had been accused of partaking in a 'clandestine cult" that offered "demonic rites" against the Christian religion.[17] Shamanism was to become the vehicle for cultural resistance and, as some scholars have suggested, may have contributed to nativist movements of later periods in Chiapas, Yucatan, and Guatemala. The history of rebellion in Chiapas, in any case, is as old as that of the conquest, and it is in the framework of the Tzeltal Revolt of 1712, the Jacinto Canek Rebellión in 1761, the Anastaco Tzal Revolt in 1820, the Tzotzil rebellion of 1868, and the long-lasting Caste War in Yucatan that we must place the recent rebellion in Chiapas. In the Caste War, among the first things that the Mayas, who had risen against their European overlords, did was to invade the city centre of Valladolid, from which they were banned. Their battle cry, it is said, was "Kill everyone in trousers!"[18]

Although the revolution of 1910-17 appeared to promise sweeping changes, particularly agrarian reform, the redistribution of land was left to the big landlords and ranchers, the very gentry that was opposed to the dismemberment of their haciendas, moreover, the remoteness of Chiapas, which lies at the southern end of Mexico, to the east of the state of Oaxaca and north of Guatemala, of which it was once a part, engendered an attitude of indifference among the bureaucrats in Mexico city. The revolution reaffirmed the rights of Indians to collective ownership of land, and during the presidency of Lazaro Cardenas in the 1930s millions of hectares of land were redistributed, another such redistribution in Chiapas took place in the 1950s and 60s, raising the number of families on 'ejidos', or collective farms, from 71,000 in 1950 to 1,48,000 in 1970. The land so distributed, however, often had the poorest soil, and without financial support the productivity of these ejidos has not only remained very low, often not even enough to support the families that farm the land, but has been vastly outstripped by private agriculture. As the rebels have pointed out at the peace talks, redistribution of land will not suffice, the land must be productive, peasants must be offered the use of technology, and the infrastructure (such as roads) has to be available to get produce to the market. Cattle ranches, meanwhile, where exempt from being parcelled out, and over the years the population of the herds has grown enormously, if in the Highland Clearances human beings were driven out to make room for sheep, flung (in Marx's memorable description) "onto the sea-shore" to live as amphibians,[19] in Chiapas cattle is replacing people. Between 1960 and 1976, the area in Chiapas used for livestock grew from 22 per cent to 49 per cent, and 6,000 rancher families, who together constitute less than 1 per cent of the population of Chiapas, hold the title to nearly half of the total land area of Chiapas. Both ranchers and the big landlords have consistently hired thugs to intimidate Indians and make them relinquish their land, as Amnesty International, Minnesota Advocates for Human Rights, and numerous other organisations have documented on previous occasions, human rights abuses in Chiapas are legion.[20] Unable to make a living off the land, the peasants in Chiapas have been driven into the Lacandon forest, home to 12,000 people in 1960, the Lacandon now has 3,00,000 people, and the ecosystem, already rendered fragile by illegal logging and oil drilling, now appears to be on the verge of collapse. War, in more than one way, has come to the forest.[21]

If massive iniquities in landownership suggest why Chiapas is ridden with deprivation, other indicators also point to the problem of endemic poverty. In Chiapas, the rate of literacy is 69.9 per cent, while for Mexico as a whole the rate is 87.4 per cent. In 1990, only 58.4 per cent of the households in Chiapas had running water, and only 30 per cent have electricity today, although a quarter of the electricity consumed in Mexico is generated in Chiapas, the number of hospital beds and telephones relative to the population is the lowest in the region. When we consider that Chiapas has the largest population of Indians of any state, some of the reasons for the neglect of this region become all too apparent. While across Mexico 7.5 per cent people speak an Indian language, in Chiapas this figure stands at 26.4 per cent, moreover, between 30-40 per cent of the Indians do not speak Spanish at all.[22] The bishop of San Cristobal, Samuel Ruiz, controversial for his supposed espousal of 'liberation theology', has estimated that in 1993 alone 15,000 Indians died of hunger, disease, and violence.[23]

One-third of the population is without any access to health care. Nineteen per cent of the workforce of 1.12 million in Chiapas is without any income, another 40 per cent earn less than the federally mandated minimum wage of $ 3.33 per day, and only 15 per cent of the workforce earns $ 6.67 or more a day. While per capita GDP for Mexico amounted to $ 3,250 in 1991, in Chiapas it was $ 1,710, moreover, a third of the GDP in Chiapas is generated in the agricultural sector, more than in any other state.[24]

Considering the history of Chiapas, the grinding poverty of the region, and most fundamentally the fact that the restructuring of the Mexican economy has placed certain segments of the population outside the pale of reform and modernisation—banished them into an "economic exile" and cultural isolation[25]—it is ludicrous to suppose that there were not enough grounds for dissent and rebellion. I have not even accounted for the enormous pressure exerted on Chiapas by the presence of thousands of Guatemalan and other central American refugees in Chiapas, or for the ferment created by proselytising among Protestant missionaries,[26] or the part played by mega-projects of the state such as the construction of huge hydroelectric dams all across the state, in effecting the displacement of a large number of Indians and disrupting the traditional patterns of life. Predictably, however, when the rebellion broke out, the first response of the government was to deny its indigenous origins and attribute it to nefarious influences from across Mexico's borders. The rebels are said to have been influenced wholly by the Sandinistas, left-guerrillas in El Salvador, and other central American revolutionary movements,[27] other figures in the government, and their lackeys in the media and the universities, have even sought to portray the rebellion as an outcome of the 'drug wars'. The pathetic attempt to discredit the rebellion in Chiapas as a (in president Salinas' words) "foreign import"—which is reminiscent of the Indian government's persistent resort to the 'foreign hand' in mitigation of the refusal of certain marginalised sections in Indian society to accede to the notion of sovereignty held by the ruling elites—makes a mockery of the

injustices to which the Indian population of Chiapas has been subjected for nearly 500 years, and as for the other attempt to render the rebellion into an affair of criminal and lawless elements, the Zapatistas themselves provided a most fitting reply in their opening salvo "Beforehand, we refuse any effort to disgrace our just cause by accusing us of being drug traffickers, drug guerrillas, thieves, or other names that might be used by our enemies" [28]

It was less than two years ago that the world 'celebrated' the quincentennial of the 'discovery' of the Americas by a marauding specimen of Christendom by the name of Christopher Columbus, and it is even more recently that the 'blood-curdling' activities in Peru of the Maoist revolutionary party, Sendero Luminoso ('The Shining Path'), which appeared to have been undertaken in partial emulation of the blood sacrifices carried out by the Incas, were arrested with the capture and incarceration of Abimail Guzman, the leader of the Shining Path The rebellion in Chiapas, the events in Peru, and the recent reminders of the history of the enslavement of indigenous populations in central and Latin America by the enactment of grotesque tributes to Columbus and the conquistadores who came in his wake must be viewed collectively as pointing not only to unresolved problems from a torturous and bloody past, but to the continuing attempts by the west to strangulate large chunks of the world's population The west's endeavours at domination may have taken the form of garrotting 'underdeveloped' countries by coercing them to accept GATT and the dictates of the IMF and the World Bank, not to mention the outright decimation of 'hostile' nations, as the relentless bombing of Iraq and other acts of militaristic adventurism by the US and the UK have shown The rebellion in Chiapas provides, then, a faint glimmer of hope that the 'new world order' will not so easily be put into place, and it suggests even that 'disorder' is to be preferred to the regime of 'order' that tyrannical elites posing as torch-bearers of freedom are seeking to impose throughout the world

Notes

1 'Declaration of the Zapatista National Liberation Army', as reproduced in Dan La Botz, *The Chiapas Rebellion A Political Analysis*, Solidarity Pamphlets, Solidarity, Detroit, 1994

2 Juanita Darling, 'Aircraft Strafe, Bomb Fleeing Mexican Rebels', *Los Angeles Times*, January 5, 1994, p A 1, reported that in Ocosingo, 25 bodies, mainly of guerrillas, were strewn in the streets and the village market, 'where five bodies showed signs of execution, lying face down in a row with their hands behind their backs' The bishop of San Cristobal, Samuel Ruiz, described the executions and bombing as 'excessive measures' in violation of international rules of war

3 Juanita Darling, 'Masked Rebel Cuts Swath Through Mexico', *Los Angeles Times*, February 19, 1994, p 10

4 Anthony DePalma, 'Mexican Negotiator Meet Rebels As Former Governor is Released' *New York Times* February 17 1994 p A7

5 For details of the rebellion and the subsequent negotiations, I have followed reports in the *New York Times* besides a great many other sources, some of which I will have occasion to cite

6 This is an allusion to the fact that many dictators and authoritarian governments especially in Latin America that gravitated towards free market policies were coached by economists associated with or trained at, the University of Chicago the pre-eminent school of right wing economics in the US

7 La Botz *The Chiapas Rebellion* p 13, Mexico The Revolution Continues' *The Economist* January 22, 1994 p 20

8 See Rage in a Village in Mexico Where Land is Life *New York Times* February 27 1994 p A10

9 La Botz, *The Chiapas Rebellion* p 3

10 Jorge G Castaneda, 'The Other Mexico Reveals Itself' *Los Angeles Times* January 5, 1994 p B7

11 'Mexico The Revolution Continues', *The Economist* January 22, 1994 p 19

12 Daniel Dombey 'Mexico Revolt Set to Go On *New Statesman and Society* January 14, 1994 p 11

13 'Declaration of the Zapatista National Liberation Army', reproduced in La Botz *The Chiapas Rebellion* p 4

14 See Lewis Hanke, *Aristotle and the American Indians* Henry Regnery Company Chicago, 1959 pp 28 29

15 'Mexican Troops Battling Rebels', *New York Times* January 3, 1994, p A1

16 Amos Megged, Accommodation and Resistance of Elites in Transition The Case of Chiapa in Early Colonial Mesoamerica', *Hispanic American Historical Review* 71 3 (1991) pp 479 80

17 Kevin Gosner Caciques and Conversion Juan Atonal and the Struggle for Legitimacy in Post Conquest Chiapas' *the Americas* 49 2 (October 1992) pp 115-29

18 Nelson Reed, *The Caste War of Yucatan*, Stanford University Press, Stanford, 1964 Clothes can be, needless to say, as effective as signifiers as anything else In the town of Oxchuc in Chiapas, the most prominent left-leaning civil association is the 'Tres Nudos', which refers to the local style of dress in which men tie long sashes in three knots around their waists See Elizabeth Kadetsky, 'Chiapas Rise of the Mestizos', *LA Weekly* January 28-February 3, 1994, p 14

19 Karl Marx, *Capital*, translated by Ben Fowkes, Vintage Books, New York, 1977, Vol I, p 892

20 Human Rights, Chiapas, Spring 1993', *New York Times*, January 7, 1994, Op-ed page

21 La Botz, *The Chiapas Rebellion*, pp 6-8, Anthony DePalma, 'Rage in a Village in Mexico Where Land is Life', *New York Times* February 27, 1994, p A10, Homero Aridjis, 'Slaves and Guerrillas, Forests and Blood', *New York Times*, January 5, 1994, p A11

22 'A Profile of Chiapas', Embassy of Mexico (Washington, DC), January 7, 1994, *New York Times*, January 9, 1994, Section 4, p 6

23 Martin Roberts, 'Revolt of the Other Mexico', *New Statesman and Society*, January 7, 1994, pp 10-11

24 'A Profile of Chiapas', Embassy of Mexico, Washington, D C, January 7, 1994, see also *New York Times*, January 9, 1994, Section 4, p 6

25 George A Collier, 'Rebellion against Economic Exile', *Wall Street Journal*

26 In the early 1950s, missionaries belonging to the Summer School of Linguistics established themselves among the Indians, at least a third of the population of Chiapas now are Protestants, and Catholicism has sought to strengthen its hand through 'liberation theology' and other measures

27 See coverage in the *New York Times*, January 2 7, 1994, Martin Roberts, 'Revolt of the Other Mexico', *New Statesman and Society* January 7, 1994, p 11

28 'Declaration of the Zapatista National Liberation Army' in La Botz, *The Chiapas Rebellion*

Gandhari, the Rebel

Jayanti Alam

Gandhari is regarded as a symbol of the devoted wife who is subservient to her husband, body and soul. She had even blindfolded herself because her husband was blind. But was she really subservient to her blind husband who was, in the real sense, blind to all injustice and immorality?

GANDHARI, like Sita and Savitri, is revered and fondly remembered by all Indian women whose only aim and ambition in life is to blindly 'adore' the husband and be subservient to him, body and soul. The ideal example to prove their fond conviction is that Gandhari had blindfolded herself because her husband was blind. Most of us have recently gone through the experience of watching 'religiously' the 'filmi' presentation of our great epic. Have we really found Gandhari subservient to her blind husband who was, in the real sense, blind to all injustice and immoralities? Her inner eyes, behind the blindfolded ones, seemed to have developed special power of seeing even that which normal eyesight could not detect. Historically the Mahabharatian society—particularly, the family-structure and moral norms—appears to be preceding that of *Ramayana*, though in religious chronology, *Ramayana* is the predecessor. It definitely was the age of pre-brahminical supremacy; it is evident from the insignificant role of Kulguru Kripacharya, from the ease with which Kshatriyas got 'var' (boon) from the 'rishis' and 'devatas' and, above all from the peculiar fact that a brahmin (viz, Dronacharya) had to give up his traditional 'adhyayan' and 'adhyapan' (study and teaching) and be supreme in the art of the Kshatriyas, in order to earn his living as well as status

That is why, perhaps, the women in *Mahabharata* enjoyed quite a bit of freedom of thought and expression, though their activities were confined to the 'andarmahal' (ladies' section of the palace); that is why, perhaps, more or less the same moral standards were applicable to men and women (Yudhishtira was no less censored for 'selling' his wife in the gamble). When Draupadi was actually stripped and sexually humiliated in front of so many men the moral blame was totally on the men (not merely on Duryodhan or Duhshashan); in fact Draupadi was admired—and later adored—as pure and spirited. Sita in *Ramayana* had actually remained chaste and untouched by Ravana; and even if she were not, it was not her fault (just as, it was not Draupadi's); yet was suspected by her 'god' husband (the god is supposed to be the abode of all virtues) and the humiliation she did not have to suffer in the hands of her enemy; she suffered in the hands of her own 'loving' husband (who is said to have gone mad having lost Sita). Thus *Ramayana* shows the typical brahminical morality—which pervades even the pre-21st century—that it is the victim of sexual crime who is to be blamed, as she happens to be a woman and not the criminal since he is the man. The Mahabharatian women, even when finally yielding to the male value of "must have-a-son", pleaded, objected and protested (like Ambalika and Ambika). Can we find a character like Amba, even among the 'feminists', who vowed to take revenge of her insult by Bhishma and left no stones unturned to do so? To have a male child was a must no doubt (like it is today), but can we think in the present society of the child's identity from the mother, as it was in case of the Pandavas who were, very often, called Kaunteyas? Can we think of the husband asking his wife to cohabit with another male because he is incapable of becoming a father, as Pandu had asked Kunti? The post-brahminical husbands would rather marry again, declaring the wife a barren; and then go on marrying since he never will be able to produce a child. Can we also think of a widow conceiving (as it was in the case of Ambalika and Ambika). Since women have always been primarily an object of sex and pleasure for men in all societies, sexual freedom and sexual identity of the women is a very important indicator of women freedom. The more important indicator is the fact that no moral judgment was made on the woman for the man's crime. In such an emancipated society can the blindfolded Gandhari be considered the epitome of the wife's blind subservience to her husband?

We have seen that the reigning strain in Gandhari's life is her strong sense of justice, which always remained strangled, and the unending suffering because of that helplessness; her sense of fairness was so strong and deep rooted—it was, in fact, part of her personality—that not only she constantly argued with her husband, the king, but she did not hesitate to curse even Krishna, whom she very well knew as the god. We have seen her raising the point of law governing the king and his kingdom when Yudhishtira was being sent alone to Khandavprastha in the pretext that he was the crown prince; but then, Duryodhan also was a crown prince She was almost dying in shame when she heard of the Pandavas burnt to ashes. She was not only the mother of Duryodhan (who else but the mother knows her son best?), but also possessed the shrewd mind of a kshatriyani

She knew that Bhishma, Vidura, Dronacharya, etc, will definitely not leave Dhritarashtra at the time of a war with the Pandavas because of their unfailing, blind loyalty to the throne (we have seen them tolerating all immoral acts of the Kauravas because of this loyalty), but she also feared that they would not like to win against the Pandavas, who represented Dharma. Gandhari, time and again, explained and pleaded to her husband not to deprive the Pandavas of their legitimate and legal share. The thrust of her argument was that Dhritarashtra was first the king and later a father; so he should be guided, in all his actions and decisions, by law as well as the welfare of the people of Hastinapur, and not by his sentiments and ambitions as the father of Duryodhan.

We shall be totally wrong and unjust to Gandhari if we tend to think that Gandhari did not have a mother's heart. On the contrary, her love and concern for her sons were so deep and genuine that she dreaded to visualise the day when her sons will get the cruellest punishment in the hands of justice—which ultimately has to triumph. Besides, as a mother, she used to feel terribly ashamed to see the shameless behaviour of her sons. After all, all mothers' most cherished desire is to feel proud and happy with their children. That is the supreme reward of motherhood. The mother's heart must have fallen into the seventh inferno when the ultimate of male prowess exposed itself in its ugliest form, i e, when Draupadi was molested and insulted, with the champions of fairness like Bhishma and Vidura keeping their eyes down. But, at this stage it was not merely the mother's heart, but also the heart of a woman at the mercy of male authority and above all, the mind of a judge.

Rabindranath portrays Gandhari from this angle. It is no wonder, since the women in his short stories and novels are always individualistic without being rebels, they possess a deep sense of fairness (please do not club it with morality), they are not flirts, but do not also pay any special value to loyalty or chastity; they do respect and quite often, love their husbands but do not consider them infallible or beyond any criticism; they, almost always, have rational discussions and arguments with the males, other than their husbands also (as in 'Ghare Baire', 'Gora', 'Raktakarabi'), they do not rebel or leave the society, but do establish their identity and retain it till the last Even when Gandhari finally took off her blindfold (Gandhari is believed to have done so when she was in Banaprastha with her husband) it was not her

final submission to her husband, but reassertion of her concern (we do not know whether she loved Dhritarashtra) for her blind, helpless husband

Rabindranath's Gandhari is also a feminist, she is angry and ashamed at the terrible humiliation of Draupadi Draupadi comes out here not just as the daughter-in-law (Kulabadhu), but as womanhood (nareetva) personalified She is also, to Gandhari the glowing symbol of the prosperity and welfare of the Kauravas She says "a mother's pride, her last hope got shattered and scattered into pieces at the impact of the guffaw of my inhuman sons' So she pleads to the king "have mercy on me and deliver a mother from this shame, have mercy on your sons and deliver them from the poison of your blind filial love, have mercy on Hastinapur and let dharma once again rule over it Please, please, forsake your sinning sons" She also added, "this noble act of yours, o king, will restore the lost glory of womanhood and its virtues" Gandhari's feminism reaches its sublime height and she emerges as the apostle of justice, as if, when she tries to comfort Draupadi by saying, "he who has disgraced you will remain immortal in the history of mankind as disgrace and cowardice personified, your disgrace is miniscule as it has been equally shared by all women of the world"

Kunti also is known as an affectionate and concerned mother But Gandhari's affection was far nobler It was her constant endeavour to prevail upon her waylaid husband and children that they were following the path of 'adharma' (injustice or immorality) and therefore, destruction But, definitely, her love for justice or fairness prevailed over her love as a mother, not a single time she was carried away by emotion when Duryodhan came for her blessings before going to war However, much her mother's heart pined and wept—for she, too, cherished the grand idea of being the Rajmata (the king's mother)—she could not give the blessing of Vijayshree (victory) She knew only dharma' can win She also earnestly believed that 'dharma' alone should But did she really believe that her erring sons should perish at the altar of justice or morality?

No, how could she? Was not she a mother? Had not she suffered the pangs of giving birth a hundred times? Has not she shed a million tears for their good sense and welfare Has not she, many a times, appeared to be too strong and stone-hearted for the good of her sons? The mother Gandhari emerges out in her purest form when she takes off the blindfold from her eyes for once she had acquired divine powers and could make a body immortal by staring at it She could not sacrifice her scruples and wish Duryodhan win, but she also could not sacrifice her filial feelings and see Duryodhan die So she asked her son to take a dip in the holy river and come totally naked to her so that she could stare and make his body immortal The other occasion when Gandhari's undaunted

outspokenness burst out like a bomb from the mother's heart and benumbed even Krishna, master in the art of outwitting others, was when she came to know that Duryodhan was killed by foul play; her shock and anger were so exaggerated because she realised she was poorer not only by Duryodhan's death but also by the loss of her conviction that the Pandavas were the torch-bearers of 'dharma'. This is the most noble situation where this noble lady's love as a mother and love for fairness express themselves in their most fascinating beauty. She loses her balance, for once, and throws out a deadly curse on the Yaduvansha—a curse on the god himself.

Kunti, the proud and fortunate mother, comes out as most ordinary—maybe even lowly in comparison to Gandhari. No other mother character in *Mahabharata* was so heartless as Kunti was (not even Ganga, though she appeared to be, as she used to drown each and every of her new-born infants). An unmarried, immature mother can, perhaps, discard her baby; but can a mother's heart continue to see the humiliation and hardship that her child (Karna) continuously suffered. In fact, *Mahabharata* portrays Karna's character—his strength of mind and conviction—as far more stable and noble than any of the Pandavas. And Kunti was fully aware of this. Could not she learn from Gandhari that there is nothing shameful in condemning what is wrong—be it in oneself or in one's dear and near ones? Could not she accept Karna back when her other son (Arjuna) insulted him so badly? Instead of rectifying her adolescent blunder (we know, from our earlier discussion that in the Mahabharatian society it was not difficult to do) she took advantage of Karna's nobility and ensured the safety of her five socially accepted sons. She neither had a mother's heart, nor a sense of justice; she only had the ambition of a Rajmata (the king's mother).

At this juncture of our discussion, I think, it becomes quite clear why Gandhari decided to blindfold herself right from the night of her marriage. Since her life started with injustice imposed upon her, her heart and mind rebelled against seeing more and more injustices which may be waiting for her in the long and difficult journey of her living. A beautiful, intelligent and talented princess being married to a blind prince, who had no hope of becoming a king in spite of being the elder—what can be a worse injustice than this? I have pointed out earlier that though women of *Mahabharata*, unlike their pre-21st century counterparts (or, should I say, compatriots?) were not victims of male moral judgments, they had no right to choose their life's partner. Swayamvara was a poetic mockery of women's freedom. In fact, every thing was pre-destined. Destiny repeatedly shows its cruel teeth in the utter restless helplessness of the apostles of principle—the foremost among them being Bhishma. Gandhari, herself, is a pathetic example of helplessnesss of principle in the hands of Destiny. Women, definitely had freedom of speech and expression, but that could not be translated into action or actuality, since everything was 'que sera, sera' (remember the famous song from Hitchcock's 'The Man Who Knew Too Much'?) Even the king, who appeared to be the supreme command (we have seen how elderly stalwarts of principle and statesmanship kept numb in front of the throne when the worst calamity, viz, insult of Draupadi, was threatening Hastinapur) was only a pawn in the 'chausar' game of Destiny. Gandhari's inner eyes must have been 'Krantadarshi', i e, perceiving beyond the horizon. (In Sanskritic tradition, both the poet and the philosopher are called 'Krantadarshi'.) So, she feared to see the day-to-day play of Destiny. She, obviously, did not also want to see the proof of her apprehensions about her ambitious but weak, thoughtless and unwise husband by seeing his day-to-day actions and short-sightedness. She preferred to keep herself ignorant and oblivious of the calamities that were bound to shake the very foundation of Hastinapur. She was too wise not to have a sneaking fear about the destruction of her own family. Above all, Gandhari was worried about her own capability of keeping her mental cool and balance towards her handicapped husband who, she knew, was inferior to her in every respect—not merely in his inability to see. She also wanted to block the possibility of pity that might germinate in her mind for her blind husband if she too were not disabled.

When the Kurukshetra war finally saw the demise of 'adharma' (viz, the Kauravas headed by the blind king Dhritarashtra and his 'blind' son Duryodhan) and the inevitable victory of 'dharma' (the coronation of Yudhishtira), Gandhari 'went to the jungles' (that is 'banaprastha') along with her husband and also Kunti and Vidura. Once, while roaming about among the breath-taking beauty of the Himalayas, which can bring peace even to the most disturbed mind, Gandhari gave out a deep sigh. Dhritarashtra's sixth sense made him realise that his wife was missing her childhood (as Qandahar or Gandhar also is a mountainous region) and lamenting over the post-marital life which had totally deprived her of the beauty, charm and peace which only her pre-marital life was able to give her. He also accused Gandhari of holding this grudge against her parents and her in-laws even till the end of her life when she had nothing more to lose. He further says "it is true that great injustice was done to you by getting you married to a blind, but have you also not been unjust to me by remaining hurt and unhappy till this day"? At this stage we find Dhritarashtra no longer blind. How can a blind man see so deep and so perfect? So, he pleads to his 'patibrata' wife, "please, Gandhari, for my sake, take off your blindfold and no longer shut yourself out from the world around you". According to Irawati Karve, Gandhari did finally decide not to remain blind; she did take off the cloth covering her eyes.

Gandhari's 'blindness', in fact, was welcome to all the representatives of male authority—to Dhritarashtra, to the Pandavas, to god Krishna and even to the author of *Mahabharata*, the powerful sage Vyasadeva. When Duryodhan was killed by Bhima trouncing the rules of war, even Yudhishtira, adored by Gandhari for his love for justice, could not gather the moral courage to face Gandhari. So Krishna was sent to face the wrath. The Pandavas knew very well that her dearest son's death will not shock her as much as Yudhishtira's slip from the path of fairness will. And it did happen as feared. Gandhari's anger and disappointment knew no bounds and she did not hesitate to curse even the god. (We should not forget that she was a great devotee of Sri Krishna, as Kunti was.) At this juncture Sri Vyasa intervenes. In social relationship he is the father-in-law and therefore to be greatly revered and obeyed without any questioning. Even he begged of Gandhari to control her anger and disgust because who else could know better than him (he was not only a sage with farsight, but also the author of *Mahabharata*, itself) that the anger and forgivelessness of an honest and spirited woman can destroy not merely a person, or a family, but even a kingdom and a nation. He knew that Dhritarashtra's jealousy and ambition have destroyed the Kauravas; now Gandhari's shock and disgust can finish the Pandavas. Here Gandhari appears gloriously as goddess Durga—the most beautiful manifestation of the moral and spiritual power of womanhood, to whom even Siva, the god of destruction, bows down.

Ultimately, but, the woman in Gandhari reigns over the mother in her. She manages to calm herself down only when the number one accused Bhima explains to her that what he did was morally wrong and even barbaric (referring to drinking Dushashan's blood), no doubt, but there was no other way out as he was morally bound to take revenge of Draupadi's insult. We cannot forget how she had cursed her own son saying that he would become immortal in the world because of the terrible insult he has meted out to his sister-in-law Draupadi, and through her, to all the women of the world. We cannot also forget how she had pleaded with and begged of her husband to forsake his son for the sin he has committed against womanhood; she had gone to the extent of saying that mother's pride will be restored only when such a shameless son is forsaken. Can a mother's heart say this? No. It, definitely, is the woman's heart—a woman who is always an outcast in an upper-caste-male society. Gandhari was a rebel whose parallel we cannot find even among the feminists of the pre-21st century 'civilised' human society.

Coping with Globalisation

Andre Gunder Frank

Regime Transformations and Global Realignments: Indo-European Dialogues on the Post-Cold War World edited by Kanta Ahuja, Huub Coppens and Herman van der Wusten; Indo-Dutch Studies on Development Alternatives; Sage Publications, New Delhi, 1993; pp 418, Rs 375.

IN a fast-changing confusing world and for a volume of proceedings from a conference held in the Netherlands in 1992, this volume of 24 chapters stands out as a model of good selection, clarity of organisation and presentation, voluminous information, serious analysis, and continued relevance. It offers wide-ranging reviews of recent, present and foreseeable future transformations and realignments in the post-cold war world. Several authors peer into the future by presenting sets of three or four alternative 'scenarios' without however committing themselves or the reader to any of them.

The editors' general introduction of the truly global issues is followed by five different but related sections, each again with its own clear introduction/summary of the four or five chapters that follow (and the not reproduced conference discussion) on (1) the post-cold war transformation of the 'communist' east, including China; (2) the resulting global geo-political economic realignments, especially in and for Europe; (3) reorientations in and among the east and the south of the world; (4) the role and place of India; and (5) problems and proposals of worldwide 'good governance' for the future. The problematique and theme of the volume can be aptly summarised by a sentence from one of the contributors (Gottfried van Benthem van den Bergh: 103-04) that "the fact that global institutions are lagging behind the rapidly developing global inter-dependencies and transnational markets is the fundamental problem of the modern world". S N Eisenstadt contributes a reflective epilogue on the same.

Ramnath Narayanswamy reviews the mostly domestic causes of 'socialist' breakdown and subsequent events; and the Russian economist Stanislav Menshikov analyses the also largely domestic political and economic forces now in contention in the former Soviet Russia, Ukraine, and Central Asia (but with prospects in the latter also depending on uncertain developments in the first one) and in Poland, Hungary and Czechoslovakia (but distinguishing between the two parts it would soon split Into) in Eastern Europe. For each of the first three, he offers three scenario alternatives (shock therapy leading to pure jungle style capitalism, gradualism with mixed welfare state capitalism, return to some kind of market socialism) which range from muddling through at best to total chaos probably leading to military/nationalist takeovers domestically and concomitant dangers internationally. In a book on 'global transformations' the *world* political economic impact on regional developments receives too short schrift in this reviewer's (*EPW*, November 14, 1992) opinion. Wouter Tims (and Menshikov again in a later chapter) show how and why China managed better by reforming agriculture first, not scrapping old economic and political institutions before they could be replaced by new ones, and in general opting for gradualism instead of 'shock therapy' that paralyses or kills the patient. Catrinus Jepma employs simulation models to present long-term scenarios of the alternative consequences for the south. None are cheery, except that "South Asia will benefit in practically all circumstances", while "China will lose ground to some extent in any situation", eastern Europe will gain little from aid even if it receives any; but east Asian and Latin American NICs will experience competitive disadvantages, OPEC oil producers will suffer from ex-Soviet competition in energy supplies, and sub-Saharan Africa will drop off the map

The second section debunks American hegemony and discards the possibilities of near future uni-polarity. Instead, van den Bergh considers alternative (or combined?) scenarios of a triple (North American, West European, East Asian) cores with Orwellian 1984 style competition and shifting alliances, trilateral co-operation among the same, and a United Nations governed world "none of which appears particularly plausible" (p 118) to the author, and the last two not to this reviewer. Rajen Harshe and A P Rana continue in the same vein, with the latter hypothesising a 'New Northern Concert of Powers' with Europe as a major constituent, disarray in the 'Developing South', and pax collaborata as an uncertain outcome. European economic (dis?) integration after Maastricht and (in?) security after the cold war are usefully examined by Robert Cohen and Gautam Sen.

The third section extends the analysis to the place ad role in these global realignments of the east and south. Hans Linnemann documents past, present and probable future marginalisation of the south and uncertain reintegration of the east in further competition with the south in a globalised yet regionalised world economy in which over two-thirds of world exports are from the developed OECD countries, which do over half of their trade with each other. In this context, possibilities for regional south-south co-operation receive a "rather unfavourable assessment" (p 199). For that reason among others, V R Panchamukhi insists on still holding high the flag of the Non-Aligned Movement's "need to assert sovereignty and independence in thinking", especially about the "economic agenda" (pp 217-18). Menshikov returns with an Innovative suggestion of a possible 'New Eurasian Bloc' reaching from the Danube to the China sea "to counterbalance Japanese domination in the Far East. China is a logical partner for Russia in that region" (p 225). The Russian Menshikov invokes the 'Eurasian' label without mentioning that it also has an important and recently revived anti-European political connotation among eastward looking imperial nationalist Russians (*EPW*, December 18, 1993) and (hopefully independently!) an anti-Eurocentric ideological one among writers, who like myself refer to Afro-Eurasia, or more accurately Afro-Asia/Europe, as the main locus of most of world history. Kurt Radke and Charan Wadhava conclude the section with, respectively, reviews of disunity in east Asia and attempts to forge more unity in south-east Asia.

The next section concentrates on India, but also in its past relations with the Soviet Union and its future ones with Europe, Russia and China, and in south Asia. Kanta Ahuja, Suresh Tendulkar, and R J Gidadhubli recall the special relationships between India and the Soviet Union and how the latter's demise now affects the same on economic, ideological, and political levels in India. Atul Sarma and Pradeep Kumar Mehta examine India's export possibilities to Europe, which contrary to the above cited Jepma, they see as threatened by CIS and east European competition. Nancy Jetly assesses the uncertain political will, which compromises economic prospects for the South Asian Association for Regional Co-operation.

The final section returns to the global level, peers into the future, and makes valiant if rather idealistic proposals to improve it or at least to prevent the worst. The problematique is 'good governance' within and among states and regions. The always forward-looking and [overly?] optimistic Luis Emmerij sees a three-speed world economy with the OECD, east and south-east Asia on the fast track; Latin America, south Asia, Middle East, eastern Europe and [why?] China on an intermediate track, and Africa and some other countries on a slow or even stalled side track. He examines some of the dangers of this 'ticking time bomb' division, which is exacerbated by "both the

east and south now practising what the west has preached" in ideological political economic policy (p 341), and argues that the west needs its own perestroika to do the same: Give up its agricultural, multifiber textile, services, intellectual property and other protectionist policies, which cost the developing countries between three and ten times as much as they receive through western development 'assistance'. "All this comes about because we lack vision in the west" (p 345) he says without considering to what extent this lack of 'vision' is the reflection of structural interests. So he proposes a "second Copernican revolution, as it were" centred not separate sovereign states, but on "a system in which nation states revolve around a set of shared core values regarding human survival and human solidarity" [p 349]. Instrumental would be some global or at least initially inter-regional [e g, Euro-Indian] 'development contracts', as already proposed by the Norwegian minister Thorwald Stoltenberg, which would commit *both* contracting parties to 'reciprocal conditionality' and equitably shared economic sacrifices and benefits. Good luck! Gerrit Faber proposes similar arrangements to combat the global greenhouse effect. Each country should receive a population based quota for maximum carbon dioxide and other emissions, which should also be subject to a global 'carbon tax'. To reduce these by half globally, countries in the north [west and east] would have to reduce their present emissions by 70 to 90 per cent, China could maintain them, and India and Brazil could about double them. Therefore, the latter and also less polluting Africa should be allowed to 'sell' part of their allocated quotas to bidders in the rich over-polluting countries.

Last but not least, Paul de Waart confronts 'Implementing, Human Rights: Good Governance as a United Nations Concern' and Rhamatullah Khan 'The United Nations, Good Governance and Global Governance'. While the World Bank's *World Development Reports* are limited to economic growth and poverty, the recently inaugurated *Human Development Report* also introduces an index of human freedom reflecting three of Roosevelt's four freedoms of speech, religion and from fear, but conspicuously omitting the fourth one of freedom from want. "Given that all human freedoms are interdependent and inseparable...a truly democratic society should take economic, social and cultural rights just as seriously" as individual political ones (pp 373, 369). So much for indexing these rights. However promoting and protecting them, even the political ones, is even more problematic in a world of sovereign states in which "in a nutshell, the UN Charter has not provided an administration able to call states found guilty of bad governance to order" (p 376). On the contrary, as Khan documents, the UN was designed [but as we know does not even do well] as a peace-enforcer and *not* as a 'good governance' law-enforcer, unless intra-state violation of law or human rights directly threatens inter-state world peace and 'global governance'. Nor is the UN, even or especially after the 1992 Earth Summit in Rio de Janeiro, entitled or empowered to promote 'global governance' by meddling in the 'internal' affairs of sovereign states that unduly pollute the common global environment. Moreover, today it is especially the weak states of the south who jealously try to defend their 'sovereignty' against any possible encroachments by a UN whose Security Council executive is dominated by a few powerful states in the west and two in the [former] east, as was graphically shown on TV screens worldwide during the 'United Nations' war against Iraq. Today, Bosnia, Somalia, and Ruwanda again demonstrate the legal and practical ineffectiveness of the UN in protecting, let alone promoting, either good governance or global governance. And any legal and practical alternative "could be twisted by the Great Powers into an inquisitorial undertaking against the poor and weak... [so that] a global design that enables the UN to suspend state sovereignty in situations of alleged or proven incapability of the national authorities to govern, or when anarchic conditions prevail, we cannot help but oppose", as Khan writes in his closing sentence (pp 396, 398).

The largely western designed global institutions are indeed lagging behind rapidly developing global interdependencies. However, this 'Indo-European dialogue' at least offers an exceptionally penetrating x-ray diagnosis of the nature and causes of our global patient's illnesses, as well as of the inefficacy of a number of snake-oil quack ideological remedies like the 'magic of the market', even if its own proposed therapy is probably beyond the reach or governance of the all too patient patient. As Mahatma Gandhi is said to have answered about what he thought of western civilisation, it would be a good idea!

Health Care: From Policy to Practice

V R Muraleedharan

Reaching Health for All edited by Jon Rohde, Meera Chatterjee and David Morley; Oxford University Press, New Delhi, 1993; pp xv + 524; Rs 150 (paperback).

IT appears almost certain that reaching the goal of health for all by 2000 AD in India is an impossibility. Consider just the following two facts, in the light of 1978 Alma Ata declaration of what were considered as primary health care needs: in India, as of 1994, of the 860 million people not more than 5 per cent have access to basic sanitation facilities, and no more than 30 per cent have access to safe drinking water! No doubt, several 'developmental projects' (such as Expanded Immunisation Programme) have contributed to increasing the child survival rate, but it is doubtful whether such projects, often carried out in isolation from other developmental efforts, have significantly contributed to the overall growth and development of the children whose lives they have saved. Similar doubts exist as to the overall impact of the health policy in India on the state of health of the people over the years.

Under what conditions can development projects and programmes aimed at improving the health of the people succeed? How can such programmes be expanded, replicated and sustained over a period of time? In essence, these twin issues are the guiding goals and the motivating factors for the authors of this book in narrating the experiences of the various national, international and community-level programmes. The central theme of this book (which is a collection of 22 essays contributed by 28 different authors from various parts of the world) is that any development policy that does not adopt a bottom-up approach, that does not aim to transform the role of the people from merely being passive beneficiaries into active participants of the decision-making and developmental process, is bound to fail in producing any visible, and lasting positive impact on their lives.

Indeed, the book has successfully demonstrated that political will and determination is an absolute necessity to achieve the stated goals. Take for example, the health transition achieved in Nicaragua during the Sandinista period (1979-90). Health was accorded a high priority on the Sandinista political agenda, despite differences among different Sandinista leaders as to the thrust to be given to the overall policy. Equity and community participation were of utmost importance to the Sandinistas and fitted with their political values and health objectives. Conflicts with the Contras (1982-88), while it damaged or destroyed several health centres and hospitals, led to greater political commitment to devising ingenuous means to use more efficiently the available resources for meeting the health care needs of people.

The success of the Indonesian family planning programme is yet another example of how with political will health programmes can be made an integral part of a national developmental strategy. The need for such an integrated view has been reiterated well in the recently submitted report of the Swaminathan Commission on Population Policy: "A holistic and comprehensive approach should be adopted to health... If our population policy goes wrong, nothing else will have a chance to go right."[1] There are many lessons to be learnt from the Indonesian family planning movement First, acceptors

of FP methods were never offered incentive payments In fact, the Indonesian government carefully avoided falling into the 'incentive trap' Sterilisation was never forced and only those who have had the desired level of family size adopted permanent methods Another important aspect of the Indonesian FP movement was that it was slowly integrated with nutrition programmes The so-called FP programme went 'beyond family planning', and has been run as integrated service-delivery post (now renamed as 'posyandu') Family planning should go beyond mere quantitative demographic and clinical issues "true family planning', as Haryono Suyono, Lukas Hendrata and Jon Rohde say in their essay, "is both vital for bringing about changes in the nation's value systems and norms which are essential to development, and has broader socio economic implications" The success of any FP movement also depends upon "facilitating people's choice of contraceptives through a communication strategy rather than on the basis of an assessment of demographic impact of various family planning methods" There is a need to make health programmes everybody's business and the centre of the development agenda

The goal of reaching health for all, irrespective of the time frame, also poses a different kind of problem this concerns the challenges and frustrations faced in incorporating 'scientific findings' into international and national health policy Alfred Sommer's essay gives a graphic account of the intense controversy on the importance of vitamin A in reducing childhood mortality, illustrating the difficulties encountered in framing public policies As Sommer puts it

> To affect policy decisions particularly if these require alteration of previously held concepts and practices requires a good deal more evidence than would ordinarily be necessary simply to establish an esoteric scientific 'fact While the weight of evidence from laboratory, clinical trials and controlled community studies has demonstrated the mortality reduction impact of adequate vitamin A in deficient populations it remains to be seen how many more studies, meetings and workshops discussions amongst experts data and evidence will be necessary before consensus emerges and wide scale action is taken to eliminate unnecessary deaths and illness from vitamin A deficiency

The central message of Sommer's account of vitamin A story is that when policy changes are contemplated and when they have major financial implications, a large mass of evidence under various conditions to establish a simple fact' is essential The lesson is that we need to adopt and apply more rapidly proven effective interventions, not merely for the sake of saving material resources but for the sake of saving the lives of millions of helpless people

For any health care policy to be effective it is necessary to have a continuous process of assessment, analysis and action This Triple-A cycle, as Jonsson, Ljungqvist and Yambi emphasise as being the basis for the success of the nutrition programme in Tanzania, should be monitored with the help of community participation The thrust of any programme, in fact, should be to empower households and communities This can be accomplished only by mobilising people to participate in the planning, implementation and monitoring of programmes And communities, with commitment of the leaders, will be interested in participating in such endeavours

For every choice made there is an opportunity cost The debate on "compre hensive versus selective care" has been rather sterile, and will continue to be so so long as the debaters assume the centrality of health services in the determination of health Comprehensive or not programmes should be relevant to the needs of the people and should promote access to health care While comprehensive primary health care, as the essayists in this volume rightly point out, should be the ultimate goal, it is necessary to be selective and focus on segments that suffer most

In any community-based project the issue of balancing between equity and efficiency will arise There is no manual to arrive at such a balance It must be evolved subject to specific local conditions and needs This book offers the experience of how various (poor) countries have been trying to achieve such a delicate balance While Indian leaders continue to believe or rather expect the masses to believe that they will soon fulfil their promises "health for all in India is a dream which will take decades to realise" as Meera Chatterjee concludes in her essay on the evolution of Indian health policy during the last two decades

The book under review is well conceived and should be of general interest and not merely to the policy-makers in the government More importantly, it is for those who are yet to be convinced that much can be accomplished even with the meagre resource available, provided there is a will and co-operation among the people As Antony Klonda puts it in his essay "The experiences described show what can be done with services already in existence Each one of us can help donors, governments, trainers and service providers support such change"

This volume of essays is contributed by experienced administrators, researchers and consultants, all 'outsiders' and observers of the developments and the people they talk about The editors should have included an essay or two by some 'activists-researchers' on their experiences in mobilising people's participation in health care projects A book of this kind which is also expected to serve as a guidebook for designing training programme should also give some space for recording the experiences of the so-called 'insiders', that is, the activist-researchers, and community leaders who were responsible for whatever transformations their communities have witnessed [2]

Notes

1 From the excerpts of the report of the M S Swaminathan Expert Group on National Population Policy and Social Development Commission *The Hindu* May 26 1994 p 6

2 For an impressive collection of stories of various community based health and developmental projects and the role of NGOs the reader should refer to N H Antia and Kavita Bhatia (eds) *People s Health in People s Hand A Model for Panchayati Raj* (Foundation for Research in Community Health Bombay 1993) In fact it would be of immense value to everyone concerned to read this book along with the book under review

Modes of History Writing

New Hindu History of Ayodhya

Gyanendra Pandey

The right-wing Hindu movement of the last decade or so has done all it can to promote an alternative account of the history of Ayodhya and its association with Ram While this new account is in line with much of the modern Indian effort since the 19th century to establish the historicity, rationality, masculinity—in a word, 'adulthood' in western terms—of India and its religion(s), it carries very much further the positivism and literalism inherent in the understanding of modernity that has informed that tendency

From the standpoint of modes of history writing, there are two points of special interest in the new version of the story of Ayodhya The first is that it claims to be history*—in a way that popular Hindu tradition (and Gandhi) would never have bothered to do The second is that this history is fundamentally* ahistorical*—in that it allows for no change or development in the character position interests behaviour (shall we say, the history?) of its several protagonists*

THERE is a sense in which the popular Hindu account of the history of Ayodhya has been completely transformed in recent years or at least much effort has been put into engineering such a transformation Perhaps the distinguishing mark of an earlier Hindu account of this history was its metaphorical quality Ayodhya was a metaphor as Ram was a metaphor that stood for much more than the literal truth of the existence of a particular man/god or the geographical location of his capital [1] Indeed as Mohandas Karamchand Gandhi (for one) emphasised time and again in matters of faith that literal truth' was beside the point [2]

That earlier account of the story of Ayodhya has hardly disappeared altogether Fortunately India is too large too rich and too contested a country to allow for any such easy conquest of different forms of knowledge But the right-wing Hindu movement of the last decade or so has certainly done all it can to promote an alternative account of the history of Ayodhya and its association with Ram While this new account is in line with much of the modern Indian effort since the 19th century to establish the historicity, rationality masculinity—in a word, 'adulthood' in western terms—of India and its religion(s),[3] it carries very much further the positivism and literalism inherent in the understanding of modernity that has informed that tendency

For the purpose of an investigation into different modes of history writing, there are two points of special interest in the new version of the story of Ayodhya The first is that it claims to be history—in a way that popular Hindu tradition (and Gandhi) would never have bothered to do The second is that this history is fundamentally ahistorical—in that it allows for no change or development in the character, position, interests, behaviour (shall we say, the history) of its several protagonists

As 'history , this account of the past and present of Ayodhya portrays itself as the real, and comprehensive, truth This is of course a claim that it shares, more or less, with all modern histories [4] Yet it is perhaps necessary to say that professional historians all over the world today—and even in India—appear to be a little more circumspect than the new Hindu historians in their claims to Truth and Knowledge The verities of 'fact' seem to be reinforced in the latter case by the certainty of faith and all of it comes to be represented in a scientific precision—of numbers, of dates of geographical location—testifying to the literal truth of this 'history' Let me try to illustrate this through an analysis of some of the histories of Ayodhya put out by Hindu propagandists in recent years

II

The arrogation of 'scientificity' and truth' starts with the very titles of these histories Here are three of them, from a long and repetitive list *Shri Ram Janmabhumi Sachitra Pramanik Itihasa* ('An Illustrated and Authoritative History of Shri Ram Janmabhumi' the booklet itself provides the translation as 'An Illustrated and Authentic History', and the 'authenticity' is underlined by the announcement that the author has an MA and PhD in Archaeology and History), Ayodhya 1986, *Shri Ram Janmabhumi ka Pramanik Itihasa* ('The Authoritative/Authentic History of Shri Ram Janmabhumi') date and place of publication not given, *Mukti Yagya Shri Ram Janmabhumi ka Sampurna Itihasa* ('Sacrifice for Liberation The Entire History of Shri Ram Janmabhumi'), Ayodhya, 1991

The importance attached to numbers, and the unchanging quality of the protagonists in this history is illustrated by the sequence of events (or 'chronology') that makes up the core of these works This chronology appears as follows, with only slight variations of dates and numbers as between different accounts

(1) 9 00 000 years ago—Birth of Ram hence of Ram Janmabhoomi, i e, the birthplace of Ram (RJB)
(2) 150 years BC (Greek and Kushana Times)- Battle to liberate RJB
(3) 100 years BC—Vikramaditya's re discovery of RJB and construction of grand RJB temple
(4) Salar Mas ud s time—2 battles to liberate RJB
(5) Babar's reign—Destruction of temple construction of mosque—4 battles to liberate RJB
(6) Humayun's reign —10 battles to liberate RJB
(7) Akbar s reign—20 battles to liberate RJB
(8) Aurangzeb's reign—30 battles to liberate RJB
(9) Sa'adat Ali of Avadh's reign—5 battle to liberate RJB
(10) Nasiruddin Haidar's reign—3 battles to liberate RJB
(11) Wajid Ali Shah's reign—2 battles t liberate RJB
(12) British rule—2 battles to liberate RJB (1912 and 1934)
(13) 1857—Attempted compromise between Hindus and Muslims over RJB (thwarted by British machinations)
(14) December 1949—Appearance of Ram (in the form of the infant, Ramlala), an installation of images of Ramlala, inside the mosque Building locked by administrative order to maintain the peace
(15) 1986. Opening of locks on Babri masjid RJB temple

[Source Pratap Narayan Mishra *'Kya Kah Saryu Dhara'? Shri Ram Janmabhumi* I *Kahani* (1st published 1987 2nd edition Lucknow 1990) Appendix p 144

To the battles listed in this appendix I have added Events 1 and 3, and numbers 13 15 [w]hich appear regularly in these histories of [A]yodhya The date of event 3 varies being [e]ven as late as the 5th century AD in Radhey [Sh]yam Shukul's *Sri Ram Janmabhumi Sachitra, Pramanik Itihasa* (Ayodhya 1986) which identifies 'Vikramaditya' with the Gupta king, Skandagupta, who ruled at Pataliputra (modern Patna) from 455 to 467 AD]

It is notable that this chronology, based on one of the earliest in the new series of Hindu histories of Ayodhya published since the mid-1980s, a booklet which is explicitly acknowledged as the source of some of the later accounts, gives a total of 79 battles fought by 'the Hindus' for the 'liberation' of the Ram Janmabhoomi The magic number was, however, subsequently fixed at "76", which is the number of battles supposedly fought since the time of the Mughals, with whom the history of Muslims in India is readily equated The battle for the 'liberation' of the RJB that was launched in the mid 1980s was, therefore, always referred to as [t]he 77th

The point of this history is to enumerate [t]he many occasions when 'The Hindus' have [r]isen in defence of the Janmabhoomi, and [t]o catalogue their enormous sacrifices The [o]pening pages of another early publication [i]n this series, *Ham Mandir Vahin Banayenge* [5] illustrate the argument very well indeed The first chapter appears under the rubric 'Lakhon [la]kh chadhe jis thaon Shri Ram Janmabhumi [k]a itihasa—Amar balidan-gatha' ('Where [l]akhs of lives were offered up The history [o]f Shri Ram Janmabhumi—a saga of eternal [s]acrifice') Above the title on the title-page, [th]ere is a note saying that 77 battles have [b]een waged and 3,00,000 lives sacrificed by [th]e Hindus for the protection and liberation [o]f the Ram Janmabhoomi mandir (or temple)

The first paragraph of the history set the [to]ne of the narrative that follows After a [st]atement on the antiquity of Ayodhya town, [th]e text says

> Foreign aggressions on Ayodhya also have a very ancient history The first aggressor was the notorious King of Lanka, Ravana, who destroyed Ayodhya during the time of the ancestors of Shri Ram Ravana's death, along with his entire family, at the hands of Shri Ram is a story known all over the world
>
> In history, the second external attack upon Ayodhya was by the Greek king Milind or Mihirgupta (Menander), who was the first aggressor to have destroyed the Shri Ram Janmabhoomi temple But Indian pride arose to punish this irreligious foreigner for his evil deed [*dus-sahasq*, literally 'misguided (or foolish) bravery'], and within 3 months Raja Dyumatsena of the Sunga dynasty had killed Milind in a fierce war and again liberated Ayodhya
>
> The third aggressor to attack Ayodhya was Salar Masud, a nephew of the notorious Muslim plunderer, Mahmud Ghaznavi Destroying temples as he went along, Masud reached [the environs of] Ayodhya and destroyed temples in the vicinity But the united strength of the Rajas of Ayodhya and the surrounding areas and the attacks of the 'sadhus of the Digambari 'akhada' prevented his conquering army from entering Ayodhya He then moved to the north, but in 1033 AD 17 local Rajas led by Raja Suhail Dev surrounded that beastly irreligious tyrannical plunderer in Bahraich, and sent the entire invading army to their graves After this, all of Mahmud and Masud s successors were also beaten and driven from the country
>
> The next plunderer who attacked Ayodhya with the object of destroying the Shri Ram Janmabhoomi temple was Babar This ungrateful plunderer [ungrateful in that he had been given refuge food and shelter by people in different parts of India] responded to India s native tolerance and hospitality by ordering his Commander in Chief Mir Baqi, to destroy the huge palatial Shri Ram Janmabhoomi temple that had stood in Ayodhya since Vikramaditya s time in order simply to please two evil Muslim 'faqirs But the people [the country] rose in fierce opposition to this vile attack on their national honour The historian Cunningham writes 'At the time of the destruction of the Janmabhoomi temple the Hindus sacrificed everything and it was only after 1 lakh 74 thousand Hindu lives had been lost that Mir Baqi succeeded in bringing down the temple with his cannons " [6]

Through the many recensions of the Hindu history of Ayodhya, it is this story of 'foreign' aggression and native valour of eternal Hindu activism and sacrifice, that is endlessly repeated Context—the very heart of the historian's discipline, as one might suggest—counts for nothing I shall return to this point Before that, it may help to say something more about the importance of numbers, statistics and dates in this Hindu history

Numbers appear to be of critical significance here for their suggestion of statistical accuracy and historical precision "76 ' (or "77" or "79" as the case may be) battles fought for the 'liberation' of the RJB, the 700 soldiers of Babar's army that Devi Din Pandey accounted for, with his sword alone and in the face of a constant rain of bullets, in just three hours (which, according to the Hindu account, Babar himself testifies), and, further, of Devi Din's inevitable offering of his own life in this process "On June 9, 1528 AD, at 2 p m, Pandit Devi Din Pandey breathed his last" [7] They also represent, I would suggest, the 'excess' that charactertse all nationalist narratives Hence Devi Din Pandey's "700" victims in a span of "3 hours", or the 1,74,000 Hindu lives sacrificed before Mir Baqi was able to bring down the temple, or the "hundreds" of monkeys who attacked the Mughal camp one day during the same period, engaged the soldiers in battle for several hours, and silenced their guns and cannons,[8] or the '10,000 tong-wielding ('chimtadhar') sadhus, who worsted Aurangzeb's army "with their tongs alone", or, to take a non-numerical example, the "indescribably beautiful" Rani Jairaj Kumari, who formed a band of several hundred (or several thousand) women guerillas to attack the Ram Janmabhoomi on numerous occasions through the reigns of Babar, Humayun and Akbar

What is being proposed, though not demonstrated, by the Hindu historian here, is the concreteness, the almost palpable truth of this history This concreteness is sought to be represented in another, rather more literal, way as well The Hindu history of Ayodhya, it will be clear by now, is not a history of the region, much less the people, of Ayodhya It is not even about a spot now called the Ram Janmabhoomi, it is about a building on that spot This entire history is focused on a monument, which we can, for the moment, designate the 'grand temple' built (and re-built) on the site of Shri Ram's "birth" Everything revolves around this monument The narrative begins with the destruction of the monument, and returns to this point again and again Two paragraphs that appear as a 'preface' in one edition of *Shri Ram Janmabhumi ka Romanchkari Itihasa*, and as 'postscript' in another,[9] illustrate the proposition very well indeed

I quote the first line of the first paragraph, which is headed 'The Hindu Signs at the Janmabhumi' "Several Hindu features remained when the temple was demolished and given the form of a mosque these are features that Babar was forced to retain because the walls [of the proposed mosque] kept falling down on their own "

The second paragraph, headed 'The Pillars of Black Touch-Stone', reads as follows

> The ancient Shri Ram temple was built on 84 black touch stone pillars These had been constructed by King Aranya of the Surya dynasty Ravana defeated Aranya in battle and carried the pillars away [to Lanka], from where they were brought back to Ayodhya by Shri Ram after his victory over Ravana The [Babari] masjid was built upon these very pillars, upon which the aforesaid images [of Hindu gods and goddesses] can still be seen, along with inscriptions of Maharaja Aranya, Ravana and Lord Shri Ram on some pillars Of the 84 black touch-stone pillars, 11 are in the Babari masjid, 2 at the entrance to the mandir [i e, the same masjid] and [another 2?] at the [nearby] grave of Kajal Abbas [one of the Muslim 'faqirs' said to have incited Babar to demolish the Ram Janmabhumi temple], and some are adding to the glories of the museums in Lucknow, Faizabad and London

What follows, in every account published in the last few years, is a longer or shorter

description of battle after battle fought by the Hindus to 'liberate' the site, remove the mosque, and rebuild the grand temple: "76" battles before the current one which is the 77th. The monument, one could say, is the history.

This marks a significant change from earlier histories of the Ram Janmabhoomi, the Krsna Janmabhoomi and so on, examples of which may still be found in Mathura. Here, at the site of the claimed Krsna Janmabhoomi, the pulp histories that are sold concentrate on the life of Shri Krsna; and stories associated with his exploits as a child and an adult are presented alongside a fairly bland account of the several temples built at various nearby sites, the destruction by Aurangzeb of the last 'grand' temple, and the establishment of organisations to promote the worship of Krsna in Mathura and improve facilities for pilgrims, Indian and foreign.

Traces of a somewhat more 'open' and 'tentative' history of Ayodhya may also be found in some of the earlier publications associated with the latest round of Hindu agitation for the 'liberation' of the Ram Janmabhoomi from the mid-1980s. These begin with attempts to describe the grandeur of the 'ancient city', as presented in the Valmiki *Ramayana* for example, and acknowledge the gaps in our knowledge of this history—the difficulty of establishing who the 'Vikramaditya' of tradition was and how he 'rediscovered' Ayodhya; the fact that Ayodhya was built many times and many times fell into ruin; the long periods when the city had little habitation or activity (down even to the so-called 'Muslim' period).[10]

No such tentativeness or uncertainty is to be found in the 'mature' Hindu history contained in works like the *Romanchkari, Rakt-ranjit* or *Sampurna Itihasa*.[11] The 84 black stone pillars, straddling the world from the age of Ram (and even earlier) to the age of colonial and post-colonial museums, capture the spirit of this history as it is evoked by the most recent Hindu historians of Ayodhya: its antiquity, its beauty and solidity, its destruction, and its continued existence.

It goes without saying that the 84 pillars stand for much more than a town called Ayodhya: they stand for the Ram Janmabhoomi, for Hinduism, for the Hindu spirit and culture, the Hindu people, the nation. Ayodhya, or should we say the black stone pillars, are a symbol ('pratik') of the 'eternal', 'undefeated' ('Ayodhya'—that which cannot be defeated) Hindu nation. This is why this history refers constantly to the religious and national spirit of the native Hindu ever engaged in battle against the 'irreligious, foreign invader'; the 'Hindu kings who graced the throne of India [Bharat] in the centuries [even millennia] before Christ'; the united struggle of kings, sadhus and the common people (Hindus) against any insult to the national honour—meaning almost always, in this case to the Ram Janmabhoomi.

Interestingly, however, the recent Hindu history of Ayodhya—which may also be described as the Hindu history of India—is not about the construction of the Ram Janmabhoomi temple. It is about its destruction. To that extent, it is a history, not of the temple but of the mosque built upon its ruins, not of 'the Hindus' but of 'the Muslims'—or, to be more precise, of the evilness of 'the Muslims'.

It is notable that the 'construction' of the ancient temple is not mentioned in most versions of this Hindu history, it is simply assumed; and that of Vikramaditya's 'grand' temple never detailed (though his rediscovery of the site is). What is detailed is the 'destruction': how long it took, at whose hands it occurred, with what subterfuges and difficulties it was accomplished, and what features were left standing.

Even more significantly, the number of battles fought for the 'liberation' of the Janmabhoomi is fixed at "76", which by the Hindu historians' own account is the number of battles fought for the liberation of the site since the time of Babar. The battles fought before Babar's time and listed by some early Hindu historians, including the two battles supposedly waged to fend off the invasion of Salar Mas'ud Ghazi, do not count in the end, for this is in fact a history of the mosque and attempts to obliterate it. It is no accident, then, that so many of these histories should begin their account of the history of Ayodhya with a statement of the 'Hindu' signs still to be found in the mosque (that is, until its destruction on December 6, 1992), or that the volume entitled *Shri Ram Janmabhumi ka Sampurna Itihasa* ("The Entire History of the Shri Ram Janmabhumi') should add on its inside cover 'from 1528 AD to today'.

If the monument constitutes the history of Ayodhya/India, and the monument is in fact a mosque (by whatever name it may be called: 'mosque', 'temple', 'disputed structure'), it follows that the Hindu account is very close indeed to the colonial account of the Indian past. At this point, then, we return to the other major feature of Hindu history that I have underlined: its ahistorical character. It is a feature that sets this history quite apart from the general run of academic histories today, and brings it in line not only with nationalist accounts in the past, in India and elsewhere, but even more strikingly, with some of the most racist and arrogant European colonial accounts of the histories of subject peoples in Asia and Africa.[12] The parallel is all the more noteworthy because Hindu history asserts its claims to truth in India today in large part on the ground that it is an 'authentic' Indian history, as distinct from the slavish imitation of western histories produced by deracine scholars ensconced in privileged positions in the universities and research institutions of the subcontinent.

The very notion of fixed, pre-determined and unchanging 'national' cultures and histories is imperialist in its inspiration. Like the colonial account of the 'native', the new Hindu history denies the natives of India a history. As in the colonial version of the Indian past, 'Hindu' and 'Muslim' here too are fully constituted from the start, and the history of India for centuries prior to the coming of the British becomes nothing but a history of perennial Hindu-Muslim conflict. As the colonialist account had it, "the animosities of centuries are always smouldering beneath the surface".[13] Or again, "the antagonism [between 'Hindus' and 'Muslims'] though generally latent, every now and then breaks out into fierce strife..."[14]

Every major 'riot' or 'war', every conflict of importance in the pre-colonial period is reduced to a fight between Hindus and Muslims, fought in fixed ways over fixed issues at fixed sites. Hence the strife of 1912 and 1934, which has been detailed in the British colonial records, involving conflicts between Hindus and Muslims on one occasion in, and on the other near, Ayodhya, become 'wars' over the Ram Janmabhoomi in the Hindu account: precisely as, for the British too, they could at bottom be no different from any other Hindu-Muslim 'riot' in Ayodhya.[15]

The differences between the colonial account and the Hindu account are minor, but should be noted. What are 'riots', 'convulsions', symptoms of a disease for colonialist writers, are 'wars' for the Hindu historian (though it must be said that many colonialists were happy enough to describe Hindu-Muslim conflict as 'religious' or 'national' wars). 'Wars' have their 'heroes', which is something that cannot always be said for 'riots'. For colonialist historiography, consequently, Hindus and Muslims were villains, or 'beasts', uniformly—with rare exceptions. For the Hindu historian, however, 'the Muslim' is congenitally evil, narrow-minded and bigoted, whereas 'the Hindu' is tolerant, hospitable, accommodating but also—when pushed to the limit—capable of fighting back all too effectively: and Hindu history quickly runs up a long list of Hindu heroes and Muslim villains (joined occasionally by Hindu villains) who have littered the Indian past.

Continuous 'wars', 'riots', 'convulsions'; between men who are like beasts, or 'heroes' and 'villains' respectively; for the 'liberation' of the Ram Janmabhoomi, or merely for the thrill of turbulence: it is a dismal history, scarcely deserving of the name.

III

Before we conclude this analysis, there is one other aspect of the new Hindu history of Ayodhya that needs to be considered. What we are dealing with here is clearly no ordinary, academic history—as anyone who has the slightest acquaintance with the pamphlets and booklets retailing it knows. These pamphlets and booklets are sold (or distributed) at pilgrimsites, along with images of deities, religious calendars, prayer-books and the like—and bought, perhaps, as often for the decoration of a household shrine, or prayer-room, as for reading individually or in groups. They are prefaced or headed frequently by an 'Om', a mantra, or a longer prayer to Shri Ram. They begin in the age of Ram, 9,00,000 and more years ago, and they are marked by an easy (and, in a sense, unceasing) intervention of the divine—or, to put it in other terms, a realisation of the ineffable that lies behind the illusions of this fleeting world.

The opening paragraph of Ramgopal Pandey Sharad's *Shri Ram Janmabhumi ka Romanchkari Itihasa ('The Thrilling History of Shri Ram Janmabhumi')* illustrates the point very well indeed.

> 9,00,000 years ago, the supreme ideal of manhood, Lord Shri Ramchandraji, took on his earthly incarnation in precisely this hallowed land/area. He rolled in the pure dust of this sacred spot ... and, along with Bharat, Lakshman and Shatrughanji, thus enacted his rare and divine childhood. The Hindu rulers who graced the throne of India [Bharat] many centuries before Christ defended it [a temple? the spot?] all along. They repaired it from time to time, but at the time of the Kiratas and the Huna invasions, they turned their attention away from the site. As a result, the ancient temple [n b this is the first mention of the temple] was destroyed and no trace of it remained. In the end, a century or so before Christ, the shining light of the Hindu family Emperor Vikramaditya, rediscovered the site after great effort and constructed a grand temple at the sacred spot.[16]

Given all of this, it may be objected, it is we who are being literal, in treating as literal history something that is in fact a larger, symbolic, mythic statement. The objection is important and requires discussion at some length.

It would be foolish to deny that the Hindu Right has 'played', and played to a large extent successfully, with multiple notions of 'religion', 'culture', 'politics', 'myth' and 'history'. 'Hinduism' is not a religion, we have been told time and again. It is the way of life, the manner of being, of people living in this part of the world. Ram is not a 'religious', but a 'national' hero. The Ram Janmabhoomi 'liberation' movement is not a political, but a religious movement—or the other way around.

Hindu history, like Hindu politics, has thrived on this 'play'. It has moved unapologetically between the divine and the mundane, and the wondrous has come to be easily mixed with the 'scientific', so-called. Thus, to take the most recent chronological examples first, Hindu history tells us of the miraculous appearance of the infant Ramlala inside the Babri masjid on a cold December night in 1949, attested to (in the Hindu account) by the Muslim policeman who was there on guard duty. We also have Ram, "unable to bear the suffering of his bhaktas (devotees) any longer", intervening through a local lawyer and a local magistrate in Faizabad to have the locks on the mosque/temple opened in 1986. There is evidence of divine intervention again in November 1990, when a number of *kar sevaks* "miraculously" scaled the Babri masjid and attained the heights of the domes in a matter of moments (a feat, we are told, that took the trained commandos at the site, with all their equipment, over half an hour to accomplish),[17] and when a large monkey appeared and sat for a long time on top of the central dome, with the bhagwa dhwaj (saffron flag, emblem of the Hindu movement) in 'his' hands: veritably, we are told, this was the monkey-god, the greatest Rambhakta of all, Hanuman himself.

The sequence of divine intervention began, of course, a long, long time ago. In historical times, its first startling manifestation occurs at the time of the Emperor Vikramaditya who "re-discovered" the Ram Janmabhoomi. As the Hindu account has it, a tired Vikramaditya, accidentally separated from his companions, was resting by the river Saryu to regain his breath when he saw a handsome black prince, dressed from top to toe in black and mounted on a black horse, enter the river. When the horse and rider came out again a few moments later, an amazing transformation had taken place: the prince's mount, his clothes, his face, were now all shining white.

Overwhelmed, Vikramaditya went up to the strange prince and asked him to explain the meaning of this 'vision'. The prince explained: "I am Tirthraj Prayag [the pilgrimage centre, Prayag or Allahabad, personified]. Every year [at a certain time] I come with the countless sins I have taken onto myself from the millions of pilgrims who come to cleanse their sins at Prayag, and these are washed away by the Saryu." (which, therefore becomes even more efficacious than Prayag as a site of pilgrimage and a step to salvation). Asked for further advice and guidance, Tirthraj Prayag tells Vikramaditya to re-establish the Ram Janmabhoomi. Aided by signs and measurements told to him by Tirthraj, Vikramaditya rediscovers Ayodhya, establishes the exact site of the Janmabhoomi by setting free a cow newly delivered of a calf (milk begins to flow automatically from her udders as soon as she reaches the sacred spot), and builds there a grand temple on the 84 pillars of black touch stone.[18]

The subsequent history of the Ram Janmabhoomi is in line with this half-human half-divine, 'neither this nor that', scenario—as indeed a history of Hindu divinity well might be. The point is illustrated dramatically by the difficulties experienced by Babar in converting the temple into a mosque. After Babar had overcome 'the Hindus' in a battle that lasted long and furiously, and in which the Mughal forces were beaten back time and again, he left Ayodhya instructing his lieutenant, Mir Baqi Khan of Tashkent, to build a mosque on the site of the temple using the very material of the latter. But this proved to be no easy task. "The walls that were built during the day came down [as if by miracle] at night", and this is what continued to happen day after day,[19] until Mir Baqi in despair urged Babar to return and see things for himself.

Babar returned, and seeing what each day brought, consulted local sadhus and arranged a compromise which gave him a way out. The sadhus said that Hanuman was against the construction of the mosque, and no building could occur until he was persuaded. In the end, as (according to our Hindu historians) Babar himself has written in his memoirs, the Hindus laid down five conditions: "The masjid was to be called 'Sita Pak' [i e, Sita's rasoi or kitchen]. The space for circumambulation around the central structure [parikrama] had to be preserved. A wooden door was to be erected at the main entrance. The turrets/spires were to be brought down. And Hindu mahatmas were to be allowed to conduct prayers and recitations." Every one of these conditions negated the concept of a masjid, according to this Hindu account.[20] Thus, it was not the Hindus but Babar who had ultimately to surrender. Even in the form of a mosque, the RJB remained a temple. Even in defeat the Hindus were (as, implicitly, they always will be) victorious.

One might suggest that a sense of eternal (and united) Hindu activism and sacrifice, of enormous numbers (which testify again to Hindu strength), and of a divine 'play' or 'order' (once again revealing the power of the Hindu'), actuates the Hindu history of Ayodhya. 'Hindu' and 'Muslim' occupy interestingly different subject-positions in this history. The 'Muslim', 'foreigner', 'invader' and 'irreligious being', readily seen as being scheming, greedy, lustful and bigoted, is fully to be blamed for 'his' actions (women figure, on both Hindu and Muslim sides, merely as property: extraordinary cases, like that of Rani Jairaj Kumari, are after all extraordinary). The Hindus, on the other hand—rajas, taluqdars, sadhus and even

ordinary villagers—are all part of the divine, they do no more than serve a divine purpose and are, in that sense, not responsible for their actions In that sense, too, they can never be defeated, according to the canons of Hindu history

The different subject-positions occupied by 'Hindu' and 'Muslim' point to the vexatious interpenetration of different orders of time that takes place in the Hindu account. The 'construction' of the original Ram Janmabhoomi temple, and its 'destruction', represent the quintessence of these different orders, different histories—the divine and the mundane From the time of Shri Ram (and even earlier), which can scarcely be described, which is beyond human time, to the ossified exhibits of colonial museums, divine time runs into historical (and archaeological) time Hindu history is quite untroubled by this colossal chronological span, or by the huge gaps in it say, between (1) and (2) in the chronological table given at the beginning, or on an altered, 'modern historical time-scale between (3) and (4), or in the greatly accelerated chronological arrangements of contemporary history, between (13) and (14)

There is indeed a timeless, epic quality to this history, in its proposition of beginnings that are not beginnings, destruction that is not destruction, in the circular character of the narrative, which returns to the same point again and again and again, and in which nothing changes and in its suggestion that those participating in the 'liberation' war against Babar (or against 'pseudo-secularists', which is the name given by the Hindu right wing to all those who oppose them in India today) are one with those who joined the war against Ravana What the account does is to atemporalise events Even the enumeration of battles fails to change this aspect of the narration While enumeration usually implies linearity, the enumeration here has no such logic attached to it It might be either random or entirely self-contained, and it does not necessarily "grow" The "76" battles do not move to different ends, not even somewhat different ends, but are in the end all the same

The curious mixture of cyclical time and instrumentality found in these accounts has the structure of a rudimentary fable, where all events ultimately point one way However, the collision of times is striking Remote, golden, happy, overturned by a mythic cycle of bloodletting, savagery and valour, disrupted into linearity once again by the possibility of an 'end'—today Mythic time schemes leak into positive, historical, realist time And Hindu history insists on the literal truth of its assertions at this precise spot, and not a yard this way or that, was the Lord Ramchandra born Marked by what Koselleck has called the "self-accelerating temporality" of the 'modern',[21] epic time turns back upon itself and devours itself in the demand for a final resolution of a mythical conflict now.

The 'Muslim invasion' (equated frequently in Hindu as in colonialist historiography, with the rule of the Great Mughals, and dated to 1528—for Babar's attack on the RJB is the central motif) and 'Indian independence' (the appearance of Ramlala in 1949 being the sign of this) are the two precisely dated historical events around which the discourse of Hindu history and Hindu politics turns At one pole is Babar, the foreigner and invader, and with him all Indian Muslims—the progeny of that invader (Babar ki aulad), a blot on India's history (not unlike the Babri masjid, as Hindu propagandists might have said) At the other end, this history is animated by the 'continued slavery' of India (and especially of India's westernised ruling class) even 40 years after formal independence, which does not allow 'us' (the Hindus that is, the nation, those same propagandists tell us to build a temple at this, our' most sacred site, in 'our' own country—the only Hindu country in the world [22]

In the end then, the Hindu account belies its own pretensions to epic status If the epic tradition is distinguished by the absence of beginnings, middles and ends, and of unidirectionality, by the refusal to privilege a single point of view, and by the problematising of the 'good' and the 'bad' Hindu history departs radically from it Indeed it is, in many senses, closer to the worst kind of melodrama—where Good is Good, and Evil is Evil, a thief is a thief, and that is all there is to that Curiously, too, given the all-embracing character of Hindu philosophy, and the fact that Ravana himself is assigned a 'divine' status, seeking his death at the hands of Ram so that he might become one with the Eternal, this modest status of being a small part of infinity is not accorded to the Muslims—not even to those who were 'converted' from pre Islamic religious traditions in India and against whose forced conversion' the Hindu right has raised such a hue and cry

There is a modest, local history of a weaving qasba in northern India dating from the late 19th century which I have analysed elsewhere, [23] which I suggested provided a real alternative to the statist colonial historiography of the time In this alternative rendition of the past, the local community is the subject of history, community honour its object of analysis The idea of the community is valorised, yet at the same time, the 'community' has no fixed boundaries, it attaches itself to different collectivities, and has multiple meanings depending upon context—and history In Hindu history, by contrast, the community ('Hindu' even more than the 'Muslim') is a clearly enumerated entity, with boundaries that are fixed from the beginnings of time and a culture and interests that are unalterable.[24] What is more, this 'Hindu community' can achieve its predetermined ends, and realise itself, only through the capture of state-power. That is, of course, the point of Hindu politics and Hindu history today. But it moves this history even further away from what it claims to be—an anti-statist 'history', giving voice to local society and the indigenous community

Notes

[An earlier version of this paper was presented at a conference on 'After Ayodhya The BJP and the Indian Political System', organised by the South Asia Research Unit, Curtin University of Technology, Perth, western Australia, in July 1993 I am greatful to the participants in that conference, and especially to John McGuire and Peter Reeves, for their comments on that draft.]

1 As Tulsidas has it in the *Ramcharitmanas*, 'Avadh tahan jahan Ram nivasu", Wherever Ram dwells, there is Avadh (Ayodhya)'—i e, even in the heart of the devotee Ayodhyakand', *chaupai* following doha 73

2 As Mahadev Desai wrote about Gandhi's attitude to debates on the authenticity of particular texts of the *Bhagavad Gita* "in the last analysis it is the message that abides, and he is sure that no textual discovery is going to affect by a jot the essence or universality of that message The same thing may be said about questions of the historical Krishna " Mahadev Desai, *The Gospel of Selfless Action or the Gita According to Gandhi* (Ahmedabad, 1946) p 6, cited in Partha Chatterjee, *Nationalist Thought and the Colonial World* (Delhi, 1986) p 94

3 The writing on this issue is now considerable see, for example, Ashis Nandy, *The Intimate Enemy* (Delhi 1983), Ranajit Guha *An Indian Historiography of India A Nineteenth Century Agenda and Its Implications* (Calcutta, 1988), Uma Chakravarti Whatever Happened to the Vedic Dasi?' in Kumkum Sangari and Sudesh Vaid (eds) *Recasting Women Essays on Colonial India* (Delhi, 1989), Partha Chatterjee *The Nation and Its Fragments* (Delhi 1993) and Sudipta Kaviraj s analysis of Bankim's construction of the figure of Krishna in his forthcoming work on Bankimchandra Chattopadhyaya See also the writings and speeches of Tilak and Syed Ahmaed Khan, *B G Tilak, His Writings and Speeches* (Madras Enlarged ed, 1919) especially his comments on the *Gita* p 231ff and Christian W Troll *Sayyid Ahmad Khan A Reinterpretation of Muslim Theology* (New Delhi, 1978) For a fascinating comment on changing traditions in iconography see Anuradha Kapur ' Deity to Crusader The Changing Iconography of Ram' in G Pandey (ed), *Hindus and Others*·

The Question of Identity in India Today (Delhi, 1993).

4 Cf James Mill's 'Preface' to the *History of British India*, "I have performed the business of research, with a labour, and patience, which it would not be easy to surpass. And I believe there is no point, of great importance, involved in the history of India, which the evidence I have adduced is not sufficient to determine"; *History of British India*, abridged with an 'Introduction' by William Thomas (Chicago, 1975), p 22.

5 *Ham Mandir Vahin Banayenge* (New Delhi, 1989).

6 Ibid, pp 10-11. It is noteworthy that while the attacks by Ravana and Milind (Menander) appear in these opening paras, not even the latter forms part of the "77" battles listed by the author as having taken place for the protection/liberation of RJB. The reference to "the historian Cunningham" is to the compiler of the Lucknow *District Gazetteer* (part of the series compiled by British officials for every part of northern India in the later 19th century), and is fraudulent, as the citations so often are in these Hindu 'histories'—in this instance because it fails to mention Cunningham's reference to unidentified 'local, oral tradition' as the source of his statement and his numbers.

7 Pratap Narayan Mishra, *Kya Kahti Saryu Dhara? Shri Ram Janmabhumi ki Kahani* (1987; 2nd ed, Lucknow, 1990), pp 67-68.

8 Ibid, p 83

9 *Shri Ram Janmabhumi ka Tala Kaise Khula. Shri Ram Janmabhumi ka Romanchkari Itihasa* (Ayodhya, nd in both cases).

10 See, for example, Radhey Shyam Shukul, *Shri Ram Janmabhumi: Sachitra, Pramanik Itihasa* (Ayodhya, 1986).

11 *Shri Ram Janmabhumi ka Tala Kaise Khula Shri Ram Janmabhumi ka Romanchkari Itihasa* (Ayodhya, n d); *Shri Ram Janmabhumi ka Rakt Ranjit Itihasa. Tala Kaise Khula?* (Ayodhya, n d); *Mukti Yagya. Shri Ram Janmabhumi ka Sampurna Itihasa* (Ayodhya, 1991).

12 Here, to take only one example, is the Rev M A Sherring writing about the history of Benares, which was in his view "to a great extent the history of India": "While its career has been of long duration, it has not been of a character to awaken much enthusiasm or admiration. It cannot be said that either the moral, or the social, or even the intellectual condition of the people residing here is a whit better than it was upwards of two thousand years ago..."; M A Sherring, *Benares: The Sacred City of the Hindus* (1868; reprinted Delhi 1975), pp 342-43.

13 Francis Younghusband, *Dawn in India* (London, 1930), p 144.

14 James Kennedy, *Life and Work in Benares and Kumaon, 1839-1877* (London, 1884), p 335.

15 For an alternative account of these two incidents, see Sushil Srivastava, *The Disputed Mosque* (Delhi, 1991).

16 *Shri Ram Janmabhumi ka Romanchkari Itihasa* (Ayodhya, nd), pp 3-4.

17 Interview with civil official, Faizabad, November 1990. Cf Sudhir Chandra and Gyan Pandey, 'Mandir-Masjid ka Sawal aur Hindu Aakraamakta', *Navbharat Times*, New Delhi, March 3, 1991.

18 Mishra, *Kya Kahti Saryu Dhara*, presents the story of Vikramaditya's 'vision' as simply a dream, and refers to other factors ("old documents") that facilitated his 'rediscovery' of Ayodhya. But the 'dream' becomes a miracle in most of the Hindu accounts.

19 Cf Mishra, *Saryu Dhara*, p 56: *Kaun si daivi shakti thi?*, (What divine power was this?...).

20 This is a standardised narrative that appears in practically the same form in every account. However, minor but interesting variations are still found. Some accounts declare that while Muslims were allowed to use the mosque/temple for "two hours a week", for the Friday prayer, Hindus could pray there at any time, *Shri Ram Janmabhumi ka Tala Kaise Khula. Shri Ram Janmabhumi ka Romanchkari Itihasa*, p 11. One account states that the mosque became a temple in the course of time "of its own accord"; Shukul, *Sachitra, Pramanik Itihasa*, p 11. Several mention the further concessions that the Muslim Nawabs of Awadh were 'forced' to make in the 18th and 19th centuries. All of this appears to be designed to reassure 'Hindus' that they have always been, they will always be, 'victorious'.

21 R Koselleck, *Futures Past: On the Semantics of Historical Time* (Cambridge, Massachusetts, 1985), p 18.

22 In terms of this statement, Nepal—a Hindu country—is either irrelevant or appropriated to the larger design of 'Hindu nationalism'.

23 Cf my *The Construction of Communalism in Colonial North India* (Delhi, 1990), p 115ff.

24 Cf in this context Sudipta Kaviraj's important distinction between the 'fuzzy' and the 'enumerated' community; 'The Imaginary Institution of India' in Partha Chatterjee and Gyanendra Pandey (eds), *Subaltern Studies, Volume VII* (Delhi, 1992).

Optimal Fuel-Mix in Rural Economy

A Village-Level Exercise

Saumyendra Bhattacharyya

Overdependence on traditional sources and non-availability of commercial energy in rural areas have resulted in low energy consumption in India. Since the rural component dominates the total consumption, only region-specific village studies can clearly analyse the constraints affecting consumption of non-commercial and non-conventional energy.

This paper estimates the total cost incurred by the rural economy of Sirsi in Jaipur district on energy consumption from a linear programming exercise by obtaining the optimal consumption pattern of energy sources subject to fulfilment of different demand and availability constraints.

I
Introduction

IN India, even when the share of non-commercial energy is decreasing, the share of commercial energy in total energy consumption is still very low. This is mainly because 'about 80 per cent of the total population have access only to traditional sources—firewood, charcoal, agricultural residues and cowdung. The modern forms of energy are accessible to the rest 20 per cent and for fuelling modern forms of technology in industry, transport, agriculture and services, etc [Bhagwan 1986]. The dependence on non-commercial sources is more acute in rural India which comprises of 74 28 per cent[1] of the total population

Moreover, the household sector consumes 50 per cent of the total gross energy consumption of India, mostly for cooking and lighting. The share is much larger for rural India, which consumes non-commercial energy sources to the extent of 80 per cent These figures, along with a relatively larger percentage of planned expenditure on commercial energy sources may largely explain the energy crisis in the rural sector. It causes a two-way impact on India's energy scenario:

(a) The use of non-commercial sources requires a larger amount of gross energy (and hence a larger amount of fuel sources) to get a given level of useful (net) energy.
(b) The supply of these sources is difficult to cope up with the increasing demand owing to their natural bounds and for environmental reasons.

Therefore, a two-pronged strategy is to be attempted (i) to provide more energy for increasing population and (ii) at the same time, to conserve energy in view of exhaustible nature of commercial energy sources and natural upper bounds and/or environmental constraints for increasing the availability of non-commercial energy sources beyond a certain extent. A possible solution is to opt for a fuel-mix which can strike a balance between the two.

Moreover, with this high level of dependence on non-commercial energy and relatively inelastic nature of consumer demand for fuel and light with respect to their aggregate consumption expenditure,[2] the planning strategy for a medium-run period, should take into account one or more of the following options—(1) the possibility of increasing the use of improved appliances with higher net (useful) energy coefficients, (2) dependence on renewable energy sources, and (3) supply of commercial energy sources

The cross-section studies across different regions of the country vary depending on variations in agro-climatic conditions, food habits, agricultural pattern, availability of different exhaustible fuel-sources and use of different non-conventional energy sources Now the availability and use of non-commercial fuel sources and supply of non-conventional energy sources can be analysed for a region-specific study which minimises the effects of agro-climatic variations, differences in socio-economic conditions, ununiform consumption patterns, etc. Herein lies the importance of a decentralised planning. So we have restricted ourselves to a village-level study.

Of the available supply of different fuel sources, the pattern of energy consumption (or needs) is mainly guided by the availability of these energy sources at cheaper private costs and by the absence of alternative fuel sources at reasonable cost. However, there are also multiple uses of some fuel sources in different activities/end-uses in household and agricultural sectors. Hence, an integrated approach, incorporating the energy requirements in different sectors, for the rural economy is warranted.

II
The Model

This rural energy system itself is a very complex one with a number of interdependent variables and parameters and to quantify them is a difficult task owing partly to non-availability of suitable data and partly to the non-economic characters of some variables. Moreover, the fuel use options inter-relate different activities/end-uses so that a shift (in fuel source) from one end-use to another leads to a change in the pattern of energy consumption in the rural economy as a whole. To understand this inter-dependence, we should look into the pattern of energy flow in different sectors in a village economy.

This research has been initiated with the premise that land-use pattern is given and so is the livestock population. This is a realistic assumption in a static framework (for a given reference year). On this basis, the energy flow has been schematically represented in the figure. It follows from the diagram, that although the total availability of each type of energy sources is given, the use of each type of fuel source in different activities is determined by the system as a whole depending upon various economic and technical parameters and more importantly on the objective function chosen.

We shall estimate the total cost incurred by the rural economy on energy consumption from a linear programming exercise. This has been done by obtaining the optimal, consumption pattern of energy sources when the objective is to minimise the total cost of energy subject to fulfilment of different demand and availability constraints

A simple model based on these considerations has been attempted here by taking two major sectors—namely, household sector and agricultural sector. Given the information regarding the pattern of energy consumption and the availability of different fuel sources, we have chosen to build up a linear programming model with an objective to analyse the cost implications of various options introduced for rural energy planning at a village level.

The availability constraints are different for different non-commercial energy sources. However, for commercial energy sources, no supply constraint has been imposed. This seems realistic as we have considered a village for which variation in commercial energy demand do not make a significant impact on the overall production of commercial energy sources in India.

To see the fuel options introduced to meet the various end-uses/activities, the demand requirement of each end-use/activity has to

be taken into account. In our two sector model, the following end-uses/activities have been considered.

Household Sector

(i) Cooking: with energy supply options—fuelwood, dung-cake, crop-residue, kerosene and bio-gas.[3]

(ii) Lighting: where fuel options are kerosene, electricity (from grid) and bio-gas.

Agricultural Sector

(i) Field Operations: Here diesel and (draught) animal power are major fuel options.

(ii) Minor (lift) Irrigation: For this, the fuel options are diesel, electricity, animal power and bio-gas.

(iii) Rural Transport: with supply options—diesel and animal power.

Two end-uses—(a) bio-gas plant and (b) fodder have also been taken into account. For example, bio-gas plant requires cowdung to produce bio-gas and manure. As cowdung can be used both for cooking (in dung cake form) and in bio-gas preparation (in wet form), bio-gas production can be changed by changing the cowdung availability for bio-gas preparation. The trade-off for cowdung use in bio-gas preparation and in cooking has thus been incorporated in the model.

Similarly crop residue is needed for both cooking and maintenance of livestock population. Thus a trade-off exists here too. An increase in crop residue use in cooking causes a decrease in the crop residue availability to maintain livestock and the village has to purchase fodder from outside.

This model is based on the following assumptions:

(a) The objective function and the constraints are assumed to be linear. This rules out any significant economies of scale with reference to activity levels relating to production, transportation and end-use of different forms of energy. However, this seems realistic in a medium-run reference period in which a significant technological change is improbable.

Owing to various interlinkages, same fuel source is used for different activities/end-uses. We shall, however, take into account only the direct uses of the energy sources.

The fodder intake along with its quality, agro-climatic zone and nature or breed of draught animals determine the productivity of the draught animals in agriculture and the number of hours for which it can work. Owing to lack of region-specific data, it is assumed to work 1,500 bullock-hours/year [Rajendran et al 1982].

(d) The fodder intake of and the dung availability from each type of animal have been considered as parameters [Desai 1980].

(e) The availability of dry dung (dung-cake) as well as the farmyard manure from a given quality of fresh animal dung is assumed to remain fixed in our model although it can vary depending upon the nature of animal waste. The regional variation in the case of bio-gas production and production of slurry in bio-gas plants have been neglected.

(f) The crop residues are used in cooking and as fodder only. The use of crop residues in the construction of 'kuccha' houses is ignored.

(g) All the major fuels used in an activity are assumed to be perfect substitutes of one another in that activity. For example, in cooking, any kind of special preparation requiring a particular fuel is ignored.

(h) The requirement of useful energy depends on the efficiency of each type of appliance used for an activity. We have considered only one type of appliance for each fuel source in each activity. However, in cooking, we have considered two types of appliances for each fuel source (except bio-gas) and have generated two scenarios:

(A) Scenario I: when all the cooking fuels are used in traditional appliances.

(B) Scenario II: when only improved appliances are used in cooking.

(i) The present level of consumption of fuel wood has been assumed to be the upper limit of availability of it. This is justified on the ground that the village, at present, dependent on fuel wood for cooking is assumed to collect the maximum possible fuel wood from the village or from nearby areas.

(j) Human energy has not been taken into account.

With these assumptions, we have formulated the linear-programming model with the objective to minimise the total cost of the (rural) village society in different energy sources subject to the fulfilment of energy requirements for different activities/end-uses and also to the availability of different fuel sources. A detailed description of the model has been given in Appendix.

The optimal solution of the model selects the best possible way of meeting energy needs for a particular end-use on the basis of the cost economy. It takes out the economically most viable technology to meet the requirement and looks for an alternative when it comes across a limiting constraint associated with the technology. However, two important problems crop up at this stage which are to be taken care of in our study.

(a) The cost co-efficients attached to each of the various fuel sources in the objective function incorporates both the cost of energy source and also the cost of energy-source for its end-use (or activity), i e, user's cost. In the case of the latter, the cost of appliance is to be taken into consideration. In a planning exercise, the cost of fuel source is measured by the economic costs. In this case, the costs of non-commercial fuels incorporate the cost of production, collection, transport, etc (apart from environmental cost which is difficult to measure owing to its non-economic behaviour) while the costs of commercial fuels take into account the cost of their production in India. However, in a village-level study, where the decision is mainly guided by private costs of fuel sources, incurred by individuals (e g, the market price of kerosene is much less than its economic cost), the exercise concerning these costs does not seem to be very relevant provided—(i) the results in the two exercises are very similar to one another, or, (ii) some fiscal/monetary measures can provide a check on the consumption of those fuel sources, uneconomical according to the economic cost exercise. Therefore, for a proper planning strategy, both the costs are to be taken into account. Separate exercises have been atempted to test the model with both 'financial' as well as 'economic' costs

(b) While doing such an exercise for a village-level study, the aggregate of each type of different fuel sources available is taken. For example, (a) the crop residue is dependent on total agricultural crop production, and (b) cowdung is a function of total livestock population of the village. But such exercises

Table 1: Different Categories of the People

Category	Area (hectares)
Cultivator I	less than 1
Cultivator II	1 – 2
Cultivator III	2 – 4
Cultivator IV	4 – 10
Cultivator V	above 10
Landless labourer	no land
Artisan	–

Table A1: General Information about the Village Sirsi, Jaipur District

Number of households	463	
Human population (1981)		
Male	1,732	
Female	1,484	
Total	3,216	
Area (hectares)	966.00	
Cultivable waste	14.94	< 1.50 >
Net sown area	892.58	< 92.40 >
Irrigated	486.00	< 0.54 >

accept the free interpersonal (inter-household) transaction as granted and ignores the asset-holding distribution of different size-class of the population in the village. For example, the crop residue, *ceteris paribus*, is proportionate to the land size and the crop residue availability to landless labourers is zero. Thus, even if crop residue emerges as the most efficient cooking fuel source (with zero private cost) in the aggregate (village-level) exercise, landless labourers have to depend on more costly fuel source to meet their cooking energy requirements. Therefore, a decentralised exercise has been undertaken for each of the asset-holding classes and get the aggregate view of the village as a whole by summing up the optimal results for all classes.

Taking all these considerations into account, let us discuss the results obtained for a village called Sirsi[4] in the district of Jaipur in Rajasthan.

III
The Data

For the study, we have primarily depended on the data obtained from a survey report: Report on Energy Consumption Pattern—A Study of North-East Rajasthan, conducted by Kanta Ahuja and U S Rathore of Institute of Development Studies, Jaipur (Rajasthan). But when the survey data has not provided us adequate information, especially relating to the capacity related parameters and technical parameters, the data from various sources have been used, namely, (1) the sectoral statistics published by the different departments of the government of India; (2) the reports of various committees/groups on the development of the different energy-related sectors in the country; (3) various articles/seminar papers published in different sources. A few gaps in the data requirements has been covered by getting information from some private institutions/organisations.

The report has classified the people of the village according to their landholding sizes (Table 1). For each individual category, we have tested our model to get the optimal consumption pattern of energy sources.

IV
The Results and Analyses

The linear programming optimisation problem developed on the basis of the model and the data has 28 variables and 50 constraints (including non-negativity constraints). The solutions are obtained for each of the cases with different cost structure by using a soft-ware package Linear Interactive and Discrete Optimiser (LINDO) while qualitative discussions of the results have been made below the quantitative results are shown in Annexure tables (see Tables A1 to A9).

Cooking

Of the five fuel options considered in our formulation, namely, fuelwood, dung-cake, crop residue, kerosene and bio-gas, commercial energy consumption emerges to be less efficient compared to others. Although the results are different for two exercises (using different costs), both of them campaign for more and more use of bio-gas for cooking in the coming future.

When financial cost is considered, fuelwood emerges as the most efficient cooking fuel. Lower transport and collection costs within the village and use of twigs, branches and leaves (and not logs) cause a lower private cost of fuelwood as compared to other cooking fuel options. Thus the economic choice of fuelwood is obvious. However, owing to its low useful energy content and as fuelwood consumption is restricted by an availability constraint, energy demand in cooking cannot be met from fuelwood alone.

TABLE A2: MAJOR PARAMETERS AND DATA FOR THE EXERCISE

	Cultivator I	Cultivator II	Cultivator III	Cultivator IV	Cultivator V	Landless Labourers	Artisans and Others	Total
Resource Related Parameters	99.832	276 240	122.574	178 102	106 330	81.815	220.912	1085.805
Quantity of fuelwood (tonne)								
(upper bound of fuelwood)								
Ownership of animals								
Milch animal	41	29	86	81	134	8	63	442
Draught animal	42	31	90	85	140	8	65	461
Dry animal	40	30	86	82	134	8	63	443
Young stock	59	42	124	118	193	12	91	639
Total	182	132	386	366	601	36	282	1985
Dung availability from animals (tonne)								
Milch animal	180.874	127.936	379.394	357.337	591.150	35.293	277.928	1949.911
Young stock	107.675	76.650	226.300	215.350	352 225	21.900	166.075	1166.175
Dry animal	168.380	126.286	362.019	345.181	564.076	33.676	265.200	1864.817
Total (obtainable)	456.929	330.871	967.713	917.868	1507.451	90.869	709.203	4980.904
Dung which may be collected	319.850	231.610	677 399	642.507	1055.216	63.608	496.442	3486.633
Estimation of crop-residue (tonne)								
Crop residue	24.563	31.295	93.851	171.372	372.115		20.801	713.998
Crop residue (dry weight)	7.615	9.702	29.099	53.125	115.356		6.462	221.358
Fodder (dry weight)	0.629	0.807	2.288	4,132	9.563		0.687	18.106
Demand Related Parameters								
Useful energy requirement in cooking								
('000 K calories)								
Scenario I	69300.83	204591.00	88977.70	119582.60	74703.07	62511.76	180034.10	799701
Scenario II	202216.20	588112.40	259657.20	355378.90	218405.50	176559.30	487329.00	2287659
Useful energy requirement in lighting								
('000 K calories)	1093.78	1832.40	1164.49	1697.85	826 98	76.26	2393.38	9085
Gross cropped and irrigated area								
(hectares)								
Gross cropped area	34.00	43.65	123.75	223.45	517.17		37.16	979.18
Gross irrigated area	16.46	20.71	67.86	125.93	247.74		7.30	486.00
Volume of freight traffic (tonne km)								
Crop production (tonne)	13.73	17.48	52.62	96.16	207.87		11.40	399.26
Volume of freight traffic	137.25	174.77	526.22	961.63	2078.67		114.03	3992.59

Considering the cost structure of bio-gas and its efficiency (60 per cent), bio-gas comes out as the second-best alternative fuel source to meet the rest of the energy demand. It has thus been noticed that with financial cost structure, cowdung is more efficiently used as bio-gas than as dung-cake in cooking

Dung-cake, *per contra*, appears to be the most efficent fuel source if economic cost is considered because of its lower social cost In rural India, cowdung collection and dung-cake preparation are done mainly by women and children who do not have any alternative employment. Thus the opportunity cost in dung-cake preparation has been assumed to be zero and the cost co-efficient of dung-cake comprises only of the cost of its use in cooking.

As the energy available from dung-cake falls short of the total demand, fuelwood and bio-gas are used subsequently. Both bio-gas and dung-cake supply are constrained by the availability of cowdung (and hence by the livestock population) so that even when the opportunity cost of dung-cake is higher than that of bio-gas in cooking, bio-gas would be substituted for dung-cake with every increase in cooking energy demand and the share of dung-cake falls For other two options—crop residue is more efficiently used as fodder, while kerosene consumption can be reduced to zero if the required level of bio-gas can be made available

Therefore, a decentralised planning strategy to popularise the bio-gas energy[5] can be suggested in the face of rising demand (owing to increasing population pressure) and limited supply of non-commercial sources While the fuelwood use cannot be increased above a certain bound owing to environmental threats, the possibility of increase of cowdung supply has also a limited scope in the coming years given the present low rate of growth (1 per cent per annum) of the livestock population.

The optimal consumption pattern of fuel sources in cooking remains more or less the same for each individual class. However, it has been noticed that two categories of people (cultivator II and landless labourers) use kerosene which is more expensive. The ownership pattern of livestock is such that bio-gas production and fuelwood together cannot meet their energy demand in cooking. Thus these two categories, with lowest per household income among all categories, have to depend on more expensive commercial sources

The problem, therefore, lies in the basic question of property ownership Until and unless some directions towards co-operation of the village is done, the burden of costly energy use is to be borne by the poorer section of the society

An additional exercise has been attempted to see the effect of using improved 'chulhas' (in cooking) with higher useful energy contents. It has been found that the dependence on bio-gas can be decreased if sufficient amounts of fuelwood, dung-cake are available. Otherwise the consumption of kerosene would remain positive resulting in a pressure on depleting foreign exchange reserve in India.

Lighting

Three fuel options, namely, electricity, kerosene and bio-gas have been considered in lighting. The optimal solution stresses the use of electricity which accounts for 100 per cent of the total demand for this end-use, if available up to the required level. For this, the increase in cost of more electricity generation is far less than the saving from production of kerosene use. Moreover, a major part of the saving is in the foreign exchange market.

The result, therefore, recommends for rural electrification in this village so that every household can use electricity for its domestic use. According to the survey data, the number of households electrified is only 65 per cent of the total households.

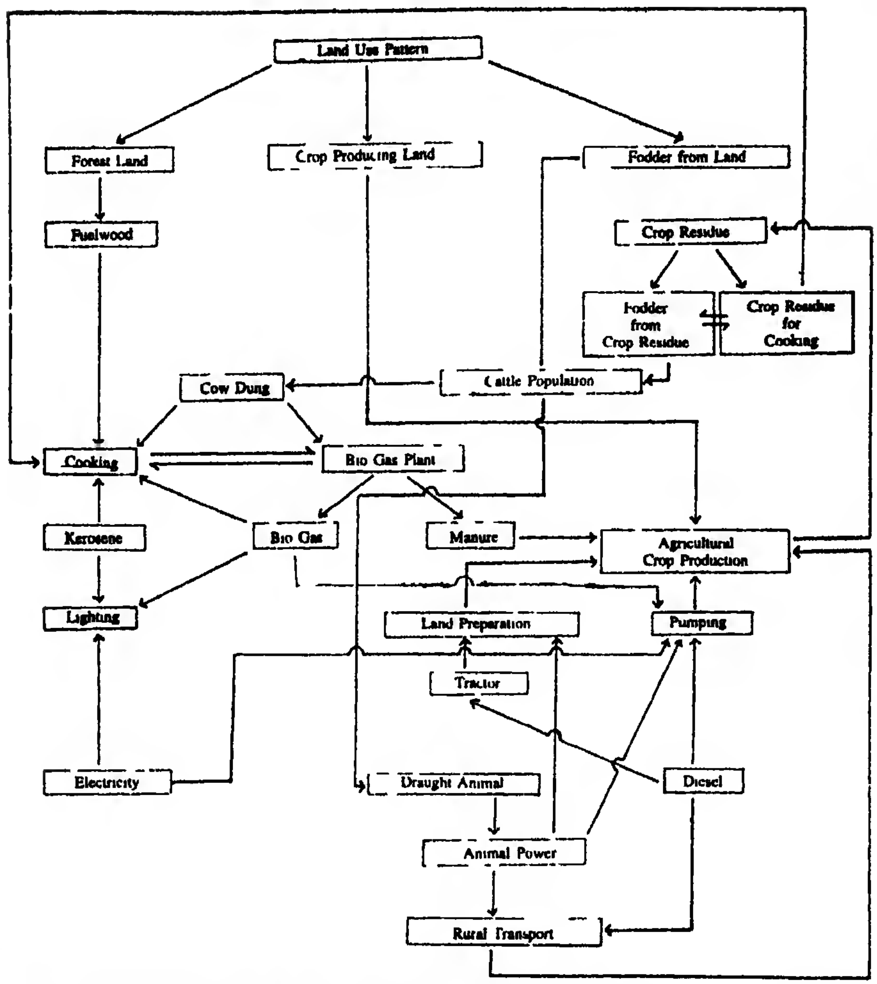
The domestic sector which includes primarily cooking and lighting consumes about 92 per cent of the gross energy. The shares of cooking and lighting in the total (net or

Table A3 Estimated Figures for Cost Coefficients in the Model (including the End-use Costs)

Name of the Fuel Source	End-use/Activity	Financial Cost	Economic Cost	End-use Cost
Fuelwood		Rs 30.2/qntl	Rs 58/qntl	
End-use cost in				
	Cooking			
	Scenario I			Rs 0.5/qntl
	Scenario II			Rs 1/qntl
Cowdung		Rs 16/qntl		
End-use cost in				
	Cooking			
	Scenario I			Rs 1.5/qntl
	Scenario II			Rs 3/qntl
Crop residue				
End-use cost in				
	Cooking			
	Scenario I			Rs 33.8/qntl
	Scenario II			Rs 63.0/qntl
Animal power		Rs 1 68/bullock-hour	Rs 1 68/bullock-hour	
End use cost in				
	Agricultural activities			Rs 0.12/bullock-hour
	Lift irrigation			Rs 5 26/bullock-houe
	Rural transport			Rs 0.88/bullock-hour
Kerosene		Rs 2 25/litre	Rs 4.06/litre	
End-use cost in				
	Cooking			
	Scenario I			Rs 1.16/litre
	Scenario II			Rs 1.66/litre
	Lighting			Rs 0.65/litre
Diesel		Rs 3.50/litre	Rs 3.52/litre	
End-use cost in	Agricultural activities			Rs 8.22/litre
	Lift irrigation			Rs 1 52/litre
	Rural transport			Rs 11.07/litre
Electricity		Rs 0.53/Kwh (Domestic) Rs 0 22/Kwh (Agriculture)	Rs 1.02/Kwh	
End-use cost in				
	Lighting			Rs 0.56/Kwh
	Lift irrigation			Rs 0.39/Kwh
Bio-gas (1)		Rs 1 83/cu m	Rs 1.83/cu m	
End-use cost in				
	Cooking			
	Scenario I			Rs 0.10/cu m
	Scenario II			Rs 0.10/cu m
	Lighting			Rs 0.65/cu m
	Lift irrigation			Rs 6.33/cu m

Notes (1) For cooking and lighting, the size of the bio-gas plant considered is 2 cu m while for lift irrigation, 10 cu m Bio-gas plant has been taken into account.

FIGURE 1: SCHEMATIC REPRESENTATION OF ENERGY FLOW



useful) domestic sector energy are about 99 per cent and 1 per cent respectively.

Field Operations

The cost and technical parameters attached to different fuel options, namely, diesel and animal power for their use in this activity suggest that the village should use animal power for field operations. The economic reasoning behind such solution can be studied. In this static analysis, we are to meet a given target crop production from a given land so that per hectare productivity requirement is determined. The operation takes place during a certain time-period in a year. The tractors (35 hp) can do this work quickly but at a higher cost whereas the animal power does the same at a lower cost but takes a longer duration. Under such circumstances, it is economical to use animal power with lower total cost, provided its productivity is high enough to meet the required level of land preparation within the given season.

If the productivity (per bullock-hour) of bullock is low, then it can be used for a longer duration to use its full capacity. This will reduce the per unit cost of bullock operation. This can be done also by using improved agricultural equipment. However, if the cropping intensity increases and/or if the production target is to be met only through large improvement in productivity, tractor operation may be cost-effective.

Lift Irrigation

Each of the four fuel options considered for this activity is assumed to be used with a particular type of appliance, shown below:

Energy Source	Appliance Considered	Capacity (hp)
Diesel	Diesel Pump	6.5
Electricity	Electric Pump	7.5
Animal Power	Persian Wheel	3.0
Bio-gas	Dual Pump	10.0

The optimal solution favours the use of electricity only in lift irrigation. The result remains the same irrespective of cost structures considered. The argument in favour of rural electrification has become stronger as it is also useful for minor irrigation. Therefore, if the electricity supply can be obtained from grid directly for agriculture without much of transmission losses, and the diurnal variation of electricity demand is not taken into account, electric pumps come out as the most efficient fuel source. This can decrease the demand for more diesel, the second best energy option for lift irrigation.

Rural Transport

In our formulation, we have considered rural transport which arises from the transportation of agricultural production. The transport in the domestic sector has not been taken into consideration owing partly to more use of human labour for which data are not easily available.

The result shows that tractor is more efficient than animal cart and, therefore,

TABLE A4 CALORIFIC VALUES AND EFFICIENCIES OF THE FUELS USED IN THE DOMESTIC SECTOR

Fuel Options	Calorific Values		Efficiency		
	Unit	K Cal/Unit	Useful Energy (K Cal/Unit)	Unit	Per Cent
Cooking					
Firewood (traditional)	Kg	4,700	470 00	Per kg	10
Firewood (improved)	Kg	4,700	1,410 00	Per kg	30
Cowdung (traditional)	Kg	2,130	149 10	Per kg	7
Cowdung (improved)	Kg	2,130	319 50	Per kg	15
Crop-residue (traditional)	Kg	3,500	245 00	Per kg	7
Crop-residue (improved)	Kg	3,500	525 00	Per kg	15
Kerosene (traditional)	Ltrs	8,947	3,757 74	Per litre	42
Kerosene (improved)	Ltrs	8,947	5,368 20	Per litre	60
Bio-gas	Cu m	4,725	2,835 00	Per cu m	60
Lighting					
Kerosene	Ltrs	8,947	89 47	Per litre	1
Electricity	Kwh	861	86.10	Per kwh	10
Bio-gas	Cu m	4,725	60 48	Per cu m	1.28

Note: For calculation of efficiency of bio-gas, we have assumed 2 cu m plant

Sources: (1) Application of a Rural Energy Model in Energy Planning (Part A), TERI, New Delhi, 1989.
(2) Sharma, EAS (1986)

diesel accounts for 100 per cent of the energy in rural transport. The result arises mainly because tractor (35 hp) has much higher capacity than a bullock cart (0.5 hp) in this activity. Thus the time taken for transportation of animal haulage by animal cart (traditional) is far more than a tractor so that the total cost is much more for the former. It has been seen that animal power is used only for field operations while the optimal fuel options in lift irrigation and rural transport are electricity and diesel respectively.

Field operations take place during a particular season in a year and animal power is required only for this season. We have assumed in our formulation that for using a bullock for one or more agricultural activities, it has to be maintained throughout the year and this requires a certain maintenance cost. Thus the number of bullocks used for field operations would remain idle for the rest of the year and the social marginal cost of draught

TABLE A5: CONSUMPTION OF DIFFERENT FUEL-SOURCES IN DIFFERENT ACTIVITIES OR END-USES (PER HOUSEHOLD PER ANNUM)

Fuel Sources	Cultivator I	Cultivator II	Cultivator III	Cultivator IV	Cultivator V	Landless Labourers	Artisans and Others
Fuelwood in cooking	1,848.73	5,416.46	2,269.90	3,298.19	1,969.07	1,515.09	1,555.72
Total fuelwood (kg)	1,848.73	5,416.46	2,269.90	3,298.19	1,969 07	1,515.09	1,555.72
Cowdung in cooking	0.00	0.00	0.00	0.00	0.00	0.00	
Cowdung in bio-gas operation	2,672 54	7,058.50	3,745.84	4,284.04	2,952 96	1,682.75	4,994.39
Total cowdung (kg)	2,672 54	7,058.50	3,745.84	4,284 04	2,952 96	1,682.75	4,994.39
Crop-residue in cooking	0.00	0.00	0.00	0 00	0 00	0.00	0.00
Crop-residue as fodder	141.01	190.23	538.77	983.80	2,136.22	0.00	45.51
Total crop-residue (kg)	141.01	190.23	538.77	983 80	2,136.22	0.00	45.51
Animal power in field operation	0.00	0 00	127.74	0 00	0.00	0.00	0.00
Animal power in lift irrigation	0.00	0 00	0.00	0.00	0.00	0 00	0.00
Animal power in rural transport	0.00	0.00	0.00	0 00	0.00	0.00	0.00
Total animal power (bullock-hour)	0.00	0.00	127.74	0.00	0.00	0.00	0.00
Kerosene in cooking	0.00	98 80	0.00	0 00	0.00	49.12	0.00
Kerosene in lighting	0.00	0.00	0.00	0.00	0.00		0.00
Total kerosene (litre)	0.00	98 80	0.00	0 00	0.00	49.12	0.00
Diesel in field operation	47.34	0 00	172 31	311 13	720 09	0.00	19.68
Diesel in lift irrigation	0.00	0.00	0.00	0.00	0 00	0.00	0.00
Diesel in rural transport	0.32	0.43	1.23	2.24	4 85	0 00	0.10
Total diesel (litre)	47.66	0 43	173.53	313.37	724.94	0.00	19.78
Electricity in lighting	235.25	417 30	250 46	365 18	177.87	16.40	195.76
Electricity in lift irrigation	133.69	178 10	551.17	1,022.82	2,012 18	0.00	22.55
Total electricity (kwh)	368.94	595 40	801 63	1,388.00	2,190.05	16.40	218.31
Bio-gas in cooking	146.19	386.10	204.90	234.34	161.53	92.05	189.30
Bio-gas in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bio-gas in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total bio-gas (cu metre)	146.19	386.10	204.90	234.34	161.53	92.05	189.30
Total purchased fodder (tonne)	112.64	97 28	223.97	184.48	272.82	186.41	179.95

TABLE A6: CONSUMPTION OF DIFFERENT FUEL-SOURCES IN DIFFERENT ACTIVITIES OR END-USES

Fuel Sources	Cultivator I	Cultivator II	Cultivator III	Cultivator IV	Cultivator V	Landless Labourers	Artisans and Others
Fuelwood in cooking	1,848.73	5,416.46	2,269.90	3,298.19	766.95	1,515.09	1,555.72
Total fuelwood (kg)	1,848.73	5,416.46	2,269.90	3,298.19	766.95	1,515.09	1,555.72
Cowdung in cooking	1,537.46	0 00	3,888.35	3,831.43	6,860.65	0.00	423.00
Cowdung in bio-gas operation	1,194.32	7,058 50	7.29	600.23	0.00	1,682.75	3,053.94
Total cowdung (kg)	2,731 78	7,058.50	3,895.64	4,431.65	6,860.65	1,682.75	3,476.94
Crop-residue in cooking	0.00	0 00	0.00	0 00	0.00	0.00	0.00
Crop-residue as fodder	141.01	190 23	538.77	983.80	2,136.22	0.00	45.51
Total crop-residue (kg)	141.01	190 23	538.77	983.80	2,136.22	0.00	45.51
Animal power in field operation	93.97	127.74	342.04	617.61	1,429.44	0.00	39.06
Animal power in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Animal power in rural transport	0 00	0.00	0.00	0.00	0.00	0.00	0.00
Total animal power (bullock-hour)	93.97	127.74	342.04	617.61	1,429.44	0.00	39.06
Kerosene in cooking	0.00	98.80	0.00	0.00	0.00	49.12	0.00
Kerosene in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total kerosene (litre)	0.00	98.80	0.00	0.00	0.00	49.12	0.00
Diesel in field operation	0 00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in lift irrigation	0 00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in rural transport	0.32	0.43	1.23	2.24	4.85	0.00	0.10
Total diesel (litre)	0.32	0.43	1 23	2.24	4.85	0.00	0.10
Electricity in lighting	235.25	417.30	250.46	365.18	177.87	16.40	195.76
Electricity in lift irrigation	133.69	178.10	551.17	1,022.82	2,012.18	0.00	22.55
Total electricity (kwh)	368.94	595.40	801.63	1,388.00	2,190.05	16.40	218.31
Bio-gas in cooking	65.33	386.10	0.40	32.83	0.00	92.05	167.05
Bio-gas in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bio-gas in lift irrigation	0.00	0 00	0.00	0.00	0.00	0.00	0.00
Total bio-gas (cu metre)	65.33	386.10	0.40	32.83	0.00	92.05	167.05
Total purchased fodder (tonne)	2 39	1.91	5.42	55.39	9.62	3.45	1.39

power use for these two activities can be assumed to be zero only.

An exercise has been done in this direction to look into the changes in optimal fuel-mix in lift irrigation and rural transport, if the cost of animal power is zero. The optimal solution shows no change in the previous fuel consumption pattern. This suggests that it is better to keep this animal power idle for the rest of the year after being utilised for field operations. In rural transport, the sensitivity analysis shows that even if the tractors are hired at Rs 60 per tractor-hour (as mentioned in the survey report) it would be cost-efficient to use tractor for this activity.

Limitations of the Study

1 The linear type of model rules out any possibility of economies of scale while we consider different levels of activities/end-uses in respect of different forms of energy and energy flows to different demand sectors. All these variables are treated as continuous variables while some variables change in discrete quantities in real life, e g, the animal population.

2 The linear programming model tries to yield a corner solution which, in real life, may not be seen due to some non-economic reasons. However, in our model, we have checked the pattern of the fuel consumption by putting more and more constraints on the availabilities of different fuels. The model can also be made more realistic if we incorporate parametric changes in different demand constraints for every year over a medium-run reference period.

3 As we have considered only constant cost coefficients in our analysis, the model cannot explain the price or cost changes endogenously.

4 We have not taken into consideration certain activities like water heating, etc, to avoid complications.

Table A7: Financial Cost of Different Fuel-sources in Gross Energy Requirement in Different Activities/End-uses

(Per Cent)

Fuel Sources	Cultivator I	Cultivator II	Cultivator III	Cultivator IV	Cultivator V	Landless Labourers	Artisans and Others
Fuelwood in cooking	85.81	87.86	76.89	75.25	50.37	88.91	85.31
Cowdung in cooking	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Crop-residue in cooking	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kerosene in cooking	0.00	3.05	0.00	0.00	0.00	5.49	0.00
Bio-gas in cooking	6.82	6.30	6.98	5.38	4.15	5.43	10.44
Total energy in cooking	92.66	97.20	83.87	80.62	54.53	99.82	95.75
Kerosene in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electricity in lighting	2.00	1.24	1.55	1.53	0.83	0.18	1.87
Bio-gas in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total energy in lighting	2.00	1.24	1.55	1.53	0.83	0.18	1.87
Animal power in field operation	0.00	1.01	0.00	0.00	0.00	0.00	0.00
Diesel in field operation	4.17	0.00	11.08	13.48	34.98	0.00	2.15
Total energy in field operation	4.17	1.01	11.08	13.48	34.98	0.00	2.15
Animal power in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electricity in lift irrigation	1.14	0.53	3.42	4.27	9.64	0.00	0.23
Bio-gas in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total energy in lift irrigation	1.14	0.53	3.42	4.27	9.64	0.00	0.23
Animal power in rural transport	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in rural transport	0.03	0.01	0.08	0.10	0.02	0.00	0.01
Total energy in rural transport	0.03	0.01	0.08	0.10	0.02	0.00	0.01
Total energy in all activities and end-uses	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table A8: Economic Cost of Different Fuel-sources in Gross Energy Requirement in Different Activities or End-uses

(Per Cent)

Fuel Sources	Cultivator I	Cultivator II	Cultivator III	Cultivator IV	Cultivator V	Landless Labourers	Artisans and Others
Fuelwood in cooking	67.83	87.86	52.19	58.60	15.38	88.91	78.78
Cowdung in cooking	25.57	0.00	40.52	30.85	62.36	0.00	9.71
Crop-residue in cooking	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kerosene in cooking	0.00	3.05	0.00	0.00	0.00	5.49	0.00
Bio-gas in cooking	2.41	6.30	0.01	0.59	0.00	5.43	8.50
Total energy in cooking	95.81	97.20	92.72	90.04	77.74	99.82	97.00
Kerosene in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electricity in lighting	1.58	1.24	1.05	1.19	0.65	0.18	1.82
Bio-gas in lighting	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total energy in lighting	1.58	1.24	1.05	1.19	0.65	0.18	1.82
Animal power in field operation	1.69	1.01	3.85	5.37	14.03	0.00	0.97
Diesel in field operation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total energy in field operation	1.69	1.01	3.85	5.37	14.03	0.00	0.97
Animal power in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electricity in lift irrigation	0.90	0.53	2.32	3.33	7.39	0.00	0.21
Bio-gas in lift irrigation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total energy in lift irrigation	0.90	0.53	2.32	3.33	7.39	0.00	0.21
Animal power in rural transport	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diesel in rural transport	0.02	0.01	0.05	0.08	0.02	0.00	0.01
Total energy in rural transport	0.02	0.01	0.05	0.08	0.02	0.00	0.01
Total energy in all activities and end-uses	100.00	100.00	100.00	100.00	99.83	100.00	100.00

5 The fertiliser balance has not been taken into account. Thus the trade-off between the use of inorganic fertiliser and manure (produced from bio-gas plants) has not been considered.

Sensitivity Analyses

The model has shown remarkable stability when considered from the planning perspective The sensitivity analyses for the changes in the cost coefficients, especially for the commercial energy sources do not alter the optimal consumption pattern except for the instance of decreasing cost of diesel.

When diesel price falls by about 5 per cent, it emerges as the most efficient fuel source in field operations, and will substitute animal power Consequently, draught animal power will not be used in any agricultural operations and therefore, will not be maintained throughout the year, resulting in fall of cowdung availability Therefore, even if dung-cake appears to be the most efficient cooking fuel, followed by fuelwood, they together cannot meet the total cooking demand As a result, a more efficient energy source will be chosen, namely bio-gas Now cowdung as a raw material will contribute more towards the production of bio-gas as compared to dung-cake Moreover, the decrease in use of draught animals would imply a fall in the demand for purchased fodder

Another exercise has been attempted to measure the impact of the subsidy on bio-gas on the consumption pattern of fuelwood, which owing to its excess use is resulting in environmental destability It has been found that if the bio-gas cost is decreased by 61 per cent, fuelwood would be substituted partially But fuelwood consumption cannot be decreased to zero, because the bio-gas (and/or dung-cake together) cannot meet the cooking energy demand from the available cowdung If more cowdung is to be made available, the cost would increase as the draught animals are to be maintained without making them useful in any agricultural activity Therefore, if the government wants to curb the consumption of fuelwood, it has to bear a heavy cost, which may be taken as a rough estimate of the shadow value for environmental protection

V
Conclusions

All these results, discussed in Section IV may vary depending upon the cooking patterns, food habits, local availability of fuel sources, land use and cropping patterns, etc A centralised planning exercise, based on the aggregate data cannot capture these factors as these are location-specific The exigency of a village-level study is warranted in such a context However, in a vast country like India such a massive task is difficult to take place But if we look carefully, a broad similarity in the consumption pattern can be noticed in a specific agro-climatic zone. Thus a decentralised planning exercise of this kind should be undertaken for at least one sample village in each agro-climatic zone. Coefficients are supposed to be constant for regions having homogeneous socio-economic behavioural pattern of households, level of technology in agriculture, cropping pattern, etc But they may vary over a long time-horizon

Thus, the exercise is valid for application in planning for a time period for which the assumed state of art and technology of energy supplying sectors and the scenario of availability of energy sources remain unchanged In order to capture the impact of the changes in tastes and technology on optimal pattern of energy consumption for a perspective plan period, such exercises should be repeated at regular intervals with revised parameters and structural equations The advantage/utility of this kind of exercise should be judged by its qualitative nature of identifying the problem and finding out analytical solutions with certain degree of precision such that the role of the undermining factors in determining the optimal fuel mix can be understood Thus such exercises should provide building blocks for arriving at integrated rural energy plan and policy

Table A9: Final Results with Financial Costs and Economic Costs

Fuel Sources	Financial Cost		Economic Cost	
	Sum of All Categories	Village-Level	Sum of All Categories	Village Level
Fuelwood in cooking	1,085 80	1 085 80	1 020 89	1 020 89
Total fuelwood (tonne)	1,085 80	1,085 80	1 020 89	1 020 89
Cowdung in cooking	0 00	0 00	930 43	562 99
Cowdung in bio-gas operation	1,897 45	3 486 63	981 81	1 324 73
Total cowdung (tonne)	1,897 45	3 486 63	1 912 24	1 887 72
Crop-residue in cooking	0 00	0 00	0 00	0 00
Crop-residue as fodder	221 35	221 35	221 35	221 35
Total crop-residue (tonne)	221 35	221 35	221 35	221 35
Animal power in field operation	6 514 93	0 00	1 46 146 20	1 46 144 00
Animal power in lift irrigation	0 00	0 00	0 00	0 00
Animal power in rural transport	0 00	0 00	0 00	0 00
Total animal power (bullock hour)	6 514 93	0 00	1 46 146 20	1 46 144 00
Kerosene in cooking	7,691 20	0 00	7 691 20	0 00
Kerosene in lighting	0 00	0 00	0 00	0 00
Total kerosene (litre)	7,691 20	0 00	7 691 20	0 00
Diesel in field operation	70,340 59	73,621 43	0 00	0 00
Diesel in lift irrigation	0 00	0 00	0 00	0 00
Diesel in rural transport	503 07	501 84	503 07	501 84
Total diesel (litre)	70 843 66	74 123 27	503 07	501 84
Electricity in lighting	1,05,518 40	1 05 518 40	1,05,518 40	1 05,518 40
Electricity in lift irrigation	2,13,157 90	2,13 157 90	2,13 157 90	2,13,157 90
Total electricity (kwh)	3,18 676 30	3,18,676 30	3,18 676 30	3 18,676 30
Bio-gas in cooking	91,877 04	1,02,071 70	53 705 03	72,462 52
Bio-gas in lighting	0 00	0 00	0 00	0 00
Bio-gas in lift irrigation	0 00	0 00	0 00	0 00
Total bio-gas (cu metre)	91,877 04	1,02 071 70	53,705 03	72,462.52
Total purchased fodder (tonne)	83,451 49	1,074 20	4,404 01	1,541.52

Appendix

Mathematical Formulation of the Model

Under all the assumptions, mentioned in Section II we have formalised the model with the objective to minimise the total cost of the rural society in different energy sources subject to the fulfilment of energy requirements for different activities/end uses and also to the availability of different fuel sources In the model, the following indices are used

Index i energy sources used (with units mentioned in the parameters)

1 Fuelwood (kg)
2 Cowdung (kg)
3 Crop residue (kg)
4 Animal power (bullock-hour)
5 Kerosene (litre)
6 Diesel (litre)
7 Electricity (kwh)
8 Bio-gas (cubic metre)

Index j activities/end-uses considered.

1 Cooking
2 Lighting
3 Field operations
4 Lift irrigation
5 Rural transport
6 Bio-gas plant
7 Fodder

Index c: agricultural crops

1 Wheat
2 Bajra
3 Jowar
4 Barley
5 Guar
6 Gram
7 Mustard

Index h: animal type

1 Draught animal
2 Milch animal
3 Youngstock
4 Other animal

The objective function can be written as–

Minimise

$$\sum_i \sum_j P_{ij} * L_{ij} - P_m * \alpha * L_{26}$$

where, L_{ij} represents the use of i-th energy source for j-th activity.

P_{ij} represents the cost of i-th energy source for its use in j-th activity. This cost incorporates the cost of energy sources as well as the users' cost. The different energy costs, namely, economic costs and financial costs have been taken into account in two different exercises.

Again, P_m is the cost of manure produced from the bio-gas plant when cowdung is used to get bio-gas (L_{26}) for its different uses. This proportion by gas plant, i e, the amount of slurry (in kg) that is available from a kg of wet cowdung in bio-gas plant is represented by α. This has been done as we have not incorporated the fertiliser requirement balance in our model.

END-USE/ACTIVITY CONSTRAINTS

Cooking

$$\sum_i a_{ij} * L_{ij} \geq E_j \qquad \text{for all } i = 1,2,3,5,8 \quad j = 1$$

where, a_{ij} represents the useful energy obtained from one unit of i-th energy source for j-th activity and E_1 represents the useful energy requirements for cooking. The efficiency coefficients depend upon the appliances used for cooking. Based upon this, we have built up two scenarios—scenario I: when all the energy sources in cooking are used in traditional appliances; scenario II: when all the fuel sources are used in improved appliances in cooking.

Lighting

$$\sum_i a_{ij} * L_{ij} \geq E_j \qquad \text{for all } i = 5,7,8 \quad j = 2$$

where, b_{ij} is the useful energy obtained from one unit of i-th fuel source for j-th activity, and E_2 represents the total useful energy requirement (for lighting).

Field Operations

$$\sum_i c_{ij} * L_{ij} \geq \text{Gross Area Cultivated} \quad \text{for all } i = 4,6 \quad j = 3$$

where, c_{ij} represents the productivity of the i-th energy source for j-th activity, i e, the amount of land that can be cultivated by one unit of energy source i (when utilised) at its full capacity

Lift Irrigation

$$\sum_i d_{ij} * L_{ij} > \text{Total Irrigated Area} \quad \text{for all } i = 4,6,7,8 \quad j = 4$$

where, d_{ij} refers to the area that can be integrated by one unit of the i-th fuel source

Rural Transport

$$\sum_i e_{ij} * L_{ij} \geq T_j \qquad \text{for all } i = 4,6 \quad j = 5$$

where, e_{ij} represents the carrying capacity (weight-multiplied by distance) of one unit of i-th energy source for rural transport and T_1 is the total weight to be transported for a given distance.

AVAILABILITY CONSTRAINTS

Fuelwood Balance

$$\sum_i L_{ij} - \bar{L}_i \leq 0 \qquad \text{for } i = 1, j = 1$$

where, $\bar{L}_i$ represents the maximum fuelwood availability which is equal to the collected fuelwood by the villagers.

Cowdung Balance

$$\beta \sum_h \gamma_h * A_h - L_2 \geq 0 \qquad \text{for } h = 1,2,3,4$$

$$L_2 - \sum_j L_{ij} = 0 \qquad \text{for all } i = 2, j = 1,6$$

where, γ_h represents the dung available from one unit of livestock type h/year. A_h is the total livestock population of type h. However, all the dung production cannot be collected. Therefore, we shall assume that β proportion of the total cowdung is available for use in different activities/end-uses.

The last equation still needs some modifications. We should take into account the ratio of weight of wet and drydung. Taking this ratio of wet dung to dry dung as 5:1, our constraints should be rewritten as:

$$\beta \sum_h \gamma_h * A_h - L_2 \geq 0 \qquad \text{for all } h = 1,2,3,4$$

$$5L_{21} + L_{26} - L_2 = 0$$

when all cowdung is expressed in the wet form.

Bio-gas Balance

$$g * L_{26} - L_8 \geq 0$$

$$L_8 - \sum_j L_{ij} = 0 \qquad \text{for all } i = 8 \quad j = 1,2,4$$

where, g represents the bio-gas obtained from one unit of wet cowdung.

Crop-Residue Balance

$$L_3 - \sum_c \theta_c * X_c \leq 0 \qquad \text{for all } c = 1,2,\ldots,7$$

$$L_3 - \sum_j L_{ij} = 0 \qquad \text{for all } i = 3 \quad j = 1,7$$

where, X_c represents the agricultural production of crop c per year in the village considered and θ_c is the straw-grain ratio for crop c.

Fodder Balance

$$\sum_i L_{ij} + R_F + P_F - \sum_h f_h * A_h \geq 0 \qquad \text{for all } i = 3 \quad j = 7 \quad h = 1,2,3,4$$

where, f_h represents the average quantity of fodder intake (measured in dry equivalent of fodder) by an animal type h. R_F refers to the fodder obtained by raising the fodder land (given the land-use pattern). P_F is the amount of purchased fodder which is required to feed the livestock population after providing them with fodder and crop residues available within the village.

Total Animal Population Balance

$$\sum_h A_h - A = 0 \qquad \text{for all } h = 1,2,3,4$$

i e, the sum of different types of animal population must equal the total livestock population.

It is also assumed that the population of each type of animal is given as, in our analysis, we have considered the activity of draught animal only, the cost function only incorporates the cost of draught animal use. The cost will be incurred only if draught animal is used for any activity/end-use.

It is assumed that if the draught animals are not used in any of the agricultural activities, no cost will have to be incurred and the dung availability from and the fodder requirement for draught animal population will be zero. This is a reasonable assumption as the villagers may sell the bullocks if they do not use them. Thus the fodder requirement and dung availability vary with draught animal use in agricultural sectors. This shows that this constraints can be substituted by

$$A_1 \leq \bar{A}_1$$

where, $\bar{A}_1$ represents the maximum number of draught animals available.

Draught Animal Balance

$$K * A_h - L_4 \geq 0$$
$$L_4 - \sum_j L_{ij} = 0 \qquad \text{for all } i = 4,\; j = 3, 4, 5,\; h = 1$$

where, K represents the amount of animal power (measured in bullock hour) that can be generated by a single draught animal

However different agricultural activities take place in different seasons in a year It is assumed based upon the available information of the report that 40 per cent of the total bullock hours available from a single bullock can be used for field operations while lift irrigation and rural transport can get the maximum of 20 per cent and 40 per cent of the (annual) bullock hours respectively Thus the last equation can be rewritten as

$$L_{43} - 0.4 L_4 \leq 0$$
$$L_{44} - 0.2 L_4 < 0$$
$$L_{45} - 0.4 L_4 \leq 0$$

NON NEGATIVITY CONSTRAINTS

$$L_{ij} \geq 0$$
$$\text{for all } i = 1, 2 \qquad j = 1, 2, \ldots 7$$

Notes

[The author is greatly indebted to R P Sengupta Amal Sanyal and R Mukherjee for their kind and useful suggestions]

1 According to All India Census 1991 total population of India was 844 324 million (approx) of which rural population was 627 178 million (approx)

2 Sarkar and Kadekodi (1988) has shown that the consumer demand for fuel and light is relatively inelastic with respect to their aggregate consumption expenditure pattern to middle and higher income levels (Table below)

FUEL AND LIGHT CONSUMPTION PATTERNS IN RURAL INDIA

Per capita	Expenditure Groups				
Monthly expenditure	0 8	8 13	13 21	21 34	>34
Expenditure elasticities	0 825	1 044	0 563	0 539	0 532

Source Sarkar and Kadekodi (1988) p 14

3 Including of other non conventional energy sources in the model requires little change in the model However as the study concentrates on a village level exercise with no other existing non conventional sources we have not included any other new option for this medium run planning exercise

4 A summary of the basic data has been given in Annexure

5 For the study the annualised cost of 2 cu m bio gas plant including its capital and operation cost has been calculated While labour cost which may arise owing to bio gas expansion strategy has been taken up in a village with number of people with zero opportunity cost of employment the question of water could not be dealt with explicitly and was assumed to be met through independent policy initiatives However other problems related to bio gas operation as described by Prasad et al (1977) is to be taken care of for smooth operation through proper policy

References

Ahuja K and M S Rathore (1987) *Rural Energy Consumption Pattern—A Study of North East Rajasthan* Institute of Development Studies Jaipur

Bhagwan M R (1986) India s Energy Policy in the Late 1980s *Economic and Political Weekly* Vol XXI Nos 44 and 45

Bhatia R (1977) Economic Appraisal of Bio Gas Units in India Framework for Social Benefit Cost Analysis *Economic and Political Weekly* Special Number (August)

Bhaviani S (1976) Bio Gas for Fuel and Fertilisers in Rural India A Social Benefit Cost Analysis *Indian Journal of Agricultural Economics* Vol XXXI No 3

Desai A V (1980) *India s Energy Scene Facts and Their Interpretations* Centre for Monitoring Indian Economy Bombay

Mukhopadhyay A (1977) Energy Policy for Rural India *Economic and Political Weekly* Nos 13 and 31

Moulik T K B H Dholakia and P R Shukla (1988) *Energy Demand for Agriculture in India in the Year 2000* Indian Institute of Management Ahmedabad

Pachauri R K (1977) *Energy and Economic Development in India* Praeger Publishers New York

Pandey U K R K Patel and K S Suhag (1983) The Comparative Economics of Various Sources of Farm Energy in Haryana s Agriculture *Urja* New Delhi

Prasad C R et al (1974) Prospects Problems and Tasks *Economic and Political Weekly* Special Number (August)

Rajendran K et al (1982) Draught Power Requirement in Farms of Coimbatore District —a paper presented at the National Seminar on Draught Animal Power System in India IIM Bangalore

Sarkar H and G K Kadekodi (1988) *Energy Pricing in India Perspectives Issues and Options* ILO ARTEP New Delhi

Sengupta R P (1986) Perspective Planning and Policy for Commercial Energy a report submitted to the Planning Commission Government of India Part II Vol IV

Sharma E A S (1986) Unpublished PhD Thesis Indian Institute of Technology New Delhi

TERI (1987) *Application of Rural Energy Model on Energy Economy* Part A and B New Delhi

CREDIT LYONNAIS

INDIAN BRANCHES

(In thousands of Indian Rupees)

BALANCE SHEET AS AT MARCH 31 1994

	NOTES	1994	1993 (Note 18)
CAPITAL AND LIABILITIES			
Capital	2	156,492	156 492
Reserves and surplus	3	185,063	152,893
Deposits	4	5,163,924	3,009,158
Borrowings	5	522,980	994 949
Other liabilities and provisions	6	382,664	221 693
		6,411,123	4,535,185
ASSETS			
Cash and balances with Reserve Bank of India	7	1 254 983	210,672
Balances with banks and money at call and short notice	8	166,994	295,640
Investments	1(c) & 9	1,750 281	1 586 958
Advances	1(d) & 10	2 918,680	1,988,849
Fixed assets	1(e) & 11	15,142	8 633
Other assets	12	305,043	444,433
		6,411,123	4,535,185
Contingent liabilities	13	7,478,595	2,010,861
Bills for collection		34,150	28,150

The accompanying notes are an integral part of this statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994

	NOTES	1994	1993 (Note 18)
INCOME			
Interest earned	14	600,217	625,710
Other income	15	25,629	23,718
		625 846	649,428
EXPENDITURE			
Interest expended	16	273,791	353,178
Operating expenses	17	77,161	55,608
Provisions and contingencies		178 025	141 221
		528,977	550,007
PROFIT			
Net profit for the year	1(g)	96 869	99,421
Profit brought forward		110,851	65,516
		207,720	164,937
APPROPRIATIONS			
Transfer to statutory reserve	3	19,373	19,884
Remitted to Head Office		64 699	34,202
Balance carried forward	3	123,648	110,851
		207,720	164,937

The accompanying notes are an integral part of this statement

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Vijay Sahni
Partner

Credit Lyonnais
Indian Branches

Sd/-
J M Giovannetti
General Manager

Bombay
June 2, 1994

CREDIT LYONNAIS
INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

1 Summary of Significant Accounting Policies

(a) General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities have been translated at the Foreign Exchange Dealers' Association of India exchange rates prevailing at the close of the year

(ii) Income and expenditure items have been translated at the exchange rates prevailing on the date of the transaction

(iii) Profit or loss on outstanding forward contracts have been accounted on an accrual basis

(c) Investments

Investments are valued at the lower of cost or market value

(d) Advances

(i) Provisions for doubtful advances have been made to the satisfaction of the auditors The provisions have been made based on management's estimates of potential exposure and taking into account guidelines issued by the Government of India and the Reserve Bank of India The net provisions have been included under other liabilities and provisions

(ii) Advances are shown net of bills rediscounted under the new Bill Market Scheme of Reserve Bank of India

(e) Fixed assets and depreciation

(i) Fixed assets have been accounted for at their historical cost

(ii) Depreciation has been provided on the straightline method at the following rates per annum

Furniture and fixtures	10%
Computers	25%
Other equipment	20%
Vehicles	20%

(f) Staff benefits

The Indian Branches have entered into an Employees' Group Superannuation Scheme with Life Insurance Corporation of India for providing retirement benefits to employees

(g) Net profit

The net profit disclosed in the profit and loss account is after

(i) provisions for taxes on income in accordance with statutory requirements

(ii) provision for doubtful advances

(iii) adjustments to the value of current investments

	1994	1993
2 Capital		
Capital	156,492	156,492
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	45,000	27,500
3 Reserves and Surplus		
Statutory reserve		
Opening balance	42,042	22,158
Additions during the year	19,373	19,884
	61,415	42,042
Balance in profit and loss account	123,648	110,851
	185,063	152,893
4 Deposits		
In India		
Demand deposits		
From banks	690	299
From others	168,934	488,375
Savings bank deposits	10,136	6,210
Term deposits		
From banks	1,106,875	1,250,875
From others	3,877,289	1,263,399
	5,163,924	3,009,158
5 Borrowings		
In India		
Reserve Bank of India		60,481
Other banks	374,902	932,972
Outside India	148,078	1,496
	522,980	994,949
Secured borrowings included above		

CREDIT LYONNAIS

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

	1994	1993
6. Other Liabilities and Provisions		
Bills payable	221,833	107,677
Inter-office adjustments (net)	—	3,141
Interest accrued	42,476	28,890
Others (including provisions)	118,355	81,985
	382,664	221,693
7. Cash and Balances with Reserve Bank of India		
Cash in hand (including foreign currency notes)	2,207	916
Balances with Reserve Bank of India		
In current account	1,252,776	209,756
	1,254,983	210,672
8. Balances with Banks and Money at Call and Short Notice		
In India		
Balances with banks		
In current accounts	165,313	95,337
Money at call and short notice		
With banks	—	200,000
	165,313	295,337
Outside India		
In current accounts	1,681	303
	166,994	295,640
9. Investments		
In India		
Government securities	1,230,935	1,125,425
Other approved securities	4,104	4,033
Shares	97,842	—
Others	417,400	457,500
	1,750,281	1,586,958

	1994	1993
10. Advances		
(a) Bills purchased and discounted	298,250	192,538
Cash credits, overdrafts and loans repayable on demand	1,366,439	569,249
Term loans	1,253,991	1,227,062
	2,918,680	1,988,849
(b) Secured by tangible assets	2,003,970	852,207
Covered by bank/ Government guarantees	376,817	162,228
Unsecured	537,893	974,414
	2,918,680	1,988,849
(c) Advances in India		
Priority sectors	451,441	41,917
Public sector	—	50,000
Banks	164,586	136,092
Others	2,189,051	1,749,690
	2,805,078	1,977,699
Advances outside India		
Due from banks	6,035	5,702
Due from others		
Bills purchased and discounted	107,567	5,448
	113,602	11,150
	2,918,680	1,988,849
11. Fixed Assets		
Other than premises (including furniture and fixtures)		
Cost—beginning of year	16,058	13,068
Additions during the year	10,079	3,188
Deductions during the year	—	(198)
	26,137	16,058
Depreciation to date	(10,995)	(7,425)
	15,142	8,633
12. Other Assets		
Inter-office adjustments (net)	11,097	—
Interest accrued	121,725	178,039
Tax paid in advance/tax deducted at source, net	14,135	9,526
Others	158,086	256,868
	305,043	444,433

CREDIT LYONNAIS

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1994

(In thousands of Indian Rupees)

13 Contingent Liabilities

	1994	1993
Liability on account of outstanding forward exchange contracts	5,459,541	654 287
Acceptances, endorsements and other obligations	754,393	215,503
Guarantees given on behalf of constituents		
In India	704,959	407 871
Outside India	296,202	240 420
Bills of exchange rediscounted	180,000	180 000
Underwriting commitments	63,500	312,780
Disputed tax demands	20,000	—
	7,478 595	2,010,861

14 Interest Earned

	1994	1993
nterest/discount on advances/bills	399 614	344,837
ncome on investments	186,317	172,980
nterest on balances with Reserve Bank of India and other inter-bank funds	14,286	107,893
	600,217	625,710

5 Other Income

	1994	1993
Commission, exchange and brokerage	24,275	17,626
Profit on sale of investments	3,088	4,314
Loss on sale of investments	(54)	(10,152)
ncome on exchange transactions	28,557	32,059
Expenditure on exchange transactions	(36,664)	(23,457)
Miscellaneous income	6,427	3,328
	25,629	23,718

16 Interest Expended

	1994	1993
Interest on deposits	206,299	257,372
Interest on Reserve Bank of India/inter-bank borrowings	55,475	51,593
Others	12,017	44,213
	273,791	353,178

17 Operating Expenses

	1994	1993
Payments to and provisions for employees	14,293	11,554
Rent, taxes and lighting	7,240	4,015
Postage, telegrams, telephones, etc	5,842	4,147
Repairs and maintenance	4,391	796
Depreciation on bank's property	3,575	2,870
Printing and stationery	3,406	1,316
Insurance	1,482	1,075
Advertisement and publicity	652	623
Law charges	193	32
Auditors' fees and expenses	180	129
Directors' fees, allowances and expenses	42	44
Other expenditure, including Head Office expenses—Rs 14,777 (previous year—Rs 16,520)	35,865	29,007
	77,161	55,608

18 Prior Year Comparatives

Prior year comparatives have been reclassified to conform with the current year's presentation, wherever applicable

CREDIT LYONNAIS
INDIAN BRANCHES

Auditors' Report on the Financial Statements under Section 30 of the Banking Regulation Act, 1949

We have examined the balance sheet of the Indian Branches of CREDIT LYONNAIS (incorporated in France with limited liability) as at March 31 1994 and the related profit and loss account for the year then ended Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, and the provisions of sub sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI to the Companies Act, 1956 The financial statements are, therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949

In our opinion the accompanying financial statements give a true and fair view of the state of affairs of the Indian Branches of CREDIT LYONNAIS as at March 31, 1994 and of its profit for the year then ended

Furthermore in our opinion,

(a) the transactions of the Indian Branches which have come to our notice have been within the powers of the Indian Branches of CREDIT LYONNAIS,

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act 1956 in the manner so required for banking companies, and

(c) the Indian Branches have maintained proper books of account as required by law insofar as appears from our examination of those books

Arthur Andersen & Associates
Chartered Accountants
Sd/-
Vijay Sahni
Partner

Bombay
June 2, 1994

Poverty and Income Distribution in India

K N Ninan

Against the background of global poverty and income distribution pattern, this paper analyses the trends and causal factors behind rural poverty in India both at the national and state levels during 1957-58 to 1986-87 Adopting an alternate model and categorisation of the time period of analysis into two phases which is empirically and theoretically justified the paper observes that contrary to the findings of other researchers, not only are there distinct time trends in the incidence of rural poverty in India, but also while these trends were positive and significant in Period I (1957-58 to 1968-69), they were negative and significant in Period II (1969-70 to 1986-87) Also, the rate of decline in the incidence of rural poverty in the latter period was much higher than the rate of increase in rural poverty in the preceding period These observations are valid for both all-India and across states, using alternate measures of poverty, i e, the head count ratio and Sen's poverty index The paper then attempts both a time series and cross-section analysis of the causal factors behind rural poverty in India, especially probing into the role of agricultural growth, inflation, access to subsidised food through the public distribution system, population pressure on environmental resources rural consumption levels and inequality, and infrastructure development on the incidence of rural poverty for all-India and across states

The paper suggests that policies to accelerate agricultural growth, infrastructure development and provide better access to subsidised food, along with measures to control inflation promise to be most effective in reducing the incidence of rural poverty in India Measures to control population growth and promote environmental conservation too ought to be incorporated into anti poverty alleviation strategies in India The paper cautions against the implications of recent policy changes in India, viz, structural adjustments, resulting in low priority to agriculture as against industry, slashing of public expenditures on social sectors including subsidised food, etc, which are detrimental to the poor and could reverse the negative trends in rural poverty visible after 1969-70

I
Introduction

SUSTAINED economic growth along with investment and public policies to improve labour productivity and access to basic needs are widely perceived to be most effective in reducing poverty The experience of the western countries earlier and more recently of those from east Asia bears this out On the other hand the experience of some of the south Asian and African countries shows how the absence of such a growth momentum and policy environment could constrain efforts to reduce poverty In some countries such as Brazil and Pakistan, despite rapid economic growth, progress in terms of social indicators like under five mortality, primary enrolment rates has been dismally low Whereas Sri Lanka, despite slow economic growth, ranked high in terms of social or quality of life indicators The countries of sub-Saharan Africa provide the curious combination of low economic growth and social progress resulting in endemic poverty Whether there are trade-offs between growth and poverty or inequality as suggested by the Kuznet's hypothesis or the Immiserisation hypothesis are difficult to surmise in the face of diverse evidences While countries like Japan, Korea recorded significant declines in poverty following a reduction in inequities after widespread land reforms, others like Indonesia were able to reduce poverty with the income distribution pattern unchanged, in still others such as Brazil, Costa Rica a worsening of poverty was associated with worsening inequities All these illustrate how complex a subject poverty is and that no study of poverty will be complete unless it takes note of local conditions and historical processes distinct to each country and region

It is in this context that this paper focuses on poverty in India The size of India's absolute poor (around 420 million people in 1985 with annual per capita incomes below US $ 370), the availability of time series data on poverty and related factors for a reasonable length unique for any developing country as also the diversity of situations and experiences make India ideal for analysing the dynamic processes and causal factors behind poverty Moreover, given the similarity of problems faced by many developing countries the Indian experience may also have lessons for other developing countries to imbibe Our focus is specifically on rural poverty This is because unlike many Latin American countries where poverty is largely an urban phenomenon, in India as in the rest of Asia and Africa it is largely a rural phenomenon The rural poor constitute about 80 per cent of India's total poor Apart from analysing the trends in rural poverty in India over time and states, the paper also attempts to analyse the factors influencing rural poverty in India both at the national and state level

Pioneering efforts in this direction have been made by Ahluwalia (1978), Narain [*vide*, Mellor and Desai 1985] and others [cf various articles in Bardhan and Srinivasan 1974, Srinivasan and Bardhan 1988, Krishnaswamy 1990] Ahluwalia's analysis for the period 1956-57 to 1973-74 revealed no underlying time trend in rural poverty in India and for most states. He also observed wide fluctuations in the inter-temporal incidence of rural poverty in India Other researchers using two point comparisons, tabular or graphic analysis, came to diverse conclusions While Bardhan (1973) observed a rising trend in rural poverty between 1960-61 and 1968-69, Minhas (1970) noted a fall between 1956-57 and 1967-68, Mellor and Desai (1985), Sundrum (1987) and Bhattacharya et al (1991) observed a zig-zag pattern in the inter-temporal incidence of rural poverty, rising for a few years, then falling, again rising and falling subsequently These contradictory findings may be attributed to the differences in methodology employed, the time period and choice of base and terminal years A major short-coming of most of these studies is that while attempting to draw inferences about underlying time trends in rural poverty, they implicitly assume that the time period under consideration is structurally and in terms of the policy environment favouring the poor homogeneous which is far from true. Adopting an alternate model and a categorisation of the time period of analysis into phases which is theoretically and empirically justified, we come up with more meaningful and consistent results These show that contrary to the findings of other researchers, not only are there distinct time trends in rural poverty both at the all-India and state-level, but also while these trends were positive and significant in one period, they were negative and significant in the subsequent period The rate of decline in rural poverty during Period II was higher than the rate of increase in rural poverty during Period I, both for all-India and most states. Our study also confirms the strong

negative association between agricultural performance and the incidence of rural poverty observed by Ahluwalia and others, using both all-India and inter-state data, and to that extent disproves the proposition of a weak link between agricultural growth and rural poverty put forward by some, notably Rajaraman (1975) and, Griffin and Ghose (1979). It also confirms the positive association between inflation and rural poverty observed by Narain But unlike Narain's results, ours are based on more rigorous tests covering not only all-India data, the head count ratio (as the dependent variable) and absolute prices but also inter-state data using alternate measures of poverty and price including examining the effects of lagged agricultural output and price variables on rural poverty We also extend our horizon beyond the narrow confines of the agricultural performance and price variables to also empirically study the relatively neglected issues relating to the role of population growth and environment, access to subsidised food through the public distribution system (PDS), the level of infrastructure development, inequality and other factors on the incidence of rural poverty The paper also questions on theoretical and empirical grounds the practice common among many poverty researchers of including a separate time trend variable as an additional explanatory variable in poverty functions to serve the role of a cover-all variable for all other time-related factors not explicitly considered in the given model In short, we not only seek to update and extend further the contributions of Ahluwalia, Narain and others in this area, but also overcome some of their shortcomings As mentioned earlier, in addition to trends in rural poverty at national and state level we also analyse the causal factors behind rural poverty in India This is at two levels—a time series analysis of factors affecting the incidence of rural poverty at all-India level and a cross-section analysis of factors affecting inter-state incidence of rural poverty at three points of time The data for the study are drawn from official reports and refer to the period 1957-58 to 1986-87

Before proceeding, it will be useful to situate the poverty and related question of income distribution in India in an international perspective Table 1 shows that south Asia (including India) with 23 per cent of the world's population alone accounts for almost half of the world's poor India's share itself is more than a third of the world's poor In terms of some social indicators India lags behind though in terms of life expectancy and net primary school enrolment rates India's position is better However, within India, some regions (e g, Kerala) are on par with developed countries in terms of social progress. India's per capita income in 1989 was US $ 340 which is higher than that of Bangladesh but lower than of Pakistan, Sri Lanka and China. Using the UN's ICP estimates, with the US per capita income as base with 100, India's per capita income which is 4 7 of this, is on par with that of Bangladesh, but less than that of Pakistan, Sri Lanka The income distribution pattern in India conforms to that in many countries For instance, the share in income of the bottom 20 per cent population in India and Japan is over 8 per cent each whereas that of the top 10 per cent are 27 and 22 per cents respectively The share of the bottom 20 per cent population in India is higher than in the UK, US, Brazil and several other countries But then the income levels in India are several times lower compared to in Japan, the UK US, Brazil and several other countries

II
Trends in Rural Poverty

Most poverty studies on India rely on the household consumer expenditure survey data collected by the National Sample Survey (NSS) for their analysis These are available almost uninterrupted on an annual basis from the mid-50s up to 1973-74 Subsequently

TABLE 1 POVERTY AND INCOME DISTRIBUTION A GLOBAL PROFILE

Countries/Regions	Percentage Share to World Total (in 1985)		Proportion of Poor (Head Count Ratio in Per Cent)		Social Indicators		
	Population	Poor	1985	2000 (Projected)	Under 5 Mortality (Per 1000 Births)	Life Expectancy (Years)	Net Primary School Enrolment Rate (Per Cent)
Sub Saharan Africa	9.4	16.1	47	43	196	50	56
East Asia	32.8	25.1	20	4	96	67	96
China	23.2	18.8	20	3	58	69	93
South Asia	23.0	46.6	51	26	172	56	74
India	17.1	37.6	55	25	199	57	81
Eastern Europe		0.5	8	8	23	71	90
Middle East/North Africa	8.3	5.4	31	23	148	61	75
Latin America and Caribbean	8.7	6.3	19	11	75	66	92
All developing countries	82.2	100.0	33	18	121	62	83

Countries	GNP Per Capita in US $ (1989)	UN's ICP Estimates of GDP Per Capita US=100 (1989)	Year	Share in Household Income by Percentile Groups of Households: Bottom 20 Per Cent	Top 10 Per Cent
Bangladesh	180	4.7	1981-82	9.3	24.9
India	340	4.7	1983	8.1	26.7
China	350	—	—	-	
Pakistan	370	8.2	1984-85	7.8	31.3
Ghana	390	--	1987-88	6.5	29.1
Sri Lanka	430	10.5	1985-86	4.8	43.0
Indonesia	500	—	1987	8.8	26.5
Colombia	1200		1988	4.0	37.1
Botswana	1600	19.3	1985-86	2.5	42.8
Malaysia	2160	—	1987	4.6	34.8
Venezuela	2450	—	1987	4.7	34.2
Brazil	2540	—	1983	2.4	46.2
UK	14610	66.1	1979	5.8	23.3
USA	20910	100.0	1985	4.7	25.0
Japan	23810	71.5	1979	8.7	22.4

Notes (1) The poverty line in 1985 purchasing power parity (PPP) dollars is $ 370 per capita a year for the poor

(2) Social indicators Under 5 mortality rates are for 1980 85 except for China and south Asia where the period is 1975 80 These are the probabilities of dying before age 5, life expectancy at birth—it is the number of years a new born infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life, net primary enrolment rate—the number of children aged 6 to 11 enrolled in primary school as a percentage of the population age 6 to 11 adjusted for each country's age structure for primary school the figures of the latter two indices refer to the mid 80s

(3) The UN's international comparison programme (ICP) has developed measures of real GDP on an internationally comparable scale using purchasing power parities (PPP) instead of exchange rates as conversion factors

(4) Income distribution For Bangladesh India Ghana and Indonesia data refer to per capita expenditure, for Pakistan—household expenditure, for Sri Lanka, Colombia Malaysia and Venezuela—per capita income, for remaining countries—household income

Sources (1) *World Development Report 1990—Poverty* World Bank Oxford University Press New York, 1990

(2) *World Development Report 1991—The Challenge of Development* World Bank, Oxford University Press, New York, 1991

the NSS decided to collect these data on a quinquennium basis. However, with a view to building a time series of data a decision was again taken to collect such data on an annual basis from 1986-87 based on a smaller sample to supplement those from the quinquennium surveys. In the absence of time series data on household incomes, most poverty researchers in India have relied on the NSS consumer expenditure survey data. Moreover, consumer expenditure being a better proxy for permanent income is more suited for such analysis than household income data which may correspond to only current income. Most Indian researchers on poverty have used a poverty norm of Rs 15 monthly per capita consumption expenditure at 1960-61 prices for rural India to estimate the incidence of poverty in rural India [cf Dandekar and Rath 1971; Bardhan 1973; Ahluwalia 1978]. This expenditure was deemed to ensure a person access to a specified minimum bundle of goods and services. This norm was inflated for subsequent years using the Consumer Price Index for Agricultural Labourers (CPIAL) with the base 1960-61 = 100, collected by the labour bureau, government of India which is the only available rural-specific consumer price index. Because of variations in commodity prices and rates of inflation across states to derive the corresponding state-specific poverty lines this norm was adjusted using the state-specific consumer price indices for rural areas with the all-India rural price as 100 for a given year. Details as to how these are computed are available in a number of studies [cf Bardhan 1973]. The state-specific CPIALs are used to inflate the state level poverty lines for subsequent years. This norm has been used to arrive at the incidence of poverty for rural India as a whole and statewise. Of the measures used to estimate the incidence of poverty, the most popular are the head count ratio which estimates the proportion of poor with reference to the specified poverty line and the Sen's poverty index which is a more sophisticated and composite poverty index which takes note of the proportion of poor, the gap between the poverty line and the mean consumption of the poor and the Lorenz ratio of consumer expenditure of the below poverty households. Using the NSS consumer expenditure data and the above norms Ahluwalia (1978) estimated the incidence of poverty in India in terms of these two indices for the period 1956-57 to 1973-74. These indices have been updated up to 1986-87 for all-India and statewise by Suryanarayana and are readily available in a recent study [Mahendra Dev et al 1991]. These estimates supplemented by those from Ahluwalia's study have been used for our analysis.

Though our analysis spans a 30-year period, as mentioned earlier, we have only 17 observations at our disposal for analysis, because of gaps in the data cited earlier. This implies that while our trends are based on annual observations from 1957-58 to 1973-74, save for two or three missing observations, thereafter up to 1986-87 they are based on observations available at greater point intervals. Most of the trend fitting exercises earlier [cf Ahluwalia 1978] implicitly assume that the period to which the observations belong are structurally and in terms of the policy environment favouring the poor homogeneous which is far from true. It is our view that the period stretching from 1957-58 to 1986-87 can be broadly visualised as consisting of two phases, Period I from 1957-58 to 1968-69 and Period II from 1969-70 to 1986-87, the latest year for which poverty estimates were available at the time of writing. As is well known the green revolution marked an important phase in India's agricultural development when there was a structural break in the trend rate of agricultural growth. Due to the bad drought years of 1965-66 and 1966-67 and its after-effects the benefits of the green revolution were perceptible only from 1967-68/1968-69 onwards. Even a visual examination of the time series data reveals that the incidence of poverty measured in terms of the head count ratio or Sen's poverty index except for the late 50s generally showed an upward tendency and reached peak levels during 1965-68 and thereafter reversed to record a fall. The post-1969-70 period also marked an important shift in the policy environment towards the poor when following the split in the ruling Congress Party Indira Gandhi in a bid to outwit her political opponents and fulfil her 'Garibi Hatao' (Banish Hunger) slogan sought to give a pro-poor content to her party's programmes. Recognition regarding the limitations of the market mechanism in reaching the fruits of development to the poor and also political and economic compulsions, the post-1969-70 phase witnessed a spurt in poor-centred welfare programmes through direct institutional interventions such as Integrated Rural Development Programme, National Rural Employment Programme, Food for Works Programmes, Employment Guarantee Scheme, Mid-day Meal Schemes for school children, etc, focusing on improving their asset base, employment generation and providing access to basic needs, etc. Thus there are strong theoretical and empirical grounds to treat the period from 1957-58 to 1986-87 as consisting of two distinct broad phases, Period I from 1957-58 to 1968-69 and Period II from 1969-70 to 1986-87, as indicated earlier.

Now regarding the mechanics of our analysis. For fitting trends we have two options. One is to fit separate trends for the two sub-periods. But with only limited observations available we will be left with few degrees of freedom for econometric analysis if we fit trends thus. Moreover, this would also imply that our observations pertain to two different samples. Using an alternate methodology which overcomes these shortcomings we propose to estimate the trends for rural poverty in India, using the following model, viz,

$$g_t = a_0 + a_1 t + a_2 d + a_3 \; (d.t)$$

where, g = Head count ratio or Sen's poverty index; t = Time; d = Dummy variable where d=0 for Period I; and d=1 for Period II; d.t = Product of dummy and time.

The advantage of this model is in terms of more degrees of freedom at our disposal for econometric analysis; inferences about periodwise trends can be drawn from a single sample rather than two (as per the alternate methodology posed earlier), and more important it enables us to see whether the slope itself has undergone a change over the two periods. Linear trends using Ordinary Least Squares (OLS) method have been used to estimate the trends in rural poverty at all-India level and across states. The estimates for Periods I and II presented in Table 2 are derived from the estimated linear equations using the above model. The trends are calculated using two alternate measures of poverty, viz, the head count ratio and the Sen's poverty index, as mentioned earlier.

The results presented in Table 2 are quite interesting. Contrary to Ahluwalia's findings and those of other researchers who observed no underlying time trends in the incidence of rural poverty in India and for most states, our results show otherwise. Not only is there a distinct time trend in rural poverty in India but also while this trend was positive and significant in Period I, it was negative and significant in Period II. This is true irrespective of whether poverty is measured in terms of the head count ratio or the Sen's poverty index. Further the rate of decline in the incidence of rural poverty in the latter period was much higher than the rate of increase in rural poverty in the preceding period. These observations hold true at the state level too with most states reporting positive trends in rural poverty during Period I and negative trends in Period II with respect to both indices as well as the rates of decline in rural poverty in Period II being higher than the rates of increase in rural poverty in Period I. These trends (positive or negative) were statistically significant too in most cases. Interestingly three states, Andhra Pradesh, Tamil Nadu and Punjab reported negative trends in both periods. While our results indicate negative trends in rural poverty for India as a whole and across states after 1969-70, it may be noted that the absolute poor still constitute a significant component in India.

III

Factors Affecting Rural Poverty

An obvious question that arises is as to what are the factors accentuating or reducing rural poverty in India and across states. This is our concern in the remaining part of our analysis. Given the importance of the agricultural sector in the Indian economy—contributing as it does to about 40 per cent of the GNP and providing sustenance to more than two-thirds of the people—it is obvious that the fortunes of the rural poor in India are intrinsically linked to that of the agricultural sector. Ahluwalia's study cited earlier observed a close negative association between the incidence of rural poverty in India and agricultural growth. Agriculture impacts on the poor in more ways than one. A higher agricultural output helps lower food prices as well as improve food availability both of which are to the advantage of the poor. It will not only generate employment opportunities in the agricultural sector but also through its linkage effects spur growth in the non-agricultural sector too thereby creating income earning opportunities. Agricultural growth on the whole will give a fillip to overall economic development raising agricultural incomes. However, if agricultural growth involves a shift from labour-intensive crops and technologies to labour saving ones this could as well work to the detriment of the rural poor rather than beneficial since wages from agricultural employment constitute a major component of the incomes of the poor. Evidences from India, however, suggest that on the whole the green revolution resulted in a net increase of labour use and real wage rates [Dantwala 1985]. Some, however, feel that in the context of the institutional and structural constraints characteristic of most low income countries including India the beneficial effects of growth would be mostly expropriated by the non-poor [cf Griffin and Ghose 1979]. The trickle-down effect implied by Ahluwalia's finding of a negative correlation between agricultural growth and the incidence of rural poverty was thus

TABLE 2: TRENDS IN RURAL POVERTY IN INDIA, STATEWISE AND FOR ALL-INDIA, 1957-58 TO 1986-87
Period I—1957-58 to 1968-69; Period II—1969-70 to 1986-87

States		Dependent Variable: Head Count Ratio		Dependent Variable: Sen's Poverty Index	
		Constant	Time	Constant	Time
Andhra Pradesh	I	0.5090*	–0.0053***	0.1927*	–0.0027
	II	0.6949	–0.0189*	0.2645**	–0.0079**
Assam	I	0.2084*	+0.0156*	0.0418***	+0.0058**
	II	0.4617**	–0.0077**	0.1452**	–0.0024*
Bihar	I	0.4767*	+0.0140**	0.1857*	+0.0103**
	II	0.6785	–0.0071**	0.3195	–0.0048**
Gujarat	I	0.3645*	+0.0109***	0.1224*	+0.0061
	II	0.3075**	–0.0160*	0.2481*	–0.0071*
Karnataka	I	0.3611*	+0.0206*	0.1232*	+0.0118*
	II	0.6590*	–0.0128*	0.3005*	–0.0072*
Kerala	I	0.5493*	+0.0090***	0.2490*	+0.0040
	II	1.0170*	–0.0290*	0.4897*	–0.0155*
Madhya Pradesh	I	0.4404*	+0.0074	0.1782*	+0.0038
	II	0.7453**	–0.0139**	0.3244***	–0.0071***
Maharashtra	I	0.4911*	+0.0065	0.1819*	+0.0036
	II	0.6854***	–0.0118**	0.2413	–0.0039***
Orissa	I	0.5932*	+0.0039	0.2776*	–0.0001
	II	0.8312**	–0.0131**	0.4401**	–0.0097**
Punjab and Haryana	I	0.2294*	+0.0048	0.0790	-Negligible
	II	0.3618**	–0.0097*	0.1182	-0.0038***
Haryana+ only	I	0.2160*	+0.0118	0.0500**	+0.0100
	II	0.3033	–0.0084	0.0966***	–0.0036***
Punjab+ only	I	0.3169*	–0.0157	0.0200	+0.0180
	II	-0.2374	–0.0077	0.0711	–0.0030***
Rajasthan	I	0.3143*	+0.0028	0.1153*	+0.0017
	II	0.5617*	–0.0141*	0.2650*	–0.0080*
Tamil Nadu	I	0.6004*	–0.0017	0.2937*	–0.0057***
	II	0.7634***	+0.0145***	0.3175	–0.0068
Uttar Pradesh	I	0.3938*	+0.0125***	0.1526*	+0.0049
	II	0.5907	–0.0098**	0.1863	–0.0026
West Bengal	I	0.5124	+0.0167**	0.1785*	+0.0115**
	II	0.9424*	–0.0178*	0.4545*	–0.0102*
All-India	I	0.4442*	+0.0055	0.1558*	+0.0048**
	II	0.6615**	–0.0135*	0.2823**	–0.0069*

Notes: (1) These equations are derived from the estimated equations using the model mentioned in the text. The trends computed here are linear trends.
(2) *, **, ***—Statistically significant at 1, 5 and 10 per cent levels of significance. In the equations for Period II derived from the estimated equations, the significance of the constant term is inferred on the basis of the statistical significance of the dummy variable in the estimated equation, while that of the time trend variable is inferred on the basis of the statistical significance of the (d.t) variable.
(3) + – Trends computed separately for Punjab and Haryana are based on data for the period 1964-65 to 1986-87; Period I—1964-65 to 1968-69 and Period II as in all other cases.

Sources: The basic data for the above analysis were taken from Mahendra Dev et al (1990) and Ahluwalia (1978)

challenged by a number of researchers [cf Rajaraman 1975; Griffin and Ghose 1979]. However, these observations are based on weak theoretical or empirical support. To cite an instance, Rajaraman's empirical findings implying a weak causal link between agricultural growth and rural poverty was based on just 10 observations of which only four pertain to the post-green revolution period.

Another factor influencing the incidence of poverty is inflation. Inflation acts like a regressive tax hitting hard the poor leading to a deterioration in their entitlements and real incomes [Sen 1982; see also Sen in Mellor and Desai 1985]. Agricultural growth itself has an in-built inflationary or deflationary effect. A bumper harvest tends to depress prices whereas a bad harvest tends to push them up. Other domestic and external factors too such as demand-supply situation, import/export decisions, uncertainty, etc, also affect prices. Since food constitutes a predominant portion of the consumption basket of the poor it is the food prices which cause most anxiety to the poor. Dharm Narain's study [*vide*, Mellor and Desai 1985] highlighted the role of nominal prices in affecting the incidence of rural poverty. However, Narain's analysis was restricted only to all-India data, the head count ratio and absolute prices. There is a need to validate this further using data for regional disaggregates, alternate measures of poverty (say, the Sen's poverty index) and prices (relative prices too in addition to absolute prices), including the lagged effects of agricultural output and price on rural poverty. These are attempted in our analysis.

Population growth, poverty and environment are closely inter-linked. Rapid population growth impacts on poverty in many ways. It can offset the beneficial effects of economic growth on poverty as experienced by some of the south Asian countries. Moreover, poverty intertwined with rapid population growth exercises intense pressure on scarce environmental resources resulting in environmental degradation through overexploitation of fragile resources—all of which have an adverse effect on poverty. The role of the above factor on rural poverty too needs to be probed into.

A factor which is believed to have worked to the advantage of the poor in India particularly after 1969 is the plethora of poor-centred welfare programmes through direct institutional interventions. There is hardly any empirical attempt to test the influence of these programmes on rural poverty. Of the various institutional interventions, provision of subsidised food through a public distribution system (PDS) assumes importance for the poor. However, except in Kerala and other southern states the programme is largely urban-oriented, though it is gradually being extended to rural areas in some of the other states too. The specification of this variable posed problems for our analysis. Except for one year (1986-87) where the NSS have furnished data on commoditywise actual purchases from PDS to total purchases separately for rural and urban areas, time series data on PDS are available only in the form of PDS offtake aggregated for the rural and urban sectors. Rather than using a time trend variable (for a critique of this procedure, see below) to account for this factor we preferred to use the PDS variable as limited by the data availability expressing it in the form of PDS offtake to total net availability of foodgrains or alternatively the fair price shops per lakh of population except for the cross-sectional analysis pertaining to 1986-87 where actual data on PDS purchases to total purchases of foodgrains for rural areas have been used. Here only rice and wheat which account for bulk of the cereal purchases through PDS have been considered.

The role of other factors, viz, the rural consumption levels, inequality in rural consumption (a proxy for income inequality), and infrastructure development too need to be incorporated in our analysis.

It has also been customary for some researchers [cf Ahluwalia 1978; Rao and Mishra 1981; Narain *vide* Mellor and Desai 1985; and Saith *vide*, Bhattacharya et al 1991] to include a time trend variable as an additional explanatory variable in poverty functions to serve as a cover-all variable for all other time-related factors influencing poverty not explicitly considered in a given model. This implicitly assumes that all such time-related factors not accounted for have a unidirectional influence on poverty which is questionable. In fact, while some such time-related factors, for e g, rural population pressure on agricultural lands, could be expected to exercise an upward-push effect on poverty, others such as PDS offtake are expected to exercise a downward-push effect on poverty. The inclusion of a separate time trend variable in these circumstances is questionable and could even affect the estimates of other explanatory variables.

Keeping the above factors in view and the limitations of data, we propose to examine the causal factors behind rural poverty in India between 1957-58 to 1986-87. The analysis is at two levels—a time series analysis at all-India level and a cross section analysis of inter-state data. To test the robustness of our results the cross-section analysis of inter-state data is attempted at three points of time, viz, 1960-61, 1970-71 and 1986-87. While 1960-61 falls within Period I, 1970-71 and 1986-87 belong to Period II. Though some have expressed their reservations about cross-sectional analysis [cf Srinivasan, in Mellor and Desai 1985] others have felt that it is important in itself as it offers important perspectives on the varying conditions under which poverty occurs [Mellor and Desai 1985]. Moreover, some of the estimation problems one faces in time-series data (e g, multicollinearity, auto-correlation) pose a less serious problem in cross section data.

The variables for our analysis are as follows

Dependent Variable

Head count ratio (in per cent) or alternatively the Sen s poverty index

Independent Variables

To study the impact of agricultural growth (or performance) prices rural population pressure on environmental resources, PDS, rural consumption levels and inequality, and infrastructure development on rural poverty the following variables are considered

(i) Agricultural Output/Performance Variables (four alternate specifications)

NDPAGRI—Real Net Domestic Product from Agriculture at 1960 61 prices per head of rural population

NDPPRM—Real Net Dometic Product from Primary Sector (excluding mining and quarrying) at 1960 61 prices per head of rural population

INDAGRI—Index of Agricultural Production per head of rural population

INDFDGR—Index of Foodgrains Production per head of rural population

(ii) Price Variables (three alternate specifications)

FDPR—Consumer Price Index for Agricultural Labourers for Food Items (where 1960 61 = 100)

RELFDPR—Relative Food to General Consumer Price Index for Agricultural Labourers (1960 61 = 100)

RELCWPI—Relative Cereal to General Wholesale Price Index

(iii) Population Pressure on Environmental Resources

RPPAL—Rural Population Pressure on Agricultural Lands expressed in lakh population per ha of gross cropped area (so as to take note of land augmenting technologies which became prominent in Period II)

(iv) Institutional Intervention (PDS)

PDS—Proportion of PDS Offtake to Total Net Availability of Foodgrains

PDSFP—Fair Price Shops per lakh of population

PDSr—Proportion of Rice Purchased from PDS to Total Rice Purchases in Rural Areas

PDSw—Proportion of Wheat Purchased from PDS to Total Wheat Purchases in Rural Areas

(The last two variables were available only for 1986-87 and were used for the cross section analysis for the year 1986-87)

(v) Consumption Levels/Consumption Inequality

INEQRC—Lorenz Ratio of Rural Consumption

AVPCEG—Average Monthly Real per Capita Consumer Expenditure of the General Rural Population

AVPCEBD—Average Monthly Real Per Capita Consumer Expenditure of the Bottom Decile of the Rural Population

(vi) Infrastructure Development

INFDEVIND—Infrastructure Development Index as constructed by the Centre for Monitoring Indian Economy (CMIE), Bombay

Not all these variables have been included in an equation at a time because of the constraint of limited observations Further, while some variables, viz, NDPAGRI, RELFDPR, PDS PDSFP, INEQRC were common to both the time series and cross section analyses others, viz NDPPRM, INDAGRI INDFDGR RELCWPI, AVPCEG and AVPCEBD were included only in the time series analysis, similarly FDPR RPPAL PDSr PDSw and INFDEVIND figured only in the cross section analysis

In addition the agricultural output and price variables indicated above were also used in their lagged forms One could take a stand that the level of poverty in a given year is not only determined by that year's agricultural performance but also that of the previous year A good crop not only enables a poor household to repay past debts but also build up reserves to meet unforeseen eventualities Similarly inflation too has a lagged effect For instance given the low incomes of the poor a steep rise in prices of essentials may force them to borrow in order to arrest a deterioration if not maintain their consumption standards, the reverberations of which will be felt in subsequent years as well To take note of these lagged effects, an alternate specification of the agricultural output and price variables is introduced which is computed thus (t + t-1)/2 Thus in all we have four sets of equations In one set the dependent variable is the head count ratio, in another the Sen's poverty index. Within these two categories, again one set of equations are without lagged variables and another set with lagged variables

Multiple linear regressions using OLS technique were used to estimate the coefficients A few variables, viz, AVPCEG, AVPCEBD and RELCWPI had to be dropped from the analysis as these were found to be highly correlated with other explanatory variables The PDS variable was also found to be strongly correlated with the price variable RELFDPR and its lagged version in the time series analysis In such a situation it is common among researchers to drop one of the two collinear variables However this could affect the estimates of the retained variables [Koutsoyiannis 1977] particularly if it is an important one Using a procedure akin to Frisch's confluence analysis suggested by Koutsoyiannis which

TABLE 3 DETERMINANTS OF RURAL POVERTY IN INDIA 1957 58 TO 1986 87

Equation No	Estimated Linear Equations	R^2	DW Statistic
Dependent Variable Head Count Ratio (in per cent)			
Without Lagged Variables			
1	125 8248* – 0 4643 NDPPRM* + 0 0328 RELFDPR	0 64	1 8014
2	84 5681* 243 7478 INDAGRI* + 0 1733 RELFDPR	0 51	1 5947
3	70 6672** 206 6404 INDFDGR* + 0 2185 RELFDPR	0 49	1 5947
4	113 4423** – 0 4599 NDPAGRI* + 0 0276 RELFDPR + 29 3922 INEQRC	0 58	1 7118
5	118 4528** – 0 4655 NDPPRM* + 0 0515 RELFDPR + 18 5776 INEQRC	0 64	1 8479
6	69 2002 206 6731 INDFDGR* + 0 2222 RELFDPR + 3 6017 INEQRC	0 49	1 4335
With Lagged Variables			
7	112 9312* – 413 3022 INDAGRI* + 0 2685 RELFDPR***	0 80	1 5247
8	98 0312* 323 4192 INDFDGR* + 0 2075 RELFDPR	0 79	1 5369
9	180 4665* – 0 8017 NDPAGRI* – 0 5094 PDS*** + 26 3342 INEQRC	0 84	1 7635
10	183 3582 – 0 7759 NDPPRM* – O 4129 PDS + 15 7246 INEQRC	0 85	1 6617
11	99 9550* 416 7543 INDAGRI* + 0 2980 RELFDPR** + 35 2317 INEQRC	0 80	1 6809
12	96 7555* – 323 4634 INDFDGR + RELFDPR + 3 3385 INEQRC	0 79	1 5474
Dependent Variable Sen s Poverty Index			
Without Lagged Variables			
13	0 5730* – 0 0028 NDPAGRI* + 0 0008 RELFDPR	0 72	1 8680
14	0 5659* – 0 0028 NDPPRM* + 0 0010 RELFDPR	0 76	2 0353
15	0 3318** 1 5254 INDAGRI*+ 0 0019 RELFDPR***	0 67	1 6658
16	0 2464** – 1 3053 INDFDGR* + 0 0022 RELFDGR**	0 66	1 5626
17	0 5536** 0 0028 NDPAGRI* + 0 0010 RELFDPR + 0 0500 INEQRC	0 72	1 8854
With Lagged Variables			
18	0 8566* – 0 0040 NDPAGRI* + 0 0004 RELFDPR	0 81	1 0839
19	0 8443* 0 0039 NDPPRM* + 0 0003 RELFDPR	0 82	1 5979
20	0 4703* – 2 3514 INDAGRI* + 0 0024 RELFDPR*	0 86	1 6559
21	0 3872* – 1 8503 INDFDGR* + 0 0020 RELFDPR*	0 86	1 6266
22	0 9290* 0 0043 NDPAGRI* – 0 0018 PDS + 0 0271 INEQRC	0 84	1 7173
23	0 7796* – 0 0041 NDPAGRI* + 0 0002 RELFDPR + 0 2399 INEQRC	0 82	1 5921
24	0 7932* – 0 0040 NDPPRM* + 0 0004 RELFDPR + 0 1522 INEQRC	0 83	1 6222
25	0 4543* – 2 3557 INDAGRI* + 0 0024 RELFDPR* + 0 0435 INEQRC	0 86	1 6640

Notes (1) For a description of the independent variables refer the text

(2) *, ** ***—Statistically significant at 1, 5 and 10 per cent levels of signifi

(3) In the equations with lagged variables only the agricultural output and price variables are used in their lagged forms the other variables in this set of equations are not lagged

enables one to test for the presence of multicollinearity and also adjudge which of such variables to include or drop, it was noted that inclusion of PDS resulted only in a slight improvement in the R^2 Hence in the time series analysis wherever price was included as an explanatory variable, the PDS variable was excluded However, because of our interest in knowing the nature of relationship between PDS and the incidence of poverty, we also fitted a set of equations excluding the price variable but including PDS Only those equations which gave meaningful results have been presented These estimated equations for the time series analysis are presented in Table 3

The results are quite interesting As evident while agricultural output variables are negatively correlated with the incidence of rural poverty measured in terms of either the head count ratio or the Sen s poverty index, the relative food price variable is positively correlated with poverty The coefficients are statistically significant in most cases These results are in conformity with the findings of Ahluwalia and Narain More noteworthy is that while the PDS variable has the expected negative sign, the inequality in rural consumption (a proxy for income inequality) is positively correlated with poverty This is true of both sets of equations where we have used or not used lagged variables as well as where the dependent variable are alternatively the head count ratio and the Sen's poverty index Thus our results suggest that while agricultural growth and PDS tend to reduce rural poverty, price and inequality in rural consumption which are positively correlated with poverty tend to push it up The R^2s of most of the equations are not only quite high but also they are much higher in the case of the equations using lagged variables, indicating the important role of dynamic factors in affecting the incidence of rural poverty

To analyse factors affecting the inter-state incidence of rural poverty in India we now turn to the results of our cross-section analysis presented in Table 4 Here again while agricultural growth was negatively correlated with poverty, price variable was positively correlated with poverty The PDS variable was negatively correlated with poverty Interestingly RPPAL and INEQRC were positively correlated with poerty indicating that rural population pressure on agricultural lands as well as inequality in rural consumption exercise an upward-push effect on poverty Infrastructure development index was negatively correlated with poverty, as it should be Again, as earlier, these observations generally hold true for the four sets of equations, i e, with/without lagged variables and where the dependent variable are alternatively the head count ratio and the Sen's poverty index The R^2s of most of the equations were quite high Thus our cross-section analysis reveals that while the incidence of rural poverty across states is negatively correlated with agricultural growth, PDS and the level of infrastructure development, it is positively correlated with price, rural population pressure on agricultural lands and inequality in rural consumption

IV
Conclusions

Contrary to the findings of other researchers of there being no underlying time trends in rural poverty in India, our evidence shows that there were distinct time

TABLE 4 DETERMINANTS OF INTER STATE INCIDENCE OF RURAL POVERTY IN INDIA – A CROSS SECTION ANALYSIS FOR 1960 61 1970 71 AND 1986 87

Equation No	Estimated Linear Equations	
	Year 1960-61	
	Dependent Variable Head Count Ratio (in per cent)	
	Without Lagged Variables	
1	–87 6262 – 0 0639 NDPAGRI*** + 1 4284 FDFR + 4 3046 RPPAL – 0 6847 PDS	0 53
2	–30 8533 – 0 0760 NDPAGRI** + 9 9978 INEQRC + 0 8952 FDPR + 2 1655 RPPAL	0 50
	Dependent Variable Sen s Poverty Index	
	Without Lagged Variables	
3	–0 8299 – 0 0004 NDPAGRI*** + 0 0107 FDPR*** + 0 0264 RPPAL – 0 0050 PDS	0 59
4	–0 4209 0 0005 NDPAGRI** + 0 1121 INEQRC + 0 0067 FDPR + 0 0108 RPPAL	0 55
	Year 1970-71	
	Dependent Variable Head Count Ratio (in per cent)	
	Without Lagged Variables	
5	10 8175 – 0 0555 NDPAGRI** + 111 9093 INEQRC + 0 1126 FDPR + 2 8090 RPPAL – 0 1607 PDSFP	0 70
6	0 9489 – 0 0560 NDPAGRI** + 130 1453 INEQRC + 0 2424 RELFDPR + 3 1941 RPPAL – 0 1120 PDSFP	0 69
	With Lagged Variables	
7	–66 1861 – 0 0506 NDPAGRI** + 1 1489 RELFDPR + 4 2802 RPPAL – 0 2267 PDSFP	0 63
8	4 5138 –0 0590 NDPAGRI* + 149 0907 INEQRC*** + 0 0785 FDPR + 2 6643 RPPAL	0 70
9	5 6970 – 0 0566 NDPAGRI** + 130 8710 INEQRC + 0945 FDPR + 3 1153 RPPAL – 0 0756 PDSFP	0 71
	Dependent Variable Sen s Poverty Index	
	Without Lagged Variables	
10	–0 1514 – 0 0002 NDPAGRI + 0 0020 FDPR*** + 0168 RPPAL – 0 0022 PDSFP***	0 61
11	0 2173 – 0 0002 NDPAGRI*** + 0 6703 INEQRC + 0 0014 FDPR + 0 0156 RPPAL – 0013 PDSFP	0 66
	With Lagged Variables	
12	–0 1750 – 0 0003 NDPAGRI** + 0 0022 FDPR**	0 52
13	–0 2551 – 0 0003 NDPAGRI** + 0 9191 INEQRC** + 0 0012 FDPR – 0 0131 RPPAL	0 66
14	–0 2470 – 0 0002 NDPAGRI*** + 0 7950 INEQRC + 0 0013 FDPR + 0 0162 RPPAL – 0 0005 PDSFP	0 66
	Year 1986-87	
	Dependent Variable Head Count Ratio (in per cent)	
	Without Lagged Variables	
15	12 2324 – 0 0256 NDPAGRI** + 0 0372 FDPR	0 43
16	29 8869 – 0 1595 INFDEVIND** + 0 0202 FDPR + 1 1758 RPPAL – 0 1263 PDSr	0 41
	With Lagged Variables	
17	41 5414 – 0 0329 NDPAGRI* + 0 0052 FDPR + 0 0219 RPPAL – 0 2959 PDSr***	0 62
18	22 0765 – 0 0322 NDPAGRI* + 0 2062 RELFDPR + 0 0565 RPPAL – 0 2950 PDSr***	0 62
	Dependent Variable Sen s Poverty Index	
	Without Lagged Variables	
19	0 0271 – 0 0001 NDPAGRI** + 0 0002 FDPR	0 43
20	0 1033 – 0 0007 INFDEVIND** + 0 0001 FDPR + 0 0054 RPPAL – 0 0006 PDSr	0 41
	With Lagged Variables	
21	0 1567 – 0 0001 NDPAGRI* + 0 00002 FDPR+ 0 0001 RPPAL – 0 0014 PDSr***	0 62
22	0 0651 – 0 0001 NDPAGRI* + 0 0010 RELFDPR + 0 0003 RPPAL – 0 0013 PDSr***	0 62

Notes (1) For a description of the independent variables refer the text
(2) *, **, ***—Statistically significant at 1, 5 and 10 per cent levels of significance
(3) In the equations with lagged variables only the agricultural output and price variables are used in their lagged forms, the other variables in this set of equations are not lagged.

trends both in respect of the head count ratio and the Sen's poverty index. However while these trends were positive and significant in Period I (1957-58 to 1968-69) they were negative and significant during Period II (1969-70 to 1986-87). This phenomenon was true of trends for most states as well, though in three or four states negative trends were reported in both periods. Further, the rate of decline in rural poverty during the latter period was much higher than the rate of increase in rural poverty in the preceding period for all-India and most states. Our study observes a strong negative link between agricultural growth and the incidence of rural poverty in India while price was positively (and significantly too in a number of cases) correlated with rural poverty. These findings are in conformity with those of Ahluwalia earlier and more recently of Dharm Narain. Further our study shows that while access to subsidised food through the public distribution system is negatively correlated with rural poverty, rural population pressure on agricultural lands and inequality in rural consumption were positively correlated with rural poverty. The level of infrastructure development too was negatively correlated with the incidence of rural poverty.

The findings of our study suggest that policies to accelerate agricultural growth, infrastructure development and give better access to subsidised food through the PDS along with measures to control inflation promise to be most effective in reducing rural poverty in India. Measures to control rapid population growth and promoting environmental conservation too ought to be integrated into anti-poverty alleviation strategies in India.

A word or two about the implications of recent policy initiatives in India euphemistically called structural adjustments on rural poverty in India may not be out of place. The low priority accorded to agriculture compared to industry, the slashing of public expenditures on social sectors including food subsidies as part of the government's fiscal deficit pruning exercises are to the detriment of India's poor and if persisted could as well reverse the negative trends in rural poverty visible after 1969-70.

[The author expresses his thanks to M V Nadkarni and T Krishna Kumar for their suggestions and also to Amartya Sen, Montek S Ahluwalia, Hans W Singer, Michael Lipton and Kirit S Parekh for their comments.]

References

Ahluwalia, Montek S (1978): 'Rural Poverty in India 1956-57 to 1973-74' in India: Occasional Papers, World Bank Staff Working Paper No 279, November.

Bardhan, Pranab K (1973): 'On the Incidence of Poverty in Rural India in the Sixties' in K S Krishnaswamy (ed) (1990).

Bardhan, Pranab K and T N Srinivasan (1974): *Poverty and Income Distribution in India*, Statistical Publishing Society, Calcutta.

Bhattacharya, N, D Coondoo, P Maiti and R Mukherjee (1991): *Poverty, Inequality and Prices in Rural India*, Sage Publications, New Delhi.

Dandekar, V M and N Rath (1971): 'Poverty in India', *Economic and Political Weekly*, January 2 and 9.

Dantwala, M L (1985): 'Technology, Growth and Equity in Agriculture' in Mellor and Desai (eds) (1985).

Griffin, K B and A K Ghose (1979): 'Growth and Impoverishment in the Rural Areas of Asia', *World Development*, Vol 7, Nos 4/5.

Koutsoyannis, A (1977): *Theory of Econometrics*, ELBS/Macmillan, London, 2nd Edition.

Krishnaswamy, K S (ed) (1990): *Poverty and Income Distribution in India*, Sameeksha Trust and Oxford University Press, Bombay.

Mahendra Dev, S, Kirit S Parikh and M H Suryanarayana (1991): 'Rural Poverty in India—Incidence, Issues and Policies', Discussion Paper No 55, Indira Gandhi Institute of Development Research, Bombay, June.

Mellor, John W and Gunwant M Desai (1985): *Agricultural Growth and Rural Poverty—Variations on a Theme by Dharm Narain*, IFPRI/John Hopkins University Press, Baltimore and London.

Minhas, B S (1970): 'Rural Poverty, Land Distribution and Development', *Indian Economic Review*, Vol 5.

Rajaraman, Indira (1975): 'Poverty, Inequality and Economic Growth: Rural Punjab—1960-61 to 1970-71', *Journal of Development Studies*, July.

Rao, V G and G P Mishra (1981): 'Rural Poverty—Growth and Determinants' *Anvesak* (Journal of the Sardar Patel Institute of Economic and Social Research, Ahmedabad), Vol XI, Nos 1-2, June-December.

Sen, Amartya S (1981): *Poverty and Famines: An Essay on Entitlements and Deprivation*, Oxford University Press, New Delhi.

Srinivasan, T N and Pranab K Bardhan (1988): *Rural Poverty in South Asia*, Oxford University Press, New Delhi.

Sundrum, R M (1987): *Growth and Income Distribution in India—Policy and Performance since Independence*, Sage Publications, New Delhi.

World Bank (1990): *World Development Report 1990—Poverty*, Oxford University Press, New York.

DISCUSSION

NEP and Trade Union Response

N Sundaramurthy

SARATH DAVALA ('New Economic Policy and Trade Union Response', *EPW*, February 19) has shown considerable sincerity in bringing into focus the multi-dimensional problems confronting the Indian trade union movement. De-politicalisation and de-unionisation of labour are global phenomena and union power is declining. The process has accelerated with the advent of new economic policy (NEP) and globalisation. Even in our country, we can come across instances where the number of non-members of any union is bigger than the membership of any union. Secondly, the loyalty of the union member is brittle. Outside the gates of the factory, the worker is guided by various other factors and acts in a manner that defy his class positions. Isn't it paradoxical that workers' combinations have not turned into vote banks in our country! It was said, trade unions are the schools of socialism. Well, let the matter be debated.

In the Indian context, two more factors need consideration: The emergence of caste welfare associations based on job reservations and 'feminisation' of labour. They were not new but their influence has widened. Karl Marx wrote about the Asiatic mode of production, as characteristic of India. Similarly, the two factors are typical and unique in the Indian context. Already the numerical base of the organised workforce is narrow. Within that, a new factor based on job reservations is on the rise. In most of the public sector industries and government offices, the constitutional provisions for SC and ST people in matters of recruitment and promotions are scrupulously implemented. The simple arithmetic is, roughly about 22.5 per cent of the organised workers belong to the SC and ST. This reform could come about due to the efforts of the mainstream trade union movement. However, the emotional integration, the necessary socialisation, has not occurred side by side. In a country already ravaged by a multiplicity of unions, an island of workers grouped on caste basis becomes disconcerting. The SC/ST employees are forming their own welfare organisations and show an increasing tendency to play into the hands of the government in times of strike struggles. In a situation of galloping unemployment, the caste factors can detonate social explosions. The organised trade union movement is sitting on a simmering volcano.

Second, the 'feminisation of labour'. The role of women in agriculture is well known. About 75 per cent of our country lives in the villages. Even in rural India, women constitute major part in the production process, in the agriculture and in the agro-based industries. They come under the unorganised sector. This sector, unfortunately, is not in a position to create public opinion. Public opinion is created by

the urban middle class who are the main base of the organised working class This section is educated, skilled, communicative and organised but constantly vascillating Among this section, the proportion of women is on the increase But the continuously increasing number of women employees does not reflect in the life of the trade unions and decision making They may have a grouse that they are doubly exploited, at home and in the workplace Then, there are the social factors and the misconceptions The woman is a mother, a wife, a cook and dishwasher and a wage-earner Her every activity is scrutinised, most of the times with prejudices and doubts Whether she is emancipated in the real sense is a matter of concern The reality is that women employees are not able to play a vital role in trade unions

Davala has suggested many things Trade union unity is undoubtedly of paramount importance In itself it is a political task It implies, trade unions must have politics and must be able to forge a cohesive unity based on common political understanding That is the answer against de-politicalisation that carries within it the deadly virus to de-unionisation and would fragment the trade union movement Trade unions can be delinked from political parties However, they cannot be delinked from politics The talk of 'no politics' for the workers is an ideological and political offensive

Second, the author suggests international solidarity of the working people as a measure against the globalisation of acute crisis perpetrated by the transnational agencies He also suggests workers' take-over of sick industries, i e, workers' sector, which to me, appears a romantic suggestion It has no doubt worked very well in Kamani Industries and Kerala Dinesh Beedi However, the idea is something akin to the collective forms in the erstwhile Soviet Union It did not work there, apparently The farmers did not feel a sense of belonging There are various difficulties For example, the Kamani experiment could not work in the plywood factory

As for the question of international working class solidarity, the backdrop is frustrating A split in the international communist movement with its ramifications on communist movements in different countries, the devastating set-backs suffered by socialism in Soviet Union and other east European countries, the capacity of capitalism to spring back and hold sway over the world and information imperialism have taken a heavy toll The Communist Party of India was split in 1968 These splits and fragmentations have done immense harm When one advocates the unification of trade unions, the other speaks in favour of forming a confederation. One union itches to grow at the expense of the other There is always that race for one up-manship It is the wheel within the wheel Some thing like 90 per cent of the workforce is unorganised Why is there no urge and initiative to organise them? All these questions are to be directed inwards Otherwise, as Davala has remarked, the already marginalised trade unions are bound to be overtaken by the structural adjustment programme

Lastly NEP will bring along with it its own miseries While more and more struggles are taking place, the ruling classes are resorting to counter-attack with lock outs and closures What can be the new weapon in the hands of the workers' movement? Has the weapon of 'strike' become obsolete? Can it be substituted by something else? Every struggle of the working people, in whatever form it occurs, is an expression of dissent against the ruling class and the government policies If all the struggles can be channelised on the basis of a common programme, cohesively and shorn of all sectarianism and demagogy, it will certainly unleash a tremendous force. Specifically, the two major communist parties must unite followed or preceded by the merger of all the mass fronts This appears inevitable Delay, distrust and cynicism will spell doom Unification of the communist movement will release a tremendous force in the country and will polarise the entire political process The democratic roots will grow deeper and stronger A whole new generation of new workers, the technocrats, the scientific community, the academicians and the ancillary social movements and above all, the movement of women will regenerate, coming under the healthy influence of the unified communist movement The overall impact of such a catalytic process on the trade union movement can hardly be missed

Printed by Krishna Raj at Modern Arts and Industries, 151, A-Z Industrial Estate, Ganpatrao Kadam Marg, Lower Parel, Bombay 400 013 and published by him for Sameeksha Trust from Hitkari House, 284, Shahid Bhagatsingh Road, Bombay-400 038

Regd No M H-By/Sou